



## **AURORA SPINE CORPORATION**

### **Management Information Circular**

**May 21, 2019**



## MANAGEMENT INFORMATION CIRCULAR

### VOTING AND PROXIES

#### Solicitation of Proxies

**This Management Information Circular (the "Information Circular") is furnished in connection with the solicitation by the management of Aurora Spine Corporation (the "Corporation" or "Aurora"), of proxies to be used at the Annual and Special Meeting of shareholders of the Corporation (the "Meeting"), to be held on June 25, 2019 at the time and place and for the purposes set forth in the Notice of Annual and Special Meeting of shareholders of the Corporation (the "Notice of Meeting") or any adjournment thereof.**

Unless otherwise indicated, the information contained in this Information Circular is given as of May 21, 2019. The Corporation's business is conducted principally in the United States, and its revenue and expenses are denominated, earned and incurred in United States dollars. In this Information Circular, unless otherwise indicated, all "dollar" amounts or references to "U.S.\$" or "\$" refer to United States dollars. References to "CDN\$" are to Canadian dollars. For the purposes of this Information Circular, all figures converted into United States dollars were calculated based on the noon rate of exchange posted by the Bank of Canada for conversion of one Canadian dollar into United States dollars on December 31, 2018.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Corporation who will not be additionally compensated therefor. Brokers, nominees or other persons holding shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The Corporation will assume the costs of solicitation, which are expected to be minimal.

#### Appointment and Revocation of Proxies

The persons named as proxyholders in the enclosed form of proxy are directors and/or officers of the Corporation.

**A shareholder submitting a form of proxy has the right to appoint a person other than the persons indicated in such proxy form to act as his or her proxyholder. To do so, the shareholder must write the name of such person in the appropriate space on the form of proxy.**

In order to ensure they are counted, duly completed proxies must be received at the office of TSX Trust Company, 100 Adelaide Street West, Suite 301 Toronto ON M5H 1S3, Attention: Proxy Department no later than 11:00 a.m. (Toronto time) on June 21, 2019, or with the Chair of the Meeting before the commencement of the Meeting, or, if the Meeting is adjourned, no later than 5:00 p.m. (Toronto time) on the second last business day prior to the date of such adjourned Meeting or with the Chair of the Meeting before the commencement of such adjourned Meeting. A person acting as proxyholder need not be a shareholder of the Corporation.

The persons named as proxies will vote or withhold from voting the shares in respect of which they are appointed or vote for or against any particular question, in accordance with the instructions of the shareholder appointing them. In the absence of such instructions, the shares will be voted in favour of all matters identified in the enclosed Notice of Meeting. The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, the management of the Corporation knows of no such amendment, variation or other matter expected to come

before the Meeting other than the matters referred to in the Notice of Meeting. However, if any amendments or other matters not known to management should properly come before the Meeting, the accompanying form of proxy confers discretionary authority upon the persons named therein to vote on such amendments or matters in accordance with their best judgment.

A shareholder giving a proxy may revoke it at all times by a document signed by him or her or by a proxyholder authorized in writing or, if the shareholder is a corporation, by a document signed by an officer or a proxyholder duly authorized, given to TSX Trust Company, 100 Adelaide Street West, Suite 301 Toronto ON M5H 1S3, Attention: Proxy Department, no later than 5:00 p.m. on the second last business day prior to the date of the Meeting or any adjournment thereof at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

### **Advice to Beneficial Holders**

**The information set forth in this section should be reviewed carefully by beneficial shareholders of the Corporation. Shareholders who do not hold their shares in their own name should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of shares, or the persons they appoint as their proxies, will be recognized and acted upon at the Meeting.**

The information set forth in this section is of significant importance to many shareholders of the Corporation, as a substantial number of shareholders do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to herein as "**beneficial shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Corporation. Such shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted upon the instructions of the beneficial shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, beneficial shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by beneficial shareholders in order to ensure that their shares are voted at the Meeting. Often, the form of proxy supplied to a beneficial shareholder by its broker is identical to the form of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the beneficial shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the form of proxy. The beneficial shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the beneficial shareholder can call a toll free telephone number to vote the shares held by the beneficial shareholder or vote via the internet at [www.proxyvote.com](http://www.proxyvote.com). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A beneficial shareholder receiving a voting instruction form cannot use that voting instruction form to vote shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted.

Although a beneficial shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his broker (or agent of the broker), a beneficial shareholder may attend at the Meeting as proxyholder for a registered shareholder and vote the shares in that capacity. Beneficial shareholders who wish to attend at the Meeting and indirectly vote their shares as proxyholder for a registered shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting

**All references to "shareholders" in this Information Circular and the accompanying form of proxy and Notice of Meeting are to registered shareholders unless specifically stated otherwise.**

### **Non-Objecting Beneficial Owners**

The Meeting materials are being sent to both registered and beneficial shareholders of the securities. If you are a beneficial shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the Corporation (and not the intermediary holding on your behalf) has assumed responsibility for: (a) delivering these materials to you; and (b) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting delivered to you.

### **Voting Shares and Principal Shareholders Thereof**

The authorized share capital of the Corporation consists of: (i) an unlimited number of voting common shares (the "**Voting Common Shares**"); (ii) an unlimited number of restricted voting common shares ("**Restricted Voting Common Shares**", and together with the Voting Common Shares, the "**Common Shares**"); and (iii) an unlimited number of preferred shares issuable in series. As of May 21, 2019, the Corporation had (i) 41,132,247 Voting Common Shares outstanding, each of which carries the right to one vote in respect of each of the matters properly coming before the Meeting, except for the election of directors, for which cumulative voting is used (for additional details with respect to cumulative voting, please refer to the information set out under the heading "Election of Directors"); (ii) 5,301,762 Restricted Voting Common Shares outstanding, each of which carries the same voting right as the Voting Common Shares, except does not carry the right to vote in respect of the election of directors of the Corporation, including at the Meeting; and (iii) no preferred shares issued and outstanding.

In connection with an Offer (as hereinafter defined), the Restricted Voting Common Shares are redeemable by the Corporation, at the option of the holder thereof and under certain circumstances, at a price per share equal to the value of the consideration offered under such Offer which, in the case of non-cash consideration, shall be determined solely by the board of directors of the Corporation (the "**Board of Directors**" or the "**Board**"). For the purpose of the foregoing, an "**Offer**" means an offer to purchase Voting Common Shares which must be made, by reason of applicable securities legislation or by applicable laws, regulations or policies of a stock exchange on which the Voting Common Shares are listed, to all or substantially all of the holders of Voting Common Shares any of whom are in a province or territory of Canada to which the relevant requirement applies.

The Board has fixed a record date of May 21, 2019 (the "**Record Date**") to determine shareholders entitled to receive the Notice of Meeting. The failure of any shareholder to receive a copy of the Notice of Meeting does not deprive the shareholder of the right to vote at the Meeting. Only holders of Common Shares as of the Record Date are entitled to vote such Common Shares at the Meeting.

To the knowledge of the directors and executive officers of the Corporation, as at the Record Date no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to all outstanding Voting Common Shares, other than as set out below:

| Shareholder          | Number of Voting Common Shares Held <sup>(1)</sup> | Percentage of Voting Common Shares Held |
|----------------------|----------------------------------------------------|-----------------------------------------|
| David A. Rosenkrantz | 7,207,500 <sup>(2)</sup>                           | 17.52%                                  |

NOTES:

- (1) The information as to shares beneficially owned, directly or indirectly, or over which control is exercised is not within the knowledge of the Corporation and has been furnished by the respective individuals.
- (2) 1,172,500 of these Voting Common Shares are registered in the name of Black Cape Financial Corp., a company that Mr. Rosenkrantz is President of and exercises direction over, and 5,982,000 are held in registered plans.

To the knowledge of the directors and executive officers of the Corporation, as at the Record Date no person or company beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation carrying 10% or more of the voting rights attached to all outstanding Restricted Voting Common Shares, other than as set out below:

| Shareholder        | Number of Restricted Voting Common Shares Held <sup>(1)</sup> | Percentage of Restricted Voting Common Shares Held |
|--------------------|---------------------------------------------------------------|----------------------------------------------------|
| Trent J. Northcutt | 3,829,762 <sup>(2)</sup>                                      | 72.24%                                             |
| James Snow         | 600,000                                                       | 11.32%                                             |

NOTES:

- (1) The information as to shares beneficially owned, directly or indirectly, or over which control is exercised is not within the knowledge of the Corporation and has been furnished by the respective individuals.
- (2) 2,900,007 of these Restricted Voting Common Shares are registered in the name of Trent J. Northcutt, in trust.

## Forms of Proxy

One or both of the following forms of proxy accompany this Information Circular for use at the Meeting by shareholders:

- holders of Voting Common Shares should complete and return the form of proxy printed on BLUE paper;
- holders of Restricted Voting Common Shares should complete and return the form of proxy printed on YELLOW paper; and
- shareholders who hold both Voting Common Shares and Restricted Voting Common Shares should complete and return BOTH forms of proxy,

all in accordance with the instructions set out in the Notice of Meeting, this Information Circular and the accompanying form(s) of proxy.

## BUSINESS TO BE TRANSACTED AT THE MEETING

### Election of Directors

The Articles of the Corporation provide that the Board shall be composed of a minimum of one and a maximum of 10 directors. Management of the Corporation proposes the six persons named in the table on the following page as candidates for election as directors. Each elected director will remain in office until

the next annual meeting of the shareholders or until his successor is elected or appointed, unless his post is vacated earlier. The candidates proposed by the management of the Corporation have been directors of the Corporation since the dates indicated below.

**Unless instructions are given to abstain from voting with regard to the election of directors, the persons whose names appear on the enclosed form of proxy will vote in favour of the election of each of the six nominees whose names are set out in the table on the following page.**

Management of the Corporation does not foresee that any of the following nominees listed below will be unable or, for any reason, unwilling to perform his duties as a director. In the event that the foregoing occurs for any reason, prior to the election, the persons indicated on the enclosed form of proxy reserve the right to vote for another candidate of their choice unless otherwise instructed by the shareholder in the form of proxy to abstain from voting on the election of directors. **Only shareholders holding Voting Common Shares are entitled to vote for the election of directors. The Restricted Voting Common Shares do not carry the right to vote for the election of directors.**

The articles of the Corporation provide for cumulative voting for holders of Voting Common Shares in the election of directors. Each holder of Voting Common Shares has the right to cast a number of votes in the election of directors of the Corporation equal to the number of votes attached to the Voting Common Shares held by the holder multiplied by the number of directors to be elected. The holder may cast all such votes in favour of one candidate or distribute such votes among the candidates in any manner the holder sees fit. Where the holder has voted for more than one candidate without specifying the distribution of the holder's votes among such candidates, the holder will be deemed to have distributed the holder's votes equally among the candidates for whom the holder voted. If a holder wishes to distribute the holder's votes other than equally among the nominees for whom the holder has directed the management representatives designated in the enclosed form of proxy to vote, then the holder must do so personally at the meeting or by another proper form of proxy, which can be obtained from the Secretary of the Corporation.

In order for the resolution to be passed, approval by the majority of the votes cast by all of the holders of Voting Common Shares, present in person and by proxy at the Meeting, is required.

The enclosed form of proxy allows the holders of Voting Common Shares to direct proxyholders to vote individually for each of the nominees named below as a director of the Corporation. At any meeting where shareholders vote on the election of directors, any individual nominee who receives a greater number of votes "withheld" than votes "for" will be required by the Corporation to tender his resignation to the Board promptly following the meeting. The resignation will be effective when accepted by the Board. The Board expects that resignations will be accepted, unless extenuating circumstances warrant a contrary decision. The Corporation will announce the Board's decision (including the reason for not accepting any resignation) by news release within 90 days following the date of the Meeting. Any director who tenders his or her resignation in this situation will not participate in any meeting of the Board where his or her resignation is considered. Management of the Corporation has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

The following tables and notes set out the names of the individuals proposed by management for election as directors of the Corporation, their principal occupation, the date they first became a director of the Corporation and the number of Voting Common Shares and Restricted Voting Common Shares of the Corporation beneficially owned, controlled or directed, directly or indirectly, by them as at May 29, 2018.

|                                                                                                                                  |                                                                                                                                                                                                                                                                                                                                                                  |
|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Trent J. Northcutt</p> <p>California, United States of America</p> <p>Director Since: July 4, 2013</p> <p>Not Independent</p> | <b>Principal Occupation (past 5 years)</b>                                                                                                                                                                                                                                                                                                                       |
|                                                                                                                                  | President and Chief Executive Officer of Aurora Spine, Inc. since February, 2012. Previously Vice-President of Spineart USA Inc. from April, 2009 to December, 2011, and Vice President of Sales and Operations of Lanx LLC from May, 2007 to December, 2008, and Vice President of Sales and Marketing of Alphatech Spine Inc. from August, 2003 to June, 2007. |
|                                                                                                                                  | <b>Current Public Board Membership</b>                                                                                                                                                                                                                                                                                                                           |
|                                                                                                                                  | None                                                                                                                                                                                                                                                                                                                                                             |
|                                                                                                                                  | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b>                                                                                                                                                                                                                                                                               |
|                                                                                                                                  | 1,349,731 Voting Common Shares                                                                                                                                                                                                                                                                                                                                   |
|                                                                                                                                  | 3,829,762 Restricted Voting Common Shares <sup>(4)</sup>                                                                                                                                                                                                                                                                                                         |

|                                                                                                                         |                                                                                                                 |
|-------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------|
| <p>David A. Rosenkrantz<sup>(2)</sup></p> <p>Ontario, Canada</p> <p>Director Since: July 4, 2013</p> <p>Independent</p> | <b>Principal Occupation (past 5 years)</b>                                                                      |
|                                                                                                                         | Principal of Patca Corporation since 1993.                                                                      |
|                                                                                                                         | <b>Current Public Board Membership</b>                                                                          |
|                                                                                                                         | NexgenRx Inc. (TSXV: NXG)<br>Pinehurst Capital I Inc. (TSXV: PHT.P)<br>Pinehurst Capital II Inc. (TSXV: PINH.P) |
|                                                                                                                         | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b>                              |
|                                                                                                                         | 7,207,500 Voting Common Shares <sup>(5)</sup>                                                                   |

|                                                                                                                                    |                                                                                                                                                                                                                       |
|------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>James Snow<sup>(3)</sup></p> <p>California, United States of America</p> <p>Director Since: July 4, 2013</p> <p>Independent</p> | <b>Principal Occupation (past 5 years)</b>                                                                                                                                                                            |
|                                                                                                                                    | President and Chief Executive Officer of Pensar Medical, LLC since November, 2014. Previously, President and Chief Executive Officer of Renaissance Biologic & Medical Resources from October 2011 to September 2014. |
|                                                                                                                                    | <b>Current Public Board Membership</b>                                                                                                                                                                                |
|                                                                                                                                    | None                                                                                                                                                                                                                  |
|                                                                                                                                    | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b>                                                                                                                                    |
|                                                                                                                                    | 495,732 Voting Common Shares                                                                                                                                                                                          |
|                                                                                                                                    | 600,000 Restricted Voting Common Shares                                                                                                                                                                               |

|                                                                                                                     |                                                                                    |
|---------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------|
| <p>Tracy A. Graf<sup>(2)(3)</sup></p> <p>Alberta, Canada</p> <p>Director Since: July 4, 2013</p> <p>Independent</p> | <b>Principal Occupation (past 5 years)</b>                                         |
|                                                                                                                     | President of Carfinco Financial Group Inc. since 1998.                             |
|                                                                                                                     | <b>Current Public Board Membership</b>                                             |
|                                                                                                                     | Trakopolis IoT Corp (TSXV: TRAK)<br>Pinehurst Capital II Inc. (TSXV: PINH.P)       |
|                                                                                                                     | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b> |
|                                                                                                                     | 70,000 Voting Common Shares                                                        |

|                                            |                                                                                                                                                                                                                |
|--------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>J. Daryl MacLellan<sup>(2)(3)</sup></p> | <b>Principal Occupation (past 5 years)</b>                                                                                                                                                                     |
|                                            | President of CWB Maxium Financial since March, 2016. Previously, President of Desante Financial Services Inc. from November, 2011 to March, 2016, and Managing Director of Maxium Financial Services Inc. from |

|                                 |                                                                                                                                                                                       |
|---------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Ontario, Canada                 | November, 2011 to March, 2016. Previously President of CIT Financial Ltd. from 1990 to October, 2011, and President of CIT Group Securities (Canada) Inc. from 1995 to October, 2011. |
| Director Since:<br>July 4, 2013 | <b>Current Public Board Membership</b><br>None                                                                                                                                        |
| Independent                     | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b><br>393,000 Voting Common Shares <sup>(6)</sup>                                                     |

  

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|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Michael Seid                         | <b>Principal Occupation (past 5 years)</b><br>Managing director of Axxcess since June, 2012, President of MK Capital Advisors, LLC since June, 2012 and Chief Executive Officer of Axxcess eBx since January, 2013. Previously a partner with Martin Kelly Capital Management from August, 2007 to June, 2012. |
| California, United States of America |                                                                                                                                                                                                                                                                                                                |
| Director Since:<br>July 4, 2013      | <b>Current Public Board Membership</b><br>None                                                                                                                                                                                                                                                                 |
| Independent                          | <b>Voting Common Shares and Restricted Voting Common Shares Held<sup>(1)</sup></b><br>97,000 Voting Common Shares <sup>(7)</sup>                                                                                                                                                                               |

NOTES:

- (1) The information as to shares beneficially owned, directly or indirectly, or over which control is exercised is not within the knowledge of the Corporation and has been furnished by the respective individuals.
- (2) Current member of the Corporation's audit committee (the "**Audit Committee**").
- (3) Current member of the Corporation's corporate governance and compensation committee (the "**Corporate Governance and Compensation Committee**").
- (4) 2,900,007 of these Restricted Voting Common Shares are registered in the name of Trent J. Northcutt, in trust.
- (5) 1,172,500 of these Voting Common Shares are registered in the name of Black Cape Financial Corp., a company that Mr. Rosenkrantz is President of and exercises direction over, and 5,982,000 are held in registered plans.
- (6) 250,000 of these Voting Common Shares are registered in the name of Bella Vista Capital, a company that Mr. MacLellan exercises direction over.
- (7) These shares are registered in the name of The Seid Family Trust, of which Mr. Seid is a trustee.

There are no contracts, arrangements or understandings between any nominee and any other person (other than the directors and officers of the Corporation acting solely in such capacity) pursuant to which the nominee has been or is to be elected as a director.

As at May 21, 2019, the proposed directors of the Corporation as a group (six persons) owned beneficially or exercised control or direction over: (i) 9,612,963 Voting Common Shares, or approximately 23.37% of the outstanding Voting Common Shares; (ii) 4,429,762 Restricted Voting Common Shares, or approximately 80.54% of the outstanding Restricted Voting Common Shares; and (iii) 14,042,725 Common Shares, or approximately 30.11% of the outstanding Common Shares. See also "Voting Shares and Principal Shareholders Thereof".

The following are brief biographies of each of the proposed director nominees:

**Trent J. Northcutt:** Mr. Northcutt has over 20 years of experience in the medical device market, including business development, sales management, and operations management. Mr. Northcutt previously served as Vice President at Spineart Inc., successfully launching the company's North America start-up operation. Prior to working for Spineart Inc., Mr. Northcutt was the Vice President of Sales of Lanx LLC where he helped to successfully launch the Aspen ISP fusion device. In addition, Mr. Northcutt served as the Vice President of Sales for Alphatec Spine Inc. from 2003 to 2007. During Mr. Northcutt's tenure at Alphatec Spine Inc., the company revenues increased from \$7.4 to \$87.1 million. On June 12, 2006, Mr. Northcutt helped to take Alphatec Spine Inc. public on NASDAQ and was responsible for the company's U.S. sales efforts, including the oversight of strategic sales development, sales administration, divisional sales directors, strategic acquisitions and sales training. Mr. Northcutt has a proven track record of building

dynamic and highly successful early stage start-up companies, coupled with senior sales and operations experience. Mr. Northcutt received his degree in Surgical Technology (CST-FA) from Glendale University in Glendale, California. Mr. Northcutt is an employee of, and works full-time for, Aurora Spine, Inc. ("ASI"), a wholly owned subsidiary of the Corporation. Mr. Northcutt is not subject to a non-competition agreement with ASI, but is subject to a non-disclosure agreement with ASI.

**David Rosenkrantz:** Mr. Rosenkrantz has been involved in the investment banking industry for over 30 years. He initially joined a private investment banking boutique in 1986, and in 1993 he co-founded Patuca Corporation, a private merchant bank specializing in financing the equity requirements of small-cap, high growth companies. He graduated from Carleton University with a Bachelor of Engineering (Civil) degree in 1979 and became a Professional Engineer in 1981. Mr. Rosenkrantz also holds a Masters of Business Administration from York University. Mr. Rosenkrantz has broad knowledge of both private and public capital markets. His strengths include board governance and audit committee work, financial structuring, negotiations with lenders, and business negotiations. Prior career experience includes work as a professional engineer for Stone and Webster Inc. and Shell Canada Limited.

Mr. Rosenkrantz is the Chairman of Patuca Corporation, a merchant bank. Mr. Rosenkrantz currently is a director and Member of the Audit Committee of NexgenRx Inc. (TSXV: NXG), a leading drug adjudication business, and a director of Pinehurst Capital I Inc. (TSXV: PHT.P), a capital pool company and Pinehurst Capital II Inc. (TSXV: PINH.P), a capital pool company. Mr. Rosenkrantz was previously the Chairman of Carfinco Financial Group Inc. (formerly TSX: CFN prior to its acquisition by Banco Santander, S.A.), Chairman of the Board of Versent Inc., a private company, a director of RAS Completions Inc., a private company and a director of PreMD Inc. (TSX: PMD, AMEX: PME). He was also a director and Chairman of the Board of Stellar Pharmaceuticals Inc. (TSXV: SLX, Q: SLXCF), and the lead director of Medisystem Technologies Inc. (TSX: MDY, acquired by Shoppers Drug Mart Corp.).

**James Snow:** Mr. Snow has over 25 years of executive healthcare management and start-up experience. In 1995, Mr. Snow co-founded US Healthworks and served as the Executive Vice President of Mergers and Acquisitions, helping the company grow to over 140 locations in over 15 states with revenues exceeding \$125 million in less than 4 years. In 2002, Mr. Snow created a statewide physical therapy network in California with over 250 locations, which he still operates. In 2006, Mr. Snow co-founded and served as CEO of Integrated Healthcare Services ("IHS"), a national provider of durable medical equipment, home health services and medical devices. IHS serviced the workers' compensation market nationally and grew to over \$25 million in revenue by the time Mr. Snow sold the company in late 2011. Also in 2011, Mr. Snow's interest in stem cell therapies and regenerative technologies led him to invest in Renaissance Biologic and Medical Resources, a national start-up biologic implant company, where he served as Chief Executive Officer and President from 2011 until he sold the company in 2014. In late 2014 he invested in and now serves as President and CEO of Pensar Medical, LLC, an advanced wound care company, based in California. Mr. Snow received his BBA in Accounting and Management from Temple University and holds a MBA from the Peter Drucker School of Management at Claremont College in Claremont, California.

**Tracy A. Graf:** Mr. Graf has been the Chief Executive Officer and President of Carfinco since October 30, 1998. In March of 2015 Carfinco was acquired by Madrid based Banco Santander, Mr. Graf continues in his role as CEO/President and director at Carfinco. Mr. Graf is responsible for all aspects of Carfinco's business, ranging from overall strategy to day-to-day business operations. Mr. Graf also served as a director of LessMess Storage Inc. and is currently a director of Trakopolis IoT Corp (TSXV: TRAK) and a director of Pinehurst Capital II Inc. (TSXV: PINH.P), a capital pool company.

**J. Daryl MacLellan:** Mr. MacLellan is President of CWB Maxium Financial. Previously, Mr. MacLellan was President of Desante Financial Services Inc. from November, 2011 to March, 2016, and Managing

director of Maxium Financial Services Inc. from November, 2011 to March, 2016. Prior to that, Mr. MacLellan was President of CIT Canada, and President of CIT Group Securities (Canada) Inc., units of CIT Group Inc. (NYSE: CIT), a leading global commercial and consumer finance company. A graduate of the University of Waterloo, Mr. MacLellan is a Chartered Accountant and serves on the board of directors of a number of private companies.

**Michael Seid:** Mr. Seid has more than 20 years of investment, finance, management and operations experience. Mr. Seid currently serves as President and managing partner of Axxcess Wealth Management, an SEC Registered Investment Advisor serving the investment advisory needs of single family offices, high net worth, and corporate clientele. Mr. Seid is also currently a director of Axxcess Healthcare Group, LLC, a boutique investment bank focused on funding the needs of early stage life science and medical device companies. Mr. Seid has significant experience in emerging market health care technologies. Mr. Seid co-founded Axxcess eBx, a management and technology company focused on improving care and treatment of basal cell carcinoma using electronic brachytherapy. Mr. Seid has significant experience in executive compensation, clinical information systems, quality improvement, project management, and systems integration. Highlights of his experience include advising and consulting on the establishment of radiation oncology programs in mainland Mexico, proton therapy projects with major universities, and advisor to Strategic International Medical Business Alliance in Southeast Asia.

To the knowledge of the Corporation and based upon information provided to it by the nominees for election to the Board, no such nominee:

- (a) is, as at the date of this Information Circular, or has been, within 10 years before the date of this Information Circular, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:
  - (i) was subject to an order that was issued while the nominee was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date of this Information Circular, or has been within 10 years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within the 10 years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the nominee.

For the purposes of paragraph (a) above, "order" means:

- (i) a cease trade order;
- (ii) an order similar to a cease trade order; or

- (iii) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

### Appointment of Auditors

A firm of auditors is to be appointed by vote of the shareholders at the Meeting to serve as auditors of the Corporation until the close of the next annual meeting. The Board, upon the recommendation of the Audit Committee, proposes that MNP LLP, Chartered Professional Accountants, Licensed Public Accountants, be appointed as auditors of the Corporation and that the directors of the Corporation be authorized to determine their compensation. MNP LLP has acted as auditors of the Corporation since July 4, 2013.

**Unless instructed to abstain from voting with regard to the appointment of auditors, the persons whose names appear on the enclosed form of proxy will vote in favour of: (i) the appointment of MNP LLP as auditors of the Corporation; and (ii) authorizing the directors of the Corporation to determine the compensation of MNP LLP in such capacity.**

In order for the resolution to be passed, approval by a majority of the Common Shares voted in respect thereof at the Meeting is required.

The fees paid to the auditors of the Corporation are reviewed by the Audit Committee. The following table indicates the aggregate fees billed to the Corporation MNP LLP in respect of its 2018 and 2017 fiscal years:

| Year | Audit Fees  | Audit-Related Fees | Tax Fees <sup>(1)</sup> | All Other Fees <sup>(2)</sup> |
|------|-------------|--------------------|-------------------------|-------------------------------|
| 2018 | CDN\$65,000 | Nil                | CDN\$5,000              | Nil                           |
| 2017 | CDN\$60,000 | Nil                | CDN\$5,000              | Nil                           |

NOTE:

- (1) Reflects the aggregate of the fees billed to the Corporation by MNP LLP in connection with the preparation of the Corporation's tax returns.  
(2) Reflects the aggregate of all other fees billed to the Corporation as a result of, or in connection with, the preparation of the Corporation's audited financial statements.

### Stock Option Plan

The Corporation maintains a 10% "rolling" stock option plan (the "**Stock Option Plan**") in accordance with Policy 4.4 – *Incentive Stock Options* of the Corporate Finance Manual of the TSX Venture Exchange (the "**Exchange**"), a copy of which is attached as Schedule "A" to this Information Circular. The purpose of the Stock Option Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants, to reward such of those directors, employees and consultants as may be granted options under the Stock Option Plan from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such directors, employees and consultants to acquire Common Shares as long term investments and proprietary interests in the Corporation.

The Stock Option Plan is administered by the Corporate Governance and Compensation Committee, or such duly appointed committee of the Board, senior officer or director of the Corporation as may be designated by the Board from time to time. In administering the Stock Option Plan, the Board will, from time to time and in its sole discretion, determine those participants to whom options are granted, determine the terms relating to options, including the number of Common Shares subject to option, the exercise price, the expiration date of each option and any vesting limitations.

In no case will the grant of options under the Stock Option Plan, together with any proposed or previously existing share compensation arrangement, result in (in each case, as determined on the grant date):

- (a) the number of Common Shares reserved for issuance pursuant to stock options granted to insiders exceeding ten percent (10%) of the Common Shares (on a non-diluted basis);
- (b) the grant to insiders, within any twelve-month period, of options reserving for issuance a number of Common Shares exceeding in the aggregate ten percent (10%) of the issued and outstanding Common Shares (on a non-diluted basis);
- (c) the grant to any one individual, within any twelve-month period, options reserving for issuance a number of Common Shares exceeding in the aggregate five percent (5%) of the issued and outstanding Common Shares (on a non-diluted basis) unless the Corporation obtains the requisite disinterested shareholder approval;
- (d) the grant to all persons engaged by the Corporation to provide investor relations activities, within any twelve-month period, of options reserving for issuance a number of Common Shares exceeding in the aggregate two percent (2%) of the issued and outstanding Common Shares (on a non-diluted basis); or
- (e) the grant to any one consultant of the Corporation, in any twelve-month period, of options reserving for issuance a number of Common Shares exceeding in the aggregate two percent (2%) of the issued and outstanding Common Shares (on a non-diluted basis).

Options granted under the Stock Option Plan have a maximum life period of ten years after the grant date.

The option exercise price is established by the Board of Directors and may not be lower than the market price of the Common Shares at the time of grant.

The Exchange requires that all listed companies with a 10% "rolling" stock option plan, similar to the Stock Option Plan, obtain shareholder approval of the Stock Option Plan on an annual basis.

### **Resolutions Approving the Corporation's Stock Option Plan**

At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following resolution:

#### **"BE IT RESOLVED THAT:**

1. the current Stock Option Plan approved by the Board and as described in the Information Circular of the Corporation dated May 21, 2019, be and is hereby approved;
2. the Corporation be and is hereby authorized to grant options to acquire up to 10% of the issued and outstanding Common Shares in the capital of the Corporation in accordance with the terms of the Stock Option Plan; and
3. any one director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

In order for the resolution to be passed, approval by the majority of the Common Shares voted in respect thereof at the Meeting is required.

**Unless otherwise instructed, the persons named in the enclosed form of proxy intend to vote in favour of the resolution approving the Stock Option Plan.**

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **General**

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of shareholders, but that it also promotes effective decision-making at the Board level.

Effective June 30, 2005, the Canadian Securities Administrators adopted National Policy 58-201 - *Corporate Governance Guidelines* (the "**Guidelines**") and National Instrument 58-101 - *Disclosure of Corporate Governance Practices* which requires that each reporting issuer annually disclose its corporate governance practices.

The following disclosure is based on the disclosure requirements of the Guidelines.

### **Board Mandate**

The Board's responsibility is to supervise and oversee management of the Corporation in accordance with the highest standards of ethical conduct and to act with a view to the best interests of the Corporation and its shareholders. In the discharge of this responsibility, the Board oversees and reviews, directly or through its various committees, the Corporation's results of operations, significant corporate plans and business initiatives, including the development and implementation of the annual business plan, strategic plans, public communications policies, the Corporation's senior management recruitment, assessment and succession processes and the Corporation's internal control and management information systems to identify and manage principal business risks. The Board is also responsible for reviewing its size and the compensation paid to its members, to ensure that the Board can fulfill its duties effectively and that its members are adequately compensated for assuming the risks and carrying out the responsibilities of their positions.

As a general rule, the Board believes that management should speak for the Corporation in its communications with shareholders and the investment community, in the context of shareholder and investor relations programs reviewed and approved periodically by the Board.

### **Current Directorships in Other Issuers**

As of the date of this Information Circular, none of the directors are directors of other issuers that are also reporting issuers (or the equivalent) in a territory of Canada or in a foreign territory other than as set out in the table below.

| <b>Director</b>   | <b>Reporting Issuer</b>                                                                                         |
|-------------------|-----------------------------------------------------------------------------------------------------------------|
| David Rosenkrantz | NexgenRx Inc. (TSXV: NXG)<br>Pinehurst Capital I Inc. (TSXV: PHT.P)<br>Pinehurst Capital II Inc. (TSXV: PINH.P) |
| Tracy A. Graf     | Trakopolis IoT Corp (TSXV: TRAK)<br>Pinehurst Capital II Inc. (TSXV: PINH.P)                                    |

## Orientation and Continuing Education

The Board encourages directors to take relevant training programs offered by different regulatory bodies and educational service providers and industry associations, and gives them the opportunity to expand their knowledge about the nature and operations of the Corporation's business.

## Composition and Operation of the Board

The Guidelines recommend that a majority of directors of a listed corporation be "independent" as defined by National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). An independent director is a director who does not have any direct or indirect material relationship with the issuer. "Material relationship" is defined as a relationship which could, in the view of the Corporation's Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 further sets out certain relationships which are deemed to be material relationships.

The Board currently has six members. Each director is elected annually by the shareholders and serves for a term that will end at the Corporation's next annual meeting. For the upcoming year the Board believes that six directors is a sufficient number to ensure that the Board will be comprised of directors with a broad range of experience and expertise and will be able to function independently of management.

Given the above determinations, the Board has determined that out of the six members of the Board, five of the members are independent (representing approximately 83% of the Board). For the purposes of the Guidelines, Trent J. Northcutt is not considered to be an independent director on the basis that he is the President and Chief Executive Officer of the Corporation.

Mr. Rosenkrantz is Chairman of the Board and is considered to be an independent director as he is not a member of management. The Chairman of the Board is responsible for providing overall direction to the Board and is responsible for carrying out its overall mandate. Individual directors may, with the approval of the Chairman of the Board or of the entire Board, engage outside advisers at the expense of the Corporation.

| Committee Membership |                             |                            |                 |                                                 |
|----------------------|-----------------------------|----------------------------|-----------------|-------------------------------------------------|
| Board Members        | Year Appointed to the Board | Independent <sup>(1)</sup> | Audit Committee | Corporate Governance and Compensation Committee |
| Trent J. Northcutt   | 2013                        |                            |                 |                                                 |
| David Rosenkrantz    | 2013                        | ✓                          |                 |                                                 |
| James Snow           | 2013                        | ✓                          | ✓               | ✓                                               |
| Tracy A. Graf        | 2013                        | ✓                          | ✓               | Chair                                           |
| J. Daryl MacLellan   | 2013                        | ✓                          | Chair           | ✓                                               |
| Michael Seid         | 2013                        | ✓                          |                 |                                                 |

### NOTE:

- (1) Pursuant to NI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with us, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

Additional information for each of the directors can be found under the heading "Election of Directors".

## Ethical Business Conduct

A director, in the exercise of his functions and responsibilities, must act with complete honesty and good faith in the best interests of the Corporation. He or she must also act in accordance with the applicable laws,

regulations and policies. In the event of a conflict of interest, a director is required to declare the nature and extent of any material interest he or she has in any important contract or proposed contract of ours, as soon as he or she has knowledge of the agreement or of the Corporation's intention to consider or enter into the proposed contract. In such circumstances, the director in question shall abstain from voting on the subject.

## **Board Committees**

The Corporation had two committees of the Board, namely, the Audit Committee and the Corporate Governance and Compensation Committee. All of the committee members are independent directors. The Board does not have any other standing committees.

The Board has not developed a written position description for the committee chairs beyond what is stated in each committee's charter. The committee chairs are expected to supervise the activities of their respective committees and to ensure that such committees are taking all steps necessary to fulfill their respective mandates.

## **Audit Committee**

The Audit Committee's role is to act in an objective, independent capacity as a liaison between the auditors, management and the board of directors and to ensure the auditors have a facility to consider and discuss governance and audit issues with parties not directly responsible for operations.

### Audit Committee Charter

The responsibilities and duties of the Audit Committee are set out in the Audit Committee's charter, the text of which is attached as Schedule "B" to this Information Circular.

### Composition of the Audit Committee

The following table sets forth the names of the current members of the Audit Committee:

| <b>Name</b>                       | <b>Independent<sup>(2)</sup></b> | <b>Financially<br/>Literate<sup>(3)</sup></b> |
|-----------------------------------|----------------------------------|-----------------------------------------------|
| J. Daryl MacLellan <sup>(1)</sup> | Yes                              | Yes                                           |
| Tracy A. Graf                     | Yes                              | Yes                                           |
| James Snow                        | Yes                              | Yes                                           |

#### NOTES:

- (1) Chair of the Audit Committee.
- (2) Pursuant to NI 52-110, a member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation, which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.
- (3) An individual is financially literate if he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.

### Relevant Education and Experience

Each member of the Audit Committee has adequate education and experience that will be relevant to his performance as an Audit Committee member and, in particular, the requisite education and experience that has provided the member with:

- a) an understanding of the accounting principles used by the Corporation to prepare the Corporation's financial statements;
- b) the ability to assess the general application of the above-noted principles in connection with estimates, accruals and reserves;
- c) experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising individuals engaged in such activities; and
- d) an understanding of internal controls and procedures for financial reporting.

See "Directors and Executive Officers" for further details regarding the education and experience of the members of the Audit Committee.

#### Audit Committee Oversight

At no time has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

#### Pre-Approval Policies and Procedures

To safeguard the continued independence of the Corporation's external auditors, all services (including non-audit services) to be rendered by the Corporation's external auditors and any of their related entities to the Corporation or any subsidiary of the Corporation, and all related terms of engagement, must be the subject of pre-approval by the Audit Committee.

#### Exemption

The Corporation relies upon the exemption provided by section 6.1 of NI 52-110, which exempts a venture issuer (as that term is defined in NI 52-110) from the requirement to comply with Part 5 (Reporting Obligations) of NI 52-110.

### **Corporate Governance and Compensation Committee**

The Corporate Governance and Compensation Committee consists of three directors, being Mr. Graf, as Chairperson, and Messrs. MacLellan and Snow. All of the members are independent directors.

#### Principal Responsibilities

The Corporate Governance and Compensation Committee's responsibilities include:

- developing and recommending to the Board criteria for selecting board and committee members;
- establishing procedures for identifying and evaluating director candidates, including nominees recommended by shareholders;
- identifying individuals qualified to become board members;

- recommending to the Board the persons to be nominated for election as directors and to each of the Board's committees;
- reviewing and making recommendations to the Board regarding the appointment and succession of the Corporation's directors and officers;
- developing and recommending to the Board a code of business conduct and ethics and a set of corporate governance guidelines;
- overseeing the evaluation of the Board, its committees and management;
- annually reviewing and evaluating the performance of the Corporation's chief executive officer in light of the performance of the Corporation and individual performance and recommending to the Board for its approval the compensation of the Corporation's chief executive officer;
- reviewing and recommending to the Board for its approval the compensation of all of the Corporation's other executive officers;
- reviewing and recommending to the Board for its approval any employment agreements, severance arrangements, change-in-control arrangements or special or supplemental employee benefits, and any material amendments to any of the foregoing, applicable to the Corporation's executive officers or the executive officers of any of its subsidiaries;
- overseeing and administering the Corporation's incentive and equity-based compensation plans, welfare and benefit plans and any other compensatory plans applicable to the Corporation's executive officers, and reviewing and recommending to the Board for its approval any grants of incentive or equity-based compensation to the Corporation's executive officers; and
- reviewing and making recommendations to the Board with respect to director compensation.

See "Directors and Executive Officers" for further details regarding the education and experience of the members of the Corporate Governance and Compensation Committee.

### Attendance at Board and Committee Meetings

The attendance records of the Board members at Board and committee meetings during the fiscal year ended December 31, 2018 are as follows:

| Number of Meetings Attended |                |                          |                                                          |       |
|-----------------------------|----------------|--------------------------|----------------------------------------------------------|-------|
|                             | Board Meetings | Audit Committee Meetings | Corporate Governance and Compensation Committee Meetings | Total |
| Trent J. Northcutt          | 4/4            | -                        | -                                                        | 4/4   |
| David Rosenkrantz           | 4/4            | -                        | -                                                        | 4/4   |
| James Snow                  | 4/4            | 4/4                      | 1/1                                                      | 9/9   |
| Tracy A. Graf               | 4/4            | 4/4                      | 1/1                                                      | 9/9   |
| J. Daryl MacLellan          | 4/4            | 4/4                      | 1/1                                                      | 9/9   |
| Michael Seid                | 4/4            | -                        | -                                                        | 4/4   |

The Board conducts in-camera sessions at each Board Meeting, at which no executive directors or members of management are present. The in-camera sessions are intended not only to encourage the Board to fully and independently fulfill its mandate, but also to facilitate the performance of the fiduciary duties and responsibilities of the directors on behalf of the Corporation's shareholders.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Introduction

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's philosophy, objectives and processes regarding compensation of the individuals who carried out the roles of the Chief Executive Officer and the Chief Financial Officer of the Corporation at any point during the year ended December 31, 2018 and each of the three most highly compensated executive officers of the Corporation, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was, individually, more than \$150,000 for the 12 months ended December 31, 2018 (each a "**Named Executive Officer**" and collectively, the "**Named Executive Officers**").

#### Corporate Governance and Compensation Committee

The administration of the Corporation's compensation practices is handled by the Corporate Governance and Compensation Committee.

Among other things, the Corporate Governance and Compensation Committee's role is to ensure that the total compensation paid to the Corporation's executive officers, including the Named Executive Officers, is fair, reasonable and competitive. In the course of reviewing and recommending to the Board the compensation of executive officers other than the Corporation's Chief Executive Officer, the Corporate Governance and Compensation Committee annually reviews the performance of the executive officers with the Chief Executive Officer, and the Chief Executive Officer makes recommendations to the Corporate Governance and Compensation Committee regarding their compensation.

The Corporate Governance and Compensation Committee will evaluate the Chief Executive Officer's performance and, based on its evaluation, review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer based on such evaluation. The Corporate Governance and Compensation Committee will also review and make recommendations to the Board with respect to compensation, benefits and perquisites for all other senior executive officers of the Corporation, incentive-compensation plans and equity-based plans, and policies regarding management benefits and perquisites.

Neither the Board nor any committee of the Board has formally established a mechanism to consider the implications of the risks associated with the Corporation's compensation policies and practices. However, the Board and the Corporate Governance and Compensation Committee inherently consider these risks. The Corporate Governance and Compensation Committee reviews and manages the policies and practices of the Corporation and ensures that they are aligned with the interests of the shareholders. The Corporate Governance and Compensation Committee reviews, among other things, the overall compensation and the annual salary increases of the executive officers of the Corporation while keeping, as a reference, both the financial performance of the Corporation and the turnover risk for the Corporation. The Board also addresses risk related to compensation policies in the context of compensation mechanisms that are linked to the achievement of certain goals or targets (e.g. short term and long term objectives), both financial and

otherwise. The Board is involved in the supervision of key projects and initiatives of the Corporation and the manner in which they are being carried out. Consequently, the Board is in a position where it can control significant risks that may be taken by the Corporation's management and ensures that those risks remain appropriate and that members of management do not expose the Corporation to excessive risks.

The Corporate Governance and Compensation Committee consists of three directors, being Mr. Graf, as Chairperson, and Messrs. MacLellan and Snow. All of the members are independent directors. They each have direct experience relevant to compensation matters resulting from their respective current and past backgrounds and/or roles. The members of the Corporate Governance and Compensation Committee have experience dealing with compensation matters in large and small organizations, including public companies. See "Directors and Executive Officers" for further details regarding the education and experience of the members of the Corporate Governance and Compensation Committee.

The Corporation does not have a policy in place that limits the ability for directors or Named Executive Officers to hedge the shares of the Corporation that they own. However, none of the current directors or Named Executive Officers of the Corporation are hedging any of the shares of the Corporation that they own.

#### Compensation Objectives

The Corporation's executive compensation philosophy is designed to attract, retain and reward highly qualified individuals and motivate them to achieve performance objectives aligned with the Corporation's vision and strategic orientation and consistent with shareholder value creation. The Corporation's goal is to provide market competitive remuneration consistent with responsibility level, experience and performance. That said, however, the Corporate Governance and Compensation Committee must also ensure that the compensation of the Corporation's Named Executive Officers is consistent with the aggregate compensation philosophy and prevailing financial condition of the Corporation.

In accordance with the Corporation's executive compensation philosophy, a significant portion of the compensation of the Corporation's Named Executive Officers is related to the financial performance of the Corporation and the responsibilities inherent to each executive's duties. The Corporate Governance and Compensation Committee reviews the compensation programs of the Named Executive Officers and of all the executive officers annually in order to ensure their competitiveness and compliance with the objectives, values and strategies of the Corporation.

#### Elements of Compensation

The Corporation seeks to achieve the compensation objectives described earlier through different elements of compensation, including salary and both short-term and long-term incentive plans, with the incentives having both equity and non-equity components. The Corporation believes that these various elements are important to effectively achieve the objectives of its executive compensation philosophy.

These elements of the Named Executive Officers' compensation are:

- (a) base salaries;
- (b) annual performance bonuses;
- (c) a stock option plan; and
- (d) broad-based benefits programs.

The Corporation does not engage an outside consulting firm to provide executive compensation consulting. There is no regulatory oversight of the Corporation's compensation process for the Named Executive Officers. The Corporation did not use any benchmarks for determining the compensation of the Named Executive Officers and does not intend to do so in the immediate future.

#### Base Salary

The Corporation pays its executive officers a base salary to compensate them for services rendered during a fiscal year. Base salaries are determined for each executive officer based on an evaluation of such officer's experience, skills, knowledge, scope of responsibility and performance. Base salary levels are reviewed and considered annually, and from time to time adjustments may be made to base salary levels based upon promotions or other changes in job responsibility or merit-based increases based on assessments of individual performance.

The base salary component of the Corporation's executive officer compensation program is not designed to incentivize near-term company or individual performance (which is instead be done through discretionary annual cash bonuses), but rather to provide a baseline level of compensation to its executive officers. In most cases, the base salary component will represent the largest annual form of compensation to the Corporation's executive officers, although we do not have a formal policy regarding the allocation between base salary and other forms of compensation. In making decisions regarding base salary levels, consideration is given to the total compensation package, including cash bonuses and periodic long-term equity awards, received or to be received by a particular executive officer, with the objective of ensuring that such total compensation package is fair, reasonable and competitive.

#### Annual Incentive Plans and Benefits

The Corporation provides its executive officers with the opportunity to receive discretionary annual cash bonuses that are specifically designed to reward executive officers for the Corporation's overall performance, as well as the individual performance of the executive officers in a given fiscal year. In some cases, the Corporation's executive officers may have employment agreements that provide for a target bonus amount that is a percentage of base salary; however, even in such cases, we intend that annual cash bonuses will be entirely discretionary. Consideration is given to the performance of the executive officer, as well as the performance of the Corporation, for the preceding fiscal year in deciding whether to recommend that an annual cash bonus be awarded to the executive and, if one is to be awarded, the size of the bonus. All annual cash bonuses are awarded retrospectively. The Corporation does not have a formal policy regarding the payment of annual cash bonuses, and such bonuses are only paid if and as deemed appropriate based upon the circumstances. Such annual cash bonuses are not tied to the achievement of any specific predetermined performance goals, but are based on an executive officer's overall performance, as well as the performance of the Corporation, during a given period of time.

The Corporation believes that discretionary annual cash bonuses motivate its executive officers to improve the performance of both the Corporation and the individual, and promote teamwork and near-term growth for the Corporation. By retaining discretion in awarding annual cash bonuses rather than tying such bonuses to predetermined goals in advance, the Corporation believes that it can more effectively adapt its compensation program to changes in its business and industry and to other events beyond its control. If events occur during the course of a given year that require the Corporation's executive officers to shift their attention to different or other strategic objectives, the discretionary nature of the Corporation's bonus program allows it to ensure that its overall compensation program remains fair, reasonable and competitive under those particular circumstances. This is particularly important, given the stage of the Corporation's development.

The Corporation does not have a formal policy regarding the allocation between annual cash bonuses and other forms of compensation, and instead the Corporation considers and evaluates the total compensation package, including base salary and periodic long-term equity awards, received or to be received by a particular executive officer, and seek to ensure that such total compensation package is fair, reasonable and competitive.

#### Stock Options

The long-term incentive component of compensation for executive officers, including the President and Chief Executive Officer, employees and members of the Board who are not employees, is based on stock option awards. This component of compensation is intended to reinforce management's commitment to long term improvements in the Corporation's performance and shareholder value.

Stock option awards to executive officers (including the Named Executive Officers) will typically be subject to time-based vesting provisions. The Corporation believes that stock option awards will encourage its executive officers to focus on the long-term performance of the Corporation and increase long-term shareholder value. The Corporation also believes that stock options will serve as a useful retention mechanism by encouraging its executive officers to remain employed with the Corporation or any of its subsidiaries.

The Corporation does not have a formal policy regarding when stock options are to be granted to executive officers (including the Named Executive Officers) or the size of any given grant, and it does not intend to tie such grants directly to any pre-established corporate or individual goals. The Corporate Governance and Compensation Committee does, however, consider and evaluate the total compensation package, including base salary and cash bonuses, received or to be received by a particular executive officer, and seek to ensure that such total compensation package is fair, reasonable and competitive. When considering an award of options to an executive officer, consideration of the number of options previously granted to the executive may be taken into account, however, the extent to which such prior grants remain subject to resale restrictions will generally not be a factor.

#### Broad-Based Benefits Programs

All full-time employees, including the Corporation's Named Executive Officers, may participate in the Corporation's health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance, and 401(k) plan. The Corporation does not intend to provide perquisites or personal benefits to its Named Executive Officers that are not otherwise available to other employees generally.

#### Pension Plan Benefits

The Corporation does not have a defined benefits pension plan, a defined contribution plan or a deferred compensation plan.

#### **Summary Compensation Table**

As of December 31, 2018, the Corporation had four Named Executive Officers: Trent J. Northcutt, Sarina Mason, Laszlo Garamszegi and David M. Meyer.

The following table sets out the compensation noted below paid or payable to the Named Executive Officers of the Corporation for the fiscal year ended December 31, 2018:

|                                                                   |            |                            |                                               |                                            | Non-Equity Incentive Plan Compensation             |                                              |                                   |                                            |                                        |
|-------------------------------------------------------------------|------------|----------------------------|-----------------------------------------------|--------------------------------------------|----------------------------------------------------|----------------------------------------------|-----------------------------------|--------------------------------------------|----------------------------------------|
| Name and Principal Position                                       | Year Ended | Salary (\$) <sup>(2)</sup> | Share-based (SARs) Awards (\$) <sup>(2)</sup> | Option-based Awards (\$) <sup>(1)(2)</sup> | Annual Incentive Plan or Bonus (\$) <sup>(2)</sup> | Long-term Incentive Plan (\$) <sup>(2)</sup> | Pension Value (\$) <sup>(2)</sup> | All Other Compensation (\$) <sup>(2)</sup> | Total Compensation (\$) <sup>(2)</sup> |
| Trent J. Northcutt, President and Chief Executive Officer         | 2018       | \$125,000                  | Nil                                           | Nil                                        | \$20,000                                           | Nil                                          | Nil                               | \$12,045                                   | \$157,045                              |
|                                                                   | 2017       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$12,045                                   | \$137,045                              |
|                                                                   | 2016       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$10,900                                   | \$135,900                              |
| Sarina Mason, Chief Financial Officer <sup>(3)</sup>              | 2018       | \$125,000                  | Nil                                           | \$2,295                                    | \$12,000                                           | Nil                                          | Nil                               | \$12,067                                   | \$151,362                              |
|                                                                   | 2017       | \$108,634                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$9,050                                    | \$117,684                              |
|                                                                   | 2016       | Nil                        | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | Nil                                        | Nil                                    |
| Laszlo Garamszegi, Chief Technology Officer                       | 2018       | \$125,000                  | Nil                                           | Nil                                        | \$14,000                                           | Nil                                          | Nil                               | \$12,067                                   | \$151,067                              |
|                                                                   | 2017       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$10,099                                   | \$135,099                              |
|                                                                   | 2016       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$10,099                                   | \$137,973                              |
| David M. Meyer, Vice President, Chief Legal Officer and Secretary | 2018       | \$125,000                  | Nil                                           | Nil                                        | \$6,000                                            | Nil                                          | Nil                               | \$12,067                                   | \$143,067                              |
|                                                                   | 2017       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$12,068                                   | \$137,068                              |
|                                                                   | 2016       | \$125,000                  | Nil                                           | Nil                                        | Nil                                                | Nil                                          | Nil                               | \$11,104                                   | \$136,104                              |

NOTES:

- (1) Calculated using Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.  
(2) All amounts in this table are in United States dollars.  
(3) Ms. Mason was appointed as Chief Financial Officer of the Corporation on February 6, 2017.

**Incentive Plan Awards**

Outstanding Share-Based and Option-Based Awards

The following table provides information regarding the option-based awards and share-based awards for each Named Executive Officer of the Corporation outstanding as of December 31, 2018.

| Name                                                 | Option-based Awards                                     |                            |                        |                                                                     | Share-based Awards                                           |                                                                        |                                                                                      |
|------------------------------------------------------|---------------------------------------------------------|----------------------------|------------------------|---------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                                      | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$) <sup>(1)(2)(3)</sup> | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
| Sarina Mason, Chief Financial Officer <sup>(5)</sup> | 25,000                                                  | \$0.14                     | June 19, 2025          | Nil <sup>(4)</sup>                                                  | \$4,306                                                      | Nil                                                                    | Nil                                                                                  |
|                                                      | 25,000                                                  | \$0.09                     | September 15, 2025     | Nil <sup>(4)</sup>                                                  | \$5,223                                                      | Nil                                                                    | Nil                                                                                  |

| Name | Option-based Awards                                     |                            |                        |                                                                     | Share-based Awards                                           |                                                                        |                                                                                      |
|------|---------------------------------------------------------|----------------------------|------------------------|---------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|      | Number of securities underlying unexercised options (#) | Option exercise price (\$) | Option expiration date | Value of unexercised in-the-money options (\$) <sup>(1)(2)(3)</sup> | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
|      | 25,000                                                  | \$0.095                    | December 15, 2025      | Nil <sup>(4)</sup>                                                  | \$5,131                                                      | Nil                                                                    | Nil                                                                                  |
|      | 25,000                                                  | \$0.12                     | March 12, 2025         | Nil <sup>(4)</sup>                                                  | \$4,673                                                      | Nil                                                                    | Nil                                                                                  |

**NOTES:**

- (1) Value of unexercised in-the-money options is calculated by determining the difference between the market value of the securities underlying the options at December 31, 2018 and the exercise price of the options and is not necessarily indicative of the value (i.e. gain or loss) that will actually be realized by the directors. See note 4 below for additional information regarding calculation of the value.
- (2) "In-the-money options" means the excess of the market value of the Corporation's shares on December 31, 2018 on the Exchange over the exercise price of the options.
- (3) The closing market price of the Common Shares on the Exchange on December 31, 2018 was CDN\$0.375 per share, or U.S.\$0.275 per share.
- (4) Calculated by multiplying the number of options held by the difference between the share price at December 31, 2018 and the exercise price and converted to United States dollars using the exchange rate on December 31, 2018. On December 31, 2018, the noon rate of exchange posted by the Bank of Canada for conversion of one Canadian dollar into United States dollars was CDN\$1.00 equals U.S.\$0.7330
- (5) Ms. Mason was appointed as Chief Financial Officer of the Corporation on February 6, 2017.

**Incentive Plan Awards - Value Vested or Earned During the Year**

The following table presents information concerning value vested with respect to option-based awards and share-based awards for each Named Executive Officer of the Corporation during the fiscal year ended December 31, 2018:

| Name                                                 | Option-based awards – Value vested during the year <sup>(1)(2)</sup> (\$) | Share-based awards – Value vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|------------------------------------------------------|---------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------|
| Sarina Mason, Chief Financial Officer <sup>(3)</sup> | 2,295                                                                     | Nil                                                    | Nil                                                                        |

**NOTE:**

- (1) Calculated using the Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.
- (2) All amounts in this table are in United States dollars
- (3) Ms. Mason was appointed as Chief Financial Officer of the Corporation on February 6, 2017.

**Termination and Change of Control Benefits**

None of the Named Executive Officers during the year ended December 31, 2018 were entitled to any payments following or in connection with any termination, resignation, retirement, change in control or change in the responsibilities of the Named Executive Officers.

**Executive Employment Agreements**

The following describes the respective consulting/employment agreements entered into by the Corporation, or any subsidiary thereof, and the Named Executive Officers during the year ended December 31, 2018:

Trent J. Northcutt, President and Chief Executive Officer

Mr. Northcutt and ASI entered into an employment agreement dated as of May 1, 2013 (the "**Northcutt Agreement**") which provides that Mr. Northcutt act as the President and Chief Executive Officer of ASI.

**Base Salary:** Under the terms of the Northcutt Agreement, Mr. Northcutt is entitled to a base salary to be determined and reviewed in accordance with ASI's normal procedures, and otherwise as ASI deems appropriate.

**Benefits:** Mr. Northcutt shall be entitled to participate, to the extent of his eligibility, in the standard employee benefits, if any, made available by ASI to its employees and in benefit programs available to ASI's officers, generally.

**Termination:** Either party is entitled to terminate the Northcutt Agreement at any time, with or without cause, upon 360 days' written notice to the other party.

**Non-Disclosure Agreement:** Mr. Northcutt and ASI are also parties to a Non-Disclosure Agreement and Proprietary Information and Inventions Agreement dated as of August 5, 2013.

Sarina Mason, Chief Financial Officer

Ms. Mason was appointed as Chief Financial Officer of the Corporation on February 6, 2017.

**Base Salary:** Ms. Mason is entitled to a base salary to be determined and reviewed in accordance with ASI's normal procedures, and otherwise as ASI deems appropriate.

**Benefits:** Ms. Mason is entitled to participate, to the extent of his eligibility, in the standard employee benefits, if any, made available by ASI to its employees and in benefit programs available to ASI's officers, generally.

**Termination:** Ms. Mason is an at-will employee and either party is entitled to terminate the employment at any time, with or without cause.

**Non-Disclosure Agreement:** Ms. Mason and ASI are also parties to a Non-Disclosure Agreement and Proprietary Information and Inventions Agreement dated as of February 6, 2017.

Laszlo Garamszegi, Chief Technology Officer

Mr. Garamszegi and ASI entered into an employment agreement dated as of May 1, 2013 (the "**Garamszegi Agreement**") which provides that Mr. Garamszegi act as the Chief Technology Officer of ASI.

**Base Salary:** Under the terms of the Garamszegi Agreement, Mr. Garamszegi is entitled to a base salary to be determined and reviewed in accordance with ASI's normal procedures, and otherwise as ASI deems appropriate.

**Benefits:** Mr. Garamszegi shall be entitled to participate, to the extent of his eligibility, in the standard employee benefits, if any, made available by ASI to its employees and in benefit programs available to ASI's officers, generally.

**Termination:** Either party is entitled to terminate the Garamszegi Agreement at any time, with or without cause, upon 360 days' written notice to the other party.

**Non-Disclosure Agreement:** Mr. Garamszegi and ASI are also parties to a Non-Disclosure Agreement and Proprietary Information and Inventions Agreement dated as of August 5, 2013.

David M. Meyer, Chief Legal Officer

Mr. Meyer and ASI entered into an employment agreement dated as of May 1, 2013 (the "**Meyer Agreement**") which provides that Mr. Meyer act as the Vice President, Chief Legal Officer of ASI.

**Base Salary:** Under the terms of the Meyer Agreement, Mr. Meyer is entitled to a base salary to be determined and reviewed in accordance with ASI's normal procedures, and otherwise as ASI deems appropriate.

**Benefits:** Mr. Meyer shall be entitled to participate, to the extent of his eligibility, in the standard employee benefits, if any, made available by ASI to its employees and in benefit programs available to ASI's officers, generally.

**Termination:** Either party is entitled to terminate the Meyer Agreement at any time, with or without cause, upon 360 days' written notice to the other party.

**Non-Disclosure Agreement:** Mr. Meyer and ASI are also parties to a Non-Disclosure Agreement and Proprietary Information and Inventions Agreement dated as of August 5, 2013.

#### **NON-EXECUTIVE DIRECTOR COMPENSATION**

The directors of the Corporation, including executive officers who also act as directors, did not receive compensation for services rendered in their capacity as directors of the Corporation during the fiscal year ended December 31, 2018.

There are no special arrangements between the Corporation and any director of the Board with respect to fees.

Directors are entitled to participate in the Stock Option Plan, which is designed to give each option holder an interest in preserving and maximizing shareholder value in the longer term. During the year ended December 31, 2018, individual grants were to be determined on an annual basis by the recommendation of the Corporate Governance and Compensation Committee and approval of the Board.

Effective January 16, 2018, the Corporation adopted the following compensation program in respect of stock option grants under the Stock Option Plan for its non-executive directors:

- Option-based awards to each non-executive director comprised of a grant of options to purchase 50,000 Common Shares in respect of the services of each such non-executive director from 2012 to December 31, 2015;
- Option-based award to the Chairman of the Board comprised of options to purchase 10,000 Common Shares per year served as Chairman of the Board from 2012 to December 31, 2015;
- Option-based awards to each member of a Board committee comprised of a grant of options to purchase 375 Common Shares per year served as a Board committee member from 2012 to December 31, 2015;

- Option-based awards to each chair of a Board committee comprised of a grant of options to purchase 1,250 Common Shares per year served as chair of a Board committee from 2012 to December 31, 2015;
- Once the Corporation reaches U.S.\$15,000,000 in annual sales, option-based awards to each non-executive director comprised of an annual grant of options to purchase 25,000 Common Shares with an additional annual grant of options to the Chairman of the Board to purchase 25,000 Common Shares; and
- Once the Corporation reaches U.S.\$15,000,000 in annual sales, option-based awards to each member of a Board committee comprised of an annual grant of options to purchase 1,500 Common Shares per year served as a Board committee member with an additional annual grant of options to the chair of a Board committee to purchase 5,000 Common Shares per year served as chair of each such Board committee.

Non-executive directors will be required to forfeit options to purchase 1,000 Common Shares for each meeting of the Board that such director fails to attend.

Executive directors do not receive any compensation for their services as directors.

### Compensation Table

The following table sets forth information concerning the compensation earned by the non-executive directors for the 12 months ended December 31, 2018.

| Name                              | Fees Earned (\$) | Share-Based Awards (\$) | Option-Based Awards (\$) <sup>(1)</sup> | Non-Equity Incentive Plan Compensation (\$) | Pension Value (\$) | All Other Compensation (\$) | Total Compensation (\$) |
|-----------------------------------|------------------|-------------------------|-----------------------------------------|---------------------------------------------|--------------------|-----------------------------|-------------------------|
| Michael Seid <sup>(2)</sup>       | Nil              | Nil                     | \$1,734                                 | Nil                                         | Nil                | Nil                         | \$1,734                 |
| J. Daryl MacLellan <sup>(3)</sup> | Nil              | Nil                     | \$1,977                                 | Nil                                         | Nil                | Nil                         | \$1,977                 |
| Tracy A. Graf <sup>(4)</sup>      | Nil              | Nil                     | \$2,023                                 | Nil                                         | Nil                | Nil                         | \$2,023                 |
| James Snow <sup>(5)</sup>         | Nil              | Nil                     | \$2,498                                 | Nil                                         | Nil                | Nil                         | \$2,498                 |
| David Rosenkrantz <sup>(6)</sup>  | Nil              | Nil                     | \$20,278                                | Nil                                         | Nil                | Nil                         | \$20,278                |

#### NOTES:

- (1) Calculated using Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.
- (2) Mr. Seid was appointed to the Board on July 4, 2013.
- (3) Mr. MacLellan was appointed to the Board on July 4, 2013.
- (4) Mr. Graf was appointed to the Board on July 4, 2013.
- (5) Mr. Snow was appointed to the Board on July 4, 2013.
- (6) Mr. Rosenkrantz was appointed to the Board on July 4, 2013.

### Incentive Plan Awards

#### Outstanding Share-Based and Option-Based Awards

The following table sets forth information with respect to the outstanding options granted under the Stock Option Plan to the directors of the Corporation as of December 31, 2018.

| Name                             | Option-based Awards                                   |                                              |                        |                                                                                          | Share-based Awards                                           |                                                                        |                                                                                      |
|----------------------------------|-------------------------------------------------------|----------------------------------------------|------------------------|------------------------------------------------------------------------------------------|--------------------------------------------------------------|------------------------------------------------------------------------|--------------------------------------------------------------------------------------|
|                                  | Number of securities underlying exercised options (#) | Option exercise price (\$) <sup>(3)(4)</sup> | Option expiration date | Value of unexercised in-the-money options <sup>(1)(2)</sup><br><sup>(3)(4)</sup><br>(\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
| David Rosenkrantz <sup>(5)</sup> | 1,000,000                                             | \$0.21                                       | June 6, 2024           | 120,945                                                                                  | Nil                                                          | Nil                                                                    | Nil                                                                                  |
| David Rosenkrantz <sup>(5)</sup> | 106,500                                               | \$0.20                                       | January 16, 2025       | 13,661                                                                                   | Nil                                                          | Nil                                                                    | Nil                                                                                  |
| Michael Seid <sup>(6)</sup>      | 75,000                                                | \$0.20                                       | January 20, 2025       | 9,621                                                                                    | Nil                                                          | Nil                                                                    | Nil                                                                                  |
| Daryl MacLellan <sup>(7)</sup>   | 85,500                                                | \$0.20                                       | January 16, 2025       | 10,968                                                                                   | Nil                                                          | Nil                                                                    | Nil                                                                                  |
| Tracy Graf <sup>(8)</sup>        | 87,500                                                | \$0.20                                       | January 16, 2025       | 11,224                                                                                   | Nil                                                          | Nil                                                                    | Nil                                                                                  |
| James Snow <sup>(9)</sup>        | 108,000                                               | \$0.20                                       | January 16, 2025       | 13,854                                                                                   | Nil                                                          | Nil                                                                    | Nil                                                                                  |

**NOTES:**

- (1) Value of unexercised in-the-money options is calculated by determining the difference between the market value of the securities underlying the options at December 31, 2018 and the exercise price of the options and is not necessarily indicative of the value (i.e. gain or loss) that will actually be realized by the directors. See point 4 below for additional information regarding calculation of the value.
- (2) "In-the-money options" means the excess of the market value of the Corporation's shares on December 31, 2018 on the Exchange over the exercise price of the options.
- (3) The closing market price of the Common Shares on the Exchange on December 31, 2018 was CDN\$0.375 per share, or U.S.\$0.275 per share.
- (4) Calculated by multiplying the number of options held by the difference between the share price at December 31, 2018 and the exercise price and converted to United States dollars using the exchange rate on December 31, 2018. On December 31, 2018, the noon rate of exchange posted by the Bank of Canada for conversion of one Canadian dollar into United States dollars was CDN\$1.00 equals U.S.\$0.7330.
- (5) Mr. Rosenkrantz was appointed to the Board on July 4, 2013.
- (6) Mr. Seid was appointed to the Board on July 4, 2013.
- (7) Mr. MacLellan was appointed to the Board on July 4, 2013.
- (8) Mr. Graf was appointed to the Board on July 4, 2013.
- (9) Mr. Snow was appointed to the Board on July 4, 2013.

**Incentive Plan Awards - Value Vested or Earned During the Year**

The following table presents information concerning value vested with respect to option-based awards and share-based awards for each non-executive director of the Corporation during the fiscal year ended December 31, 2018:

| Name                             | Option-based awards – Value vested during the year <sup>(1)</sup><br>(\$) | Share-based awards – Value vested during the year<br>(\$) | Non-equity incentive plan compensation – Value earned during the year<br>(\$) |
|----------------------------------|---------------------------------------------------------------------------|-----------------------------------------------------------|-------------------------------------------------------------------------------|
| David Rosenkrantz <sup>(2)</sup> | \$20,278                                                                  | Nil                                                       | Nil                                                                           |
| Michael Seid <sup>(3)</sup>      | \$1,734                                                                   | Nil                                                       | Nil                                                                           |
| Daryl MacLellan <sup>(4)</sup>   | \$1,977                                                                   | Nil                                                       | Nil                                                                           |
| Tracy Graf <sup>(5)</sup>        | \$2,023                                                                   | Nil                                                       | Nil                                                                           |
| James Snow <sup>(6)</sup>        | \$2,498                                                                   | Nil                                                       | Nil                                                                           |

**NOTE:**

- (1) Calculated using Black-Scholes option-pricing model in accordance with IFRS 2 share-based payments.
- (2) Mr. Rosenkrantz was appointed to the Board on July 4, 2013.
- (3) Mr. Seid was appointed to the Board on July 4, 2013.
- (4) Mr. MacLellan was appointed to the Board on July 4, 2013.
- (5) Mr. Graf was appointed to the Board on July 4, 2013.
- (6) Mr. Snow was appointed to the Board on July 4, 2013.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following chart details the number of securities to be issued upon the exercise of outstanding stock options issued under the Stock Option Plan, the weighted average exercise price of such options and the number of common shares remaining available for issuance under equity compensation plans of the Corporation as at December 31, 2018.

| Plan Category                                             | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(#)<br>(a) | Weighted – average exercise price of outstanding options, warrants and rights<br>(\$)<br>(b) <sup>(1)(2)</sup> | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(#)<br>(c) |
|-----------------------------------------------------------|-----------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Equity compensation plans approved by securityholders     | 2,531,000 Common Shares                                                                                   | \$0.22                                                                                                         | 2,112,367 Common Shares                                                                                                                                   |
| Equity compensation plans not approved by securityholders | Nil                                                                                                       | Nil                                                                                                            | Nil                                                                                                                                                       |
| <b>TOTAL</b>                                              | <b>2,531,000 Common Shares</b>                                                                            | <b>\$0.22</b>                                                                                                  | <b>2,112,367 Common Shares</b>                                                                                                                            |

### NOTES:

- (1) The closing market price of the Common Shares on the Exchange on December 31, 2018 was CDN\$0.375 per share, or US\$0.275 per share.
- (2) On December 31, 2018, the noon rate of exchange posted by the Bank of Canada for conversion of one Canadian dollar into United States dollars was CDN\$1.00 equals US\$0.7330.

As at the date of this Information Circular, the Corporation does not have any equity compensation plans other than the Stock Option Plan.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

No current or former directors, employees or executive officers of the Corporation or any associate of any such persons were indebted to the Corporation as at December 31, 2018.

None of the current or former directors, employees or executive officers of the Corporation and none of the associates of such persons is or has been indebted to the Corporation or any subsidiary thereof at any time since the beginning of the Corporation's most recently completed fiscal year. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary thereof.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as disclosed below, no "informed person" (as such term is defined in National Instrument 51-102 - *Continuous Disclosure Obligations*) or any proposed director of the Corporation or any associate or affiliate of any informed person or proposed director has or has had, at any time since January 1, 2018, any material interest, directly or indirectly, in any transaction or proposed transaction that has materially affected or would materially affect the Corporation.

In February 2018, the Corporation completed an offering of its Common Shares on a private placement basis (the "**February 2018 Offering**"), in which David A. Rosenkrantz participated. Under the February 2018 Offering, Mr. Rosenkrantz acquired 1,800,000 Common Shares at a price of CDN\$0.10 per Common Share. The participation of Mr. Rosenkrantz in the February 2018 Offering constituted a related party

transaction under Canadian Multilateral Instrument 61-101 ("**MI 61-101**"), but the Board determined that the February 2018 Offering was otherwise exempt from the formal valuation and minority approval requirements of MI 61-101 by virtue of Sections 5.5(b) and Section 5.7(a) of MI 61-101.

### **AUDITED FINANCIAL STATEMENTS**

The financial statements of the Corporation for the fiscal year ended December 31, 2018, together with the auditors' report thereon, will be submitted to the Meeting. Receipt at the Meeting of the auditors' report and the Corporation's financial statements for its last completed financial year will not constitute approval or disapproval of any matters referred to therein.

### **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation provides insurance for the directors and officers of the Corporation against liability incurred by them in their capacities as directors or officers of the Corporation. The insurance policy provides coverage to a total limit of \$10,000,000 for the protection of the personal liability of the directors and officers and includes insurance to reimburse the Corporation for its indemnity of its directors and officers up to a limit of \$10,000,000 per loss. Each loss or claim for which the Corporation seeks reimbursement is subject to a \$25,000 Self-Insured Retention Contribution, payable by the Corporation. The Self-Insured Retention Contribution is \$50,000 for securities claims. The total annual premium for the directors and officers liability policy is \$25,000, which is paid in full by the Corporation.

### **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar of the Corporation is TSX Trust Company, 100 Adelaide Street West, Suite 301 Toronto ON M5H 1S3.

### **INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Management of the Corporation is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the Meeting other than as set forth in this Information Circular. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ENCLOSED FORM OF PROXY WILL BE USED TO VOTE ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). In addition, the holders of Common Shares may contact the Corporation at 1920 Palomar Point Way, Carlsbad, California 92008 in order to obtain, without charge, copies of financial statements and Management Discussion and Analysis of the Corporation for the fiscal year ended December 31, 2018.

### **APPROVAL OF BOARD**

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Corporation.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders of the Corporation.

The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it is made.

DATED as of the 21<sup>st</sup> day of May, 2019.

*"Trent J. Northcutt"*

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Trent J. Northcutt  
President and Chief Executive Officer  
Aurora Spine Corporation

## SCHEDULE "A"

### AURORA SPINE CORPORATION

### STOCK OPTION PLAN

#### ARTICLE I

#### DEFINITIONS AND INTERPRETATION

1.1 **Definitions.** Where used in this Option Plan, unless there is something in the subject matter or context inconsistent therewith, the following terms will have the meanings set forth below:

- (a) **"Administrator"** means, initially, the Corporate Governance and Compensation Committee of the Board, and thereafter will mean such duly appointed committee of the Board as may be designated as Administrator by the Board from time to time.
- (b) **"Affiliate"** has the meaning ascribed to it in Policy 1.1 of the Exchange Corporate Finance Manual, as amended from time to time.
- (c) **"Associate"** has the meaning ascribed to it in Policy 1.1 of the Exchange Corporate Finance Manual, as amended from time to time.
- (d) **"Blackout Period"** means a period when an Option Holder is prohibited from trading in the Corporation's securities pursuant to securities regulatory requirements or the Corporation's written policies then applicable.
- (e) **"Board"** means the board of directors of the Corporation, or any duly appointed committee thereof to which the board of directors of the Corporation has delegated the power to administer and grant Options under this Option Plan, as constituted from time to time.
- (f) **"Cause"** means, with respect to a particular Employee:
  - (i) "cause" as such term is defined in the written employment agreement between the Corporation and the Employee; or
  - (ii) in the event there is no written employment agreement between the Corporation and the Employee or "cause" is not defined in the written employment agreement between the Corporation and the Employee, the usual meaning of cause under the laws of the Province of Ontario or the applicable laws of the jurisdiction governing the employment of the Employee.
- (g) **"Company"** unless specifically indicated otherwise, means a corporation, incorporated association or organization, body corporate, partnership, trust, association, or other entity other than an individual.
- (h) **"Consultant"** means a person, other than an Employee or Director of the Corporation, or a Company, who:
  - (i) provides on a bona fide basis, consulting, technical, management or other services to the Corporation or an Affiliate of the Corporation under a written contract;
  - (ii) possesses technical, business, management or other expertise of value to the Corporation or an Affiliate of the Corporation;

- (iii) in the reasonable opinion of the Corporation, spends or will spend a significant amount of time and attention on the business and affairs of the Corporation or an Affiliate of the Corporation; and
  - (iv) has a relationship with the Corporation or an Affiliate of the Corporation that enables the individual to be knowledgeable about the business and affairs of the Corporation.
- (i) "**Corporation**" means Aurora Spine Corporation, and includes any successor corporation thereto.
- (j) "**Directors**" means directors, senior officers and Management Company Employees of the Corporation or an Affiliate of the Corporation to whom stock options may be granted in reliance on a prospectus exemption under applicable Securities Laws.
- (k) "**Discounted Market Price**" has the meaning given to it in Policy 1.1 of the Exchange Corporate Finance Manual.
- (l) "**Disinterested Shareholder Approval**" means approval by a majority of the votes cast by all shareholders of the Corporation at a duly called and held meeting of shareholders of the Corporation, excluding votes attaching to Shares beneficially owned by:
  - (i) Insiders to whom Options may be granted under this Option Plan; and
  - (ii) associates of Insiders referred to in Section 1.1(l)(i).
- (m) "**Effective Date**" means the effective date of this Option Plan, being September 5, 2013.
- (n) "**Employee**" means an individual who:
  - (i) is considered an employee of the Corporation or a Subsidiary of the Corporation under the Income Tax Act (Canada) (i.e., for whom income tax, employment insurance and CPP deductions must be made at source) or other applicable laws;
  - (ii) works full-time for the Corporation or a Subsidiary of the Corporation providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source; or
  - (iii) works for the Corporation or a Subsidiary of the Corporation on a continuing and regular basis for a minimum amount of time per week providing services normally provided by an employee and who is subject to the same control and direction by the Corporation or a Subsidiary of the Corporation over the details and methods of work as an employee of the Corporation, but for whom income tax deductions are not made at source.
- (o) "**Exchange**" means the TSX Venture Exchange and, where the context permits, any other exchange on which the Shares are or may be listed from time to time.
- (p) "**Exercise Notice**" means the notice respecting the exercise of an Option, in the form set out in Exhibit "I" of the Option Agreement, duly executed by the Option Holder.
- (q) "**Exercise Period**" means the period during which a particular Option may be exercised and, subject to earlier termination in accordance with the terms hereof, is the period from and including the Grant Date through to and including the Expiry Date.

- (r) **"Exercise Price"** means the price per Share at which Shares may be purchased under an Option duly granted under this Option Plan as determined in accordance with Section 3.5 and, if applicable, adjusted in accordance with Section 3.8.
- (s) **"Expiry Date"** means the date determined in accordance with Section 3.2 and after which a particular Option cannot be exercised and is deemed to be null and void and of no further force or effect.
- (t) **"Grant Date"** means the date on which the Board grants a particular Option.
- (u) **"Insider"** means:
  - (i) an Insider as defined in Section 1(1) of the Securities Act, other than a person who falls within the definition solely by virtue of being a director or senior officer of a Subsidiary; or
  - (ii) an associate of an Insider, a director or senior officer of a Company that is an Insider or Subsidiary of the Corporation.
- (v) **"Investor Relations Activities"** has the meaning given to it in Policy 1.1 of the Exchange Corporate Finance Manual.
- (w) **"Market Price"** at any date in respect of the Shares shall be the closing price of such Shares on any Exchange (and if listed on more than one Exchange, then the highest of such closing prices) on the last Business Day prior to the Grant Date (or, if such Shares are not then listed and posted for trading on the Exchange, on such stock exchange in Canada on which the Shares are listed and posted for trading as may be selected for such purpose by the Board). In the event that such Shares did not trade on such Business Day, the Market Price shall be the average of the bid and asked prices in respect of such Shares at the close of trading on such date. In the event that such Shares are not listed and posted for trading on any stock exchange, the Market Price shall be the fair market value of such Shares as determined by the Board in its sole discretion.
- (x) **"Management Company Employees"** means an individual employed by a person providing management services to the Corporation, which services are required for the on-going successful operation of the business enterprise of the Corporation, but excluding a person engaged in Investor Relations Activities.
- (y) **"OBCA"** means the *Business Corporations Act* (Ontario), as amended from time to time.
- (z) **"Option"** means an option to acquire Shares granted to a Director, Employee or Consultant pursuant to this Option Plan.
- (aa) **"Option Agreement"** means an agreement, in the form substantially similar as that set out in Schedule "A" hereto, evidencing an Option granted under this Option Plan.
- (bb) **"Option Holder"** means a Director, Employee or Consultant or former Director, Employee or Consultant, to whom an Option has been granted and who continues to hold an unexercised and unexpired Option or, where applicable, the Personal Representative of such person.
- (cc) **"Option Plan"** means this stock option plan as may be amended from time to time.
- (dd) **"person"** means a Company or an individual.
- (ee) **"Personal Representative"** means:

- (i) in the case of a deceased Option Holder, the executor or administrator of the deceased duly appointed by a court or public authority having jurisdiction to do so; and
  - (ii) in the case of an Option Holder who, for any reason, is unable to manage his or her affairs, the person entitled by law to act on behalf of such Option Holder.
- (ff) **"Regulatory Authorities"** means all stock exchanges and any other organized trading facilities on which the Corporation's Shares are listed and all securities commissions or similar securities regulatory bodies having jurisdiction over the Corporation.
- (gg) **"Re-Organization Event"** has the meaning given in Section 3.8.
- (hh) **"Securities Act"** means the *Securities Act* (Ontario), as amended, or such other successor legislation as may be enacted, from time to time.
- (ii) **"Securities Laws"** means securities legislation, securities regulation and securities rules, as amended, and the policies, notices, instruments and blanket orders in force from time to time that govern or are applicable to the Corporation or to which it is subject including, without limitation, the Securities Act.
- (jj) **"Share"** or **"Shares"** means, as the case may be, one (1) or more common shares in the capital stock of the Corporation as constituted on the Effective Date or, in the event of an adjustment contemplated the terms of this Option Plan, such other shares or securities to which an Option Holder may be entitled upon the due exercise of an Option as a result of such adjustment.
- (kk) **"Share Compensation Arrangement"** means a stock option, stock option plan, employee stock purchase plan or any other compensation or incentive mechanism of the Corporation involving the issuance or potential issuance of Shares to one or more Directors, Employees or Consultants, including a share purchase from treasury which is financially assisted by the Corporation by way of a loan, guarantee or otherwise.
- (ll) **"Subsidiary"** means a subsidiary as defined in the OBCA.
- (mm) **"Termination Date"** means:
  - (i) in the case of the resignation of the Option Holder as an Employee of the Corporation, the date that the Option Holder provides notice of his or her resignation as an Employee of the Corporation to the Corporation;
  - (ii) in the case of the termination of the Option Holder as an Employee of the Corporation by the Corporation for any reason other than death, the effective date of termination set out in the Corporation's notice of termination of the Option Holder as an Employee of the Corporation to the Option Holder;
  - (iii) in the case of the termination of the written contract of the Option Holder to provide consulting services or Investor Relations Activities to the Corporation, the effective date of termination set out in any notice provided by one of the parties to the written contract to the other party; or
  - (iv) the effective date of termination of a Director, Employee or Consultant pursuant to an order made by any Regulatory Authority having jurisdiction to so order.

1.2 **Headings.** The headings used herein are for convenience only and are not to affect the interpretation of this Option Plan.

## ARTICLE II PURPOSE AND PARTICIPATION

2.1 **Purpose.** The purpose of this Option Plan is to provide the Corporation with a share-related mechanism to attract, retain and motivate qualified Directors, Employees and Consultants, to reward such of those Directors, Employees and Consultants as may be granted Options under this Option Plan by the Board from time to time for their contributions toward the long term goals and success of the Corporation and to enable and encourage such Directors, Employees and Consultants to acquire Shares as long term investments and proprietary interests in the Corporation.

2.2 **Participation.** The Board will, from time to time and in its sole discretion, determine those Directors, Employees, Consultants (and, when applicable, to a Company wholly owned by any such Director, Employee or Consultant), if any, to whom Options are to be granted, provided that no Options will be granted during a Blackout Period. The Board may only grant options to an Employee, Consultant or Management Company Employee if such Employee, Consultant or Management Company Employee is a *bona fide* Employee, Consultant or Management Company Employee of the Corporation or a Subsidiary of the Corporation, as the case may be. The Board may, in its sole discretion, grant the majority of the Options to Insiders of the Corporation. However, in no case will the grant of Options under this Option Plan, together with any proposed or previously existing Share Compensation Arrangement, result in (in each case, as determined on the Grant Date):

- (a) the number of Shares reserved for issuance pursuant to stock options granted to Insiders exceeding ten percent (10%) of the Corporation's issued and outstanding Shares (on a non-diluted basis);
- (b) the grant to Insiders, within any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate ten percent (10%) of the Corporation's issued and outstanding Shares (on a non-diluted basis);
- (c) the grant to any one individual, within any twelve-month period, Options reserving for issuance a number of Shares exceeding in the aggregate five percent (5%) of the Corporation's issued and outstanding Shares (on a non-diluted basis) unless the Corporation obtains the requisite Disinterested Shareholder Approval;
- (d) the grant to all persons engaged by the Corporation to provide Investor Relations Activities, within any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate two percent (2%) of the Corporation's issued and outstanding Shares (on a non-diluted basis); or
- (e) the grant to any one Consultant, in any twelve-month period, of Options reserving for issuance a number of Shares exceeding in the aggregate two percent (2%) of the Corporation's issued and outstanding Shares (on a non-diluted basis).

Any entitlement to acquire Shares granted pursuant to this Plan or any other Share Compensation Agreement prior to the Optionee becoming an Insider shall be excluded for the purposes of calculating the limits set out in Subsections 2.2(a) and 2.2(b).

2.3 **Notification of Grant.** Following the approval by the Board of the granting of an Option, the Administrator will notify the Option Holder in writing of the award and will enclose with such notice the Option Agreement representing the Option so granted.

2.4 **Copy of Plan.** Each Option Holder, concurrently with the notice of the award of the Option, will, upon written request, be provided with a copy of this Option Plan, and a copy of any amendment to this Option Plan will be promptly provided by the Administrator to each Option Holder.

2.5 **Limitation.** This Option Plan does not give any Option Holder that is a Director the right to serve or continue to serve as a Director of the Corporation, does not give any Option Holder that is an Employee the right to be or to

continue to be employed by the Corporation and does not give any Option Holder that is a Consultant the right to be or continue to be retained or engaged by the Corporation as a consultant for the Corporation.

**2.6 Filing Requirements.** Each Option Holder, as a pre-condition of any grant of Options under this Option Plan, shall execute and deliver to the Corporation all forms and documents required to be filed with any Regulatory Authority or under Securities Laws including, without limitation:

- (a) if an Option Holder is not an individual, a Certification and Undertaking Required from a Company Granted an Incentive Stock Option (Exchange Form 4F);
- (b) if an Option Holder is a new Insider or is engaged to provide Investor Relations Activities, a Personal Information Form (Exchange Form 2A); and
- (c) any other forms or documents as may be required by the Corporation based on the advice of its counsel.

### **ARTICLE III TERMS AND CONDITIONS OF OPTIONS**

**3.1 Board to Issue Shares.** The Shares to be issued to Option Holders upon the exercise of Options will be previously authorized but unissued Shares in the capital stock of the Corporation.

**3.2 Number of Shares Reserved.** Subject to adjustment as provided for in Section 3.8 and any subsequent amendment to this Option Plan, the number of Shares reserved from time to time for issuance pursuant to Options under this Option Plan shall not exceed ten percent (10%) of the total number of Shares outstanding from time to time. If an Option expires, terminates or is cancelled for any reason without having been exercised in full, the unissued Shares subject thereto shall again be available for issuance for the purposes of this Option Plan.

**3.3 Term of Option.**

- (a) Subject to Section 3.4, the Expiry Date of an Option will be the date so fixed by the Board at the time the particular Option is granted, provided that in no event will the Expiry Date of an Option be later than the tenth (10<sup>th</sup>) anniversary of the Grant Date of such Option.
- (b) If the term of an Option held by an Optionee expires during a Blackout Period, then the term of such Option or unexercised portion thereof shall be automatically extended and expire 10 Business Days after the end of the Blackout Period, provided that in no event will the Expiry Date of an Option be later than the tenth (10<sup>th</sup>) anniversary of the Grant Date of such Option.

**3.4 Termination of Option.** Subject to such other terms or conditions that may be attached to Options granted hereunder, an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period. Any Option or part thereof not exercised within the Exercise Period will terminate and become null, void and of no effect as of 5:00 p.m. (Toronto time) on the Expiry Date. The Expiry Date of an Option will be the earlier of the date so fixed by the Board at the time the Option is granted and the date established, if applicable, in subsections (a) to (d) below:

- (a) Death of Option Holder

In the event that the Option Holder should die while he or she is still a Director (if he or she holds his or her Option as a Director), an Employee (if he or she holds his or her Option as an Employee) or a Consultant (if he or she holds his or her Option as a Consultant), the Expiry Date will be the first anniversary of the Option Holder's date of death.

(b) Ceasing to Hold Office

In the event that the Option Holder holds his or her Option as a Director of the Corporation and such Option Holder ceases to be a Director of the Corporation other than by reason of death, the Expiry Date of the Option will not exceed the ninetieth (90<sup>th</sup>) day following the date the Option Holder ceases to be a Director of the Corporation unless the Option Holder ceases to be a Director of the Corporation as a result of:

- (i) ceasing to meet the qualifications of a director set forth in the OBCA;
- (ii) an ordinary resolution having been passed by the shareholders of the Corporation pursuant to subsection 122 of the OBCA; or
- (iii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the date the Option Holder ceases to be a Director of the Corporation.

(c) Ceasing to be an Employee or Consultant

In the event that the Option Holder holds his or her Option as an Employee or Consultant of the Corporation and such Option Holder ceases to be an Employee or Consultant of the Corporation other than by reason of death, the Expiry Date of the Option will not exceed the ninetieth (90<sup>th</sup>) day following the Termination Date unless the Option Holder ceases to be:

- (i) an Employee of the Corporation as a result of termination for Cause; or
- (ii) an Employee or Consultant of the Corporation as a result of an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date.

(d) Ceasing to be a Consultant Providing Investor Relations Activities

Notwithstanding Subsections 3.4(a), 3.4(b) and 3.4(c), in the event that the Option Holder holds his or her Option as a person engaged to provide Investor Relations Activities and such Option Holder ceases to be so engaged other than by reason of death, the Expiry Date of the Option will not exceed the 30<sup>th</sup> day following the Termination Date unless the Option Holder ceases to be so engaged as a result of:

- (i) termination for Cause; or
- (ii) an order made by any Regulatory Authority having jurisdiction to so order,

in which case the Expiry Date will be the Termination Date.

(e) Bankruptcy

In the event that an Option Holder commits an act of bankruptcy or any proceeding is commenced against an Option Holder under the *Bankruptcy and Insolvency Act* (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy or insolvency and such proceeding remains undismissed for a period of thirty (30) days, no Option held by such Option Holder may be exercised following the date on which such Option Holder commits such act of bankruptcy or such proceeding remains undismissed, as the case may be.

Notwithstanding anything contained in this Option Plan, in no case will an Option be exercisable after the tenth (10<sup>th</sup>) anniversary of the Grant Date of the Option.

3.5 **Exercise Price.** The price at which an Option Holder may purchase a Share upon the exercise of an Option (the "**Exercise Price**") will be determined by the Board and set forth in the Option Agreement issued in respect of such Option and, in any event, will not be less than the Discounted Market Price of the Corporation's Shares calculated as of the Grant Date. Notwithstanding anything else contained in this Option Plan, in no case will the Discounted Market Price be less than the minimum prescribed by each of the organized trading facilities as would apply to the Grant Date in question.

3.6 **Additional Terms.** Subject to all applicable Securities Laws of all applicable Regulatory Authorities and the policies of the Exchange, the Board may attach other terms and conditions to the grant of a particular Option, such terms and conditions to be referred to in the Option Agreement at the time of grant. These terms and conditions may include, but are not necessarily limited to, the following:

- (a) providing that an Option expires on a date other than as provided for herein;
- (b) providing that a portion or portions of an Option vest after certain periods of time or upon the occurrence of certain events, or expire after certain periods of time or upon the occurrence of certain events;
- (c) providing that an Option be exercisable immediately, in full, notwithstanding that it has vesting provisions, upon the occurrence of certain events, such as a friendly or hostile take-over bid for the Corporation; and
- (d) providing that an Option issued to, held by or exercised by an Option Holder who is a citizen or resident of the United States of America, and otherwise meeting the statutory requirements, be treated as an "**Incentive Stock Option**" as that term is defined for purposes of the United States of America Internal Revenue Code of 1986, as amended.

3.7 **Non-Transferability of Options.** The Options granted hereunder are not assignable, transferable or negotiable (whether by operation of law or otherwise) and may not be assigned or transferred, provided however that the Personal Representative of an Option Holder may, to the extent permitted by Section 4.1, exercise the Option within the Exercise Period. Upon any attempt to assign, transfer, negotiate, pledge, hypothecate or otherwise dispose of or transfer an Option contrary to this Section 3.7, or upon the levy of any attachment or similar process upon an Option, the Option and all rights, benefits and privileges arising thereunder or therefrom, at the sole discretion and election of the Corporation, shall cease and terminate and be of no further force or affect whatsoever.

3.8 **Adjustments.** If, prior to the complete exercise of an Option, the Shares are consolidated, subdivided, converted, exchanged or reclassified or in any way substituted for (collectively, a "**Re-Organization Event**"), an Option, to the extent that it has not been exercised, will be adjusted by the Board in accordance with such Re-Organization Event in the manner the Board deems appropriate. No fractional Shares will be issued upon the exercise of the Options and accordingly, if as a result of the Re-Organization Event, an Option Holder would become entitled to a fractional Share, such Option Holder will have the right to purchase only the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

3.9 **Vesting Requirement for Investor Relation Activities.** Notwithstanding any other provision hereof, Options granted to persons engaged to provide Investor Relations Activities shall vest in stages over a period of twelve (12) months from the Grant Date with no more than ¼ of any such Options granted vesting in any three-month period.

3.10 **Hold Periods.** In addition to any resale restrictions under Securities Laws, any Option granted under this Option Plan and any Shares issued upon the due exercise of any such Option so granted will be subject to a four-month Exchange hold period commencing from the Grant Date of the Option if the Exercise Price of the Option is granted at less than the Market Price, in which case the Option, and the Shares issued upon due exercise of the Option, if applicable, will bear the following legend:

*"Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this certificate may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until [four months and one day from the Grant Date]."*

3.11 **No Rights as Shareholders.** An Option Holder shall not have any rights as a shareholder of the Corporation with respect to any of the Shares covered by such Option until the date of issuance of a certificate for Shares upon the due exercise of such Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

#### ARTICLE IV EXERCISE OF OPTION

4.1 **Exercise of Option.** An Option may be exercised only by the Option Holder or the Personal Representative of the Option Holder. Subject to the provisions of this Plan, an Option Holder or the Personal Representative of an Option Holder may exercise an Option in whole or in part at any time or from time to time during the Exercise Period up to 5:00 p.m. (Toronto time) on the Expiry Date by delivering to the Administrator an Exercise Notice, the applicable Option Agreement and a certified cheque or bank draft payable to the Corporation in an amount equal to the aggregate Exercise Price of the Shares to be purchased pursuant to the exercise of the Option, provided no Options may be exercised during a Blackout Period.

4.2 **Withholding.** Upon the exercise of an Option by an Option Holder, the Corporation shall have the right to require the Option Holder to remit to the Corporation an amount sufficient to satisfy any applicable withholding obligations relating thereto under applicable tax legislation. Unless otherwise prohibited by the Board or by applicable law, satisfaction of the amount of the withholding obligations (the "**Withholding Amount**") may be accomplished by any of the following methods or by a combination of such methods as determined by the Corporation in its sole discretion:

- (a) the tendering by the Option Holder of a cash payment to the Corporation in an amount less than or equal to the Withholding Amount;
- (b) the withholding by the Corporation from the Shares otherwise due to the Option Holder of such number of Shares as the Corporation determines (in its sole discretion) are required to be sold by it, as trustee, to satisfy the Withholding Amount (net of selling costs). By executing and delivering the Option Agreement, the Option Holder shall be deemed to have consented to such sale and to have granted to the Corporation an irrevocable power of attorney to effect the sale of such Shares, and to have acknowledged and agreed that the Corporation does not accept responsibility for the price obtained on the sale of such Shares; or
- (c) the withholding by the Corporation from any cash payment otherwise due by the Corporation to the Option Holder, including salaries, directors fees, consulting fees and any other forms of remuneration, of such amount of cash as is required to pay and satisfy the Withholding Amount,

provided, however, in all cases, that the sum of any cash so paid or withheld and the fair market value of any Shares so withheld is sufficient to satisfy the Withholding Amount.

The provisions of the Option Agreement shall provide that the Option Holder (or their beneficiaries) shall be responsible for all taxes with respect to any Options granted under the Plan and an acknowledgement that neither the Board nor the Corporation shall make any representations or warranties of any nature or kind whatsoever to any person regarding the tax treatment of Options or payments on account of the Withholding Amount made under the Plan and none of the Board, the Corporation, nor any of its employees or representatives shall have any liability to an Option Holder (or its beneficiaries) with respect thereto.

4.3 **Issue of Share Certificates.** As soon as practicable following the receipt of the Exercise Notice and the certified cheque or bank draft referred to in Section 4.1, the Administrator will cause to be delivered to the Option Holder a certificate for the Shares so purchased. If the number of Shares so purchased is less than the number of Shares subject to the Option Agreement, the Option Holder will surrender the Option Agreement to the Corporation and the Administrator will forward a new Option Agreement to the Option Holder concurrently with delivery of the Share certificate for the balance of Shares available under the Option.

4.4 **Condition of Issue.** The Options and the issue of Shares by the Corporation pursuant to the exercise of Options are subject to the terms and conditions of this Option Plan and compliance with the rules and policies of all applicable Regulatory Authorities to the granting of such Options and to the issuance and distribution of such Shares, and to all applicable Securities Laws. The Option Holder agrees to comply with all such laws, regulations, rules and policies and agrees to furnish to the Corporation any information, reports or undertakings required to comply with and to fully cooperate with the Corporation in complying with such laws, regulations, rules and policies. Notwithstanding any of the provisions contained in this Plan or in any Option, the Corporation's obligation to issue Shares to an Option Holder pursuant to the exercise of any Option granted under the Plan shall be subject to:

- (a) completion of such registration or other qualification of such Shares or obtaining approval of such Regulatory Authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on any stock exchange on which the Shares may then be listed;
- (c) the receipt from the Option Holder of such representations, warranties, agreements and undertakings, as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the Securities Laws of any jurisdiction; and
- (d) the satisfaction of any conditions on exercise prescribed pursuant to Section 3.6 and ARTICLE V.

## **ARTICLE V ADMINISTRATION**

5.1 **Administration.** This Option Plan will be administered by the Administrator on the instructions of the Board. The Board may make, amend and repeal at any time and from time to time such regulations not inconsistent with this Option Plan as it may deem necessary or advisable for the proper administration and operation of this Option Plan and such regulations will form part of this Option Plan. The Board may delegate to the Administrator or any director or other senior officer or employee of the Corporation such administrative duties and powers as it may see fit.

5.2 **Board Powers.** The Board (and, where delegated by the Board to the Administrator, the Administrator) shall have the power, where consistent with the general purpose and intent of this Plan and subject to the specific provisions of this Plan:

- (a) to establish policies and to adopt rules and regulations for carrying out the purposes, provisions and administration of this Plan;
- (b) to interpret and construe this Plan and to determine all questions arising out of this Plan or any Option, and any such interpretation, construction or determination made by the Board shall be final, binding and conclusive for all purposes;
- (c) to determine the number of Shares reserved for issuance by each Option;
- (d) to determine the Exercise Price of each Option;
- (e) to determine the time or times when Options will be granted and exercisable;

- (f) to determine if the Shares which are issuable on the due exercise of an Option will be subject to any restrictions upon the due exercise of such Option; and
- (g) to prescribe the form of the instruments and certificates relating to the grant, exercise and other terms of Options.

5.3 **Board Discretion.** The Board may, in its discretion, require as conditions to the grant or exercise of any Option that the Option Holder shall have:

- (a) represented, warranted and agreed in form and substance satisfactory to the Corporation that the Option Holder is acquiring and will acquire such Option and the Shares to be issued upon the exercise thereof or, as the case may be, is acquiring such Shares, for his, her or its own account, for investment and not with a view to or in connection with any distribution, that the Option Holder has had access to such information as is necessary to enable him, her or it to evaluate the merits and risks of such investment and that the Option Holder is able to bear the economic risk of holding such Shares for an indefinite period;
- (b) agreed to restrictions on transfer in form and substance satisfactory to the Corporation and to an endorsement on any option agreement or certificate representing the Shares making appropriate reference to such restrictions; and
- (c) agreed to indemnify the Corporation in connection with the foregoing.

5.4 **Board Requirements.** Any Option granted under this Plan shall be subject to the requirement that, if at any time counsel to the Corporation shall determine that the listing, registration or qualification of the Shares issuable upon due exercise of such Option upon any securities exchange or under any Securities Laws of any jurisdiction, or the consent or approval of Regulatory Authority, is necessary as a condition of, or in connection with, the grant or exercise of such Option or the issuance or purchase of Shares thereunder, such Option may not be accepted or exercised in whole or in part unless such listing, registration, qualification, consent or approval shall have been effected or obtained on conditions acceptable to the Board. Nothing herein shall be deemed to require the Corporation to apply for or to obtain such listing, registration, qualification, consent or approval.

5.5 **Interpretation.** The interpretation by the Board of any of the provisions of this Option Plan and any determination by it pursuant thereto will be final and conclusive and will not be subject to any dispute by any Option Holder. No member of the Board or any individual acting pursuant to authority delegated by it hereunder will be liable for any action or determination in connection with this Option Plan made or taken in good faith and each member of the Board and each such individual will be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

## ARTICLE VI AMENDMENT AND TERMINATION

6.1 **Prospective Amendment and Termination.** The Board may amend or terminate the Plan at any time upon receipt of requisite regulatory approval including, without limitation, the approval of the Exchange, provided, however, that no such amendment may increase the maximum number of Shares that may be optioned under the Plan, change the manner of determining the minimum Option Price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the Exchange.

6.2 **Retrospective Amendment.** The Board may from time to time retrospectively amend this Option Plan and, with the consent of the affected Option Holders, retrospectively amend the terms and conditions of any Options that have been previously granted.

**6.3 Sale of Corporation, Extension of Expiration Date, Non-Applicability of Termination of Employment Provisions.** Notwithstanding anything contained to the contrary in this Option Plan or in any resolution of the Board in implementation thereof:

- (a) in the event the Corporation proposes to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned Subsidiary) or to liquidate, dissolve or wind-up, or in the event an offer to purchase or repurchase the Shares of the Corporation or any part thereof shall be made to all or substantially all holders of Shares of the Corporation, the Corporation shall have the right, upon written notice thereof to each Option Holder holding Options under the Plan, to permit the exercise of all such Options within the twenty (20) day period next following the date of such notice and to determine that upon the expiration of such twenty (20) day period, all rights of the Option Holders to such Options or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever;
- (b) in the event of the sale by the Corporation of all or substantially all of the assets of the Corporation as an entirety or substantially as an entirety so that the Corporation shall cease to operate as an active business, any outstanding Option may be exercised as to all or any part of the Optioned Shares in respect of which the Option Holder would have been entitled to exercise the Option in accordance with the provisions of the Plan at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is thirty (30) days following the date of completion of such sale; and (ii) the close of business on the Expiry Date of the Option; but the Option Holder shall not be entitled to exercise the Option with respect to any other Shares;
- (c) subject to the rules of any relevant Regulatory Authority and the written acceptance from the Exchange, the Board may, by resolution, extend the Expiry Date of any Option. The Board shall not, in the event of any such advancement or extension, be under any obligation to advance or extend the date on or by which Options may be exercised by any other Option Holder; and
- (d) the Board may, by resolution, but subject to requirements of applicable Regulatory Authorities (including the Exchange) and Securities Laws, decide that any of the provisions hereof concerning the effect of termination of the Option Holder's employment shall not apply to any Option Holder for any reason acceptable to the Board.

Notwithstanding the provisions of this Section 6.3, should changes be required to this Plan by any Regulatory Authority of any jurisdiction to which the Plan or the Corporation now is or hereafter becomes subject, such changes shall be made to the Plan as are necessary to conform with such requirements and, if such changes are approved by the Board, the Plan, as amended, shall be filed with the records of the Corporation and shall remain in full force and effect in its amended form as of and from the date of its adoption by the Board.

**6.4 Regulatory Authority Approval.** This Option Plan and any amendments hereto are subject to all necessary approvals of the applicable Regulatory Authorities.

**6.5 Disinterested Shareholder Approval.** Disinterested Shareholder Approval must be obtained for any reduction in the Exercise Price if the Option Holder is an Insider of the Corporation at the time of the proposed reduction. Furthermore, Disinterested Shareholder Approval must be obtained if the number of Shares reserved for issuance under the Plan to be granted to Insiders exceeds ten percent (10%) of the issued and outstanding Shares and if the grant of Options to Insiders, within any twelve (12) month period, exceeds ten percent (10%) of the Corporation's issued and outstanding Shares.

**6.6 Agreement.** The Corporation and every Option granted hereunder will be bound by and subject to the terms and conditions of this Option Plan. By accepting an Option granted hereunder, the Option Holder has expressly agreed with the Corporation to be bound by the terms and conditions of this Option Plan.

6.7 **Effective Date of Plan.** Upon approval by the Board and ratification by the shareholders of the Corporation in accordance with the policies of the Exchange and OBCA, this Option Plan shall be deemed to be effective as of the Effective Date.

6.8 **Governing Law.** This Option Plan, and all matters to which reference is made herein, is established under and shall be governed by and interpreted in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.

*[The remainder of this page intentionally left blank.]*

## SCHEDULE "A"

*Unless permitted under securities legislation, the holders of this security must not trade the security before **(four months and one day from the date of grant)**.*

*If the Option is granted at below Market Price insert the below legend as well.*

*[Without prior written approval of the TSX Venture Exchange and compliance with all applicable securities legislation, the securities represented by this agreement may not be sold, transferred, hypothecated or otherwise traded on or through the facilities of the TSX Venture Exchange or otherwise in Canada or to or for the benefit of a Canadian resident until **(four months and one day from the date of grant)**.]*

*Unless otherwise defined, all capitalized terms used herein will have the meanings specified in the stock option plan adopted by Aurora Spine Corporation effective as of September 5, 2013 (the "**Plan**").*

### OPTION AGREEMENT

THIS AGREEMENT made as of [●], 20[●] (the "**Effective Date**").

BETWEEN:

**AURORA SPINE CORPORATION**, a corporation amalgamated pursuant to the laws of the Province of Ontario,

(the "**Corporation**")

OF THE FIRST PART

- and -

[●],

(the "**Optionee**")

OF THE SECOND PART

For good and valuable consideration (the receipt and sufficiency of which are hereby acknowledged by each of the parties hereto), the Corporation and the Optionee hereby agree as follows:

#### 1. **Grant of Option**

1.1 The Corporation hereby grants to the Optionee pursuant to the terms of the Plan the right and option (the "**Option**") to purchase all or any part of an aggregate of up to [●] Shares at a purchase price of \$[●] per Share expiring on [●] and on the terms and conditions set forth herein and therein.

#### 2. **Vesting**

2.1 Notwithstanding Section 1 above or any other provision of this Agreement, legal and beneficial title to the Option granted to the Optionee hereunder, in respect of the Shares and all rights, privileges and benefits arising and flowing therefrom or to arise or flow therefrom hereafter, shall vest in the Optionee and the Optionee shall be entitled to exercise said Option to purchase the Shares only in the proportion and on the dates (the "**Vesting Dates**") set out below, provided that the Optionee is a [**Consultant or Employee or Director**] of the Corporation on such Vesting Date (and has been a [**Consultant or Employee or Director**] of the Corporation continuously from the date hereof):

NON-TRANSFERABLE

| Vesting Date | Number of Shares subject to the Option | Exercise Price |
|--------------|----------------------------------------|----------------|
| [•]          | [•]                                    | [•]            |
| [•]          | [•]                                    | [•]            |
| [•]          | [•]                                    | [•]            |
| [•]          | [•]                                    | [•]            |
| Total:       | [•]                                    |                |

3. **Exercise of Option**

3.1 Subject to the provisions of this Agreement, including, without limitation, Section 2 above, the Option may be exercised from time to time prior to the Expiry Time (as hereinafter defined) by delivery to the Corporation at its registered office of an executed Exercise Notice (attached hereto as Exhibit "I") addressed to the President of the Corporation specifying the number of Shares with respect to which the Option is being exercised and accompanied by payment in full, by cash or certified cheque, of the purchase price of the Shares then being purchased. Subject to any provisions of this Agreement to the contrary, certificates for such Shares shall be issued and delivered to the Optionee within a reasonable time following the receipt of such notice and payment.

3.2 Notwithstanding any provisions contained in this Agreement, the Corporation's obligation to issue Shares to the Optionee pursuant to the exercise of the Option shall be subject to: (i) receipt of any required shareholder approval; (ii) completion of such registration or other qualification of such Shares or obtaining approval of such governmental or regulatory authority as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof; (iii) the admission of such Shares to listing on any stock exchange or market on which the Shares may then be listed; (iv) the receipt from the Optionee of such representations, warranties, agreements and undertakings as the Corporation determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any jurisdictions; and (v) compliance with the terms and conditions of the Plan. Nothing contained in this Agreement shall be deemed to require the Corporation to apply for or obtain any such registration, qualification, approval or listing referred to above. The Optionee hereby acknowledges and agrees that he has had access to such information as is necessary to enable him to evaluate the merits and risks of acquiring Shares pursuant to the exercise of the Option and that he is able to bear the economic risk of holding such Shares for an indefinite period.

4. **No Assignment**

4.1 The Option is personal to the Optionee and non-assignable (whether by operation of law or otherwise). Upon any attempt to transfer, assign, pledge, hypothecate or otherwise dispose of the Option contrary to the provisions of this Agreement, or upon the levy of any attachment or similar process upon the Option, the Option shall, at the election of the Corporation, cease and terminate and be of no further force or effect whatsoever.

5. **Expiration**

5.1 Subject to the terms and conditions set out in this Agreement, including the vesting conditions set out in Section 2 above and the termination provisions set out in Section 6 below, the Optionee shall have the right to exercise the Option with respect to all or any part of the Shares to the extent vested at any time or from time to time after the date hereof and prior to the close of business on [•] (the "**Expiry Time**"). On the Expiry Time, the Option shall forthwith expire and terminate and be of no further force or effect whatsoever with respect to the unexercised balance of the Shares available under the Option, whether vested or not.

6. **Termination of Employment; Death; Bankruptcy**

6.1 Subject to the provisions of this Agreement and this Section 6 and to any express resolution passed with respect to the Option by the Board of Directors of the Corporation (the "**Board**") or by any committee of the Board established by the Board to administer the Plan (the "**Committee**"), the Option and all rights to purchase Shares

pursuant thereto shall immediately expire, except to the extent vested in which case they shall expire and terminate on the [•] day following the date the Optionee ceases to be a ["Consultant" or "Employee" or "Director"] within the meaning of Section 1.1 of the Plan.

6.2 Subject to the provisions of this Agreement and this Section 6, if the Optionee shall die prior to the full exercise of the Option, his Personal Representatives, heirs or legatees may, at any time within **[twelve (12)]** months after the date of such death, exercise the Option with respect to the unexercised balance of the Shares to the extent vested, subject to the terms of the Option but only to the same extent to which the Optionee could have exercised the Option immediately before the date of such death. In no event, however, shall the Option be exercisable after the Expiry Time.

6.3 In the event that the Optionee commits an act of bankruptcy or any proceeding is commenced against the Optionee under the *Bankruptcy and Insolvency Act* (Canada) or other applicable bankruptcy or insolvency legislation in force at the time of such bankruptcy and such proceeding remains undismissed for a period of **[thirty (30)]** days, the Option may not be exercised following the date on which the Optionee commits such act of bankruptcy or such proceeding remains undismissed, as the case may be.

7. **Rights as a Shareholder**

7.1 An Optionee shall not have any rights as a shareholder of the Corporation with respect to any of the Shares subject to the Option until the date of issuance of a certificate for such Shares upon the exercise of the Option, in full or in part, and then only with respect to the Shares represented by such certificate or certificates. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

8. **Inconsistency with Plan**

8.1 The parties hereto agree that in the event this Agreement is inconsistent with the Plan the Plan shall prevail.

9. **Certain Adjustments**

9.1 In the event that the Shares are at any time changed or affected as a result of the declaration of a stock dividend thereon or their subdivision or consolidation, the number of Shares reserved for the Option shall be adjusted accordingly by the Board or the Committee to such extent as they deem proper in their discretion. In such event, the number of, and the price payable for, the Shares that are then subject to the Option may also be adjusted by the Board or the Committee to such extent, if any, as they deem proper in their discretion.

9.2 If at any time after the date of this Agreement and prior to the expiration of the term of the Option, the Shares shall be reclassified, reorganized or otherwise changed, otherwise than as specified in Section 8.1 of this Agreement or, subject to the provisions of subsection 10.1(a) of this Agreement, the Corporation shall consolidate, merge or amalgamate with or into another corporation (the corporation resulting or continuing from such consolidation, merger or amalgamation being herein called the "**Successor Corporation**"), the Optionee shall be entitled to receive upon the subsequent exercise of the Option in accordance with the terms of this Agreement and shall accept in lieu of the number of Shares to which he was theretofore entitled upon such exercise but for the same aggregate consideration payable therefor, the aggregate number of shares of the appropriate class and/or other securities of the Corporation or the Successor Corporation (as the case may be) and/or other consideration from the Corporation or the Successor Corporation (as the case may be) that the Optionee would have been entitled to receive as a result of such reclassification, reorganization or other change or, subject to the provisions of subsection 9.1 of this Agreement, as a result of such consolidation, merger or amalgamation, if on the record date of such reclassification, reorganization or other change or the effective date of such consolidation, merger or amalgamation, as the case may be, he had been the registered holder of the number of Shares to which he was theretofore entitled upon such exercise.

10. **Amendments to the Option**

10.1 Notwithstanding anything to the contrary contained in this Agreement:

- (a) in the event the Corporation proposes to amalgamate, merge or consolidate with any other corporation (other than a wholly-owned Subsidiary) or to liquidate, dissolve or wind-up, or in the event an offer to purchase or repurchase the Shares or any part thereof shall be made to all or substantially all holders of the Shares, the Corporation shall have the right, upon written notice thereof to the Optionee, to permit the exercise of the Option within the **[twenty (20) day]** period next following the date of such notice and to determine that upon the expiration of such **[twenty (20) day]** period, all rights of the Optionee to the Option or to exercise same (to the extent not theretofore exercised) shall *ipso facto* terminate and cease to have further force or effect whatsoever;
- (b) in the event of the sale by the Corporation of all or substantially all of the assets of the Corporation as an entirety or substantially as an entirety so that the Corporation shall cease to operate as an active business, the Option may be exercised as to all or any part of the Shares subject to the Option in respect of which the Optionee would have been entitled to exercise the Option in accordance with the provisions of this Agreement at the date of completion of any such sale at any time up to and including, but not after the earlier of: (i) the close of business on that date which is **[thirty (30)]** days following the date of completion of such sale; and (ii) the close of business on the expiration date of the Option; but the Optionee shall not be entitled to exercise the Option with respect to any other Shares; and
- (c) subject to the rules of any relevant stock exchange or other regulatory authority, the Board may, by resolution, advance the date on which any Option may be exercised or extend the expiration date of the Option.
- (d) The Optionee hereby acknowledges and agrees that the Board may at any time by resolution terminate the Plan. In such event, the Option if vested and outstanding may be exercised by the Optionee after the date on which the Corporation shall have notified the Optionee of the termination of the Plan, but only to the same extent as the Optionee could have exercised the Option immediately prior to the date of such notification.

11. **Notice**

11.1 All communications and payments provided for under this Agreement shall be in writing and shall be deemed to be given when delivered in person or deposited in the mail, first class, certified or registered, return receipt requested, with proper postage prepaid and,

- (a) if to the Optionee, addressed to:

[•]

Phone No.: [•]

Fax No.: [•]

- (b) if to the Corporation, addressed to:

Aurora Spine Corporation

[address]

Attention: Chairman of the Corporate Governance and Compensation Committee

Phone No.: [•]

Fax No.: [•]

in either case with a copy to:

Owens Wright LLP

20 Holly Street, Suite 300

Toronto, ON M4S 3B1  
Attention: Paul De Luca

Phone No. 416-848-4739  
Fax No. 416-486-3309

12. **Time of Essence**

12.1 Time shall be of the essence of this Agreement and each and every part hereof.

13. **Binding Effect**

13.1 This Agreement shall enure to the benefit of and be binding upon the parties hereto, the successors of the Corporation and the executor, administrator, heirs and personal representatives of the Optionee. This Agreement shall not be assignable by the Optionee.

14. **Headings**

14.1 The section headings contained in this Agreement are for reference purposes only and shall not affect in any way the meaning or interpretation of this Agreement.

15. **Amendment**

15.1 This Agreement may be amended only by a written instrument signed by each of the parties hereto.

16. **Governing Law**

16.1 This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein.

17. **Duplicate Originals**

17.1 It is hereby acknowledged by the parties hereto that this Agreement has been signed in duplicate only, one (1) original executed copy delivered to the Optionee and one (1) delivered to the Corporation.

18. **Paramountcy**

18.1 To the extent there is any inconsistency or ambiguity between this Agreement and any other employment or consulting agreement, the terms of this Agreement shall govern to the extent of such inconsistency or ambiguity.

**IN WITNESS WHEREOF** the parties hereto have executed this Agreement on the date first above written.

**AURORA SPINE CORPORATION**

Per: \_\_\_\_\_

Name:

Title:

\_\_\_\_\_  
Witness:

\_\_\_\_\_  
**[Name of Optionholder]**

## EXERCISE NOTICE

TO: **AURORA SPINE CORPORATION**  
AND TO: **THE BOARD OF DIRECTORS THEREOF**

*Unless otherwise defined herein, all capitalized terms will have the meanings specified in the stock option plan adopted by Aurora Spine Corporation effective as of September 5, 2013.*

The undersigned holder of the Options evidenced by the Option Agreement hereby subscribes for \_\_\_\_\_ Shares of the Corporation pursuant to such Options exercisable at an aggregate exercise price of Cdn\$\_\_\_\_\_ until the Expiry Time (or such other price as is determined pursuant to the Option Agreement) on the terms specified in such Option Agreement and enclosed herewith a certified cheque, bank draft or money order payable to the order of the Corporation in payment therefor.

The undersigned hereby irrevocably directs that the said Shares be issued in the name of the undersigned and delivered as follows:

| Name(s) in Full | Address(es) | SIN Number<br>(if applicable) | Number(s) of<br>Common Shares | Taxpayer<br>Identification<br>Number (if<br>applicable) |
|-----------------|-------------|-------------------------------|-------------------------------|---------------------------------------------------------|
| _____           | _____       | _____                         | _____                         | _____                                                   |

(Please print full name in which Share certificates are to be issued. If any Shares are to be issued to a person or persons other than the holder, the holder must pay to the Corporation all exigible transfer taxes or other government charges.)

\_\_\_\_\_  
Signature Guaranteed

\_\_\_\_\_  
Signature of Subscriber

\_\_\_\_\_  
Name of Subscriber

Address of Subscriber:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

- ☐ Please check if the Share certificates are to be delivered at the office where this Exercise Notice is surrendered, failing which the certificates will be mailed.
- ☐ Certificates will be delivered or mailed only after the transfer books of the Corporation have been opened for five (5) business days after the due surrender of the Exercise Notice as aforesaid.

DATED this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_\_.

## **SCHEDULE "B"**

### **AURORA SPINE CORPORATION AUDIT COMMITTEE CHARTER**

#### **I. MANDATE**

The Audit Committee (the "**Committee**") of the Board of Directors (the "**Board**") of Aurora Spine Corporation (the "**Company**") shall assist the Board in fulfilling its financial oversight responsibilities. The Committee's primary duties and responsibilities under this mandate are to serve as an independent and objective party to monitor:

1. The quality and integrity of the Company's financial statements and other financial information;
2. The compliance of such statements and information with legal and regulatory requirements;
3. The qualifications and independence of the Company's independent external auditor (the "**Auditor**"); and
4. The performance of the Company's internal accounting procedures and Auditor.

#### **II. STRUCTURE AND OPERATIONS**

##### **A. Composition**

The Committee shall be comprised of three or more members.

##### **B. Qualifications**

Each member of the Committee must be a member of the Board.

Each member of the Committee must be able to read and understand fundamental financial statements, including the Company's balance sheet, income statement and cash flow statement.

##### **C. Appointment and Removal**

In accordance with the Articles of the Company, the members of the Committee shall be appointed by the Board and shall serve until such member's successor is duly elected and qualified or until such member's earlier resignation or removal. Any member of the Committee may be removed, with or without cause, by a majority vote of the Board.

##### **D. Chair**

Unless the Board shall select a chairperson of the Committee (the "**Chair**"), the members of the Committee shall designate a Chair by the majority vote of all of the members of the Committee. The Chair shall call, set the agendas for and chair all meetings of the Committee.

##### **E. Meetings**

The Committee shall meet as frequently as circumstances dictate. The Auditor shall be given reasonable notice of, and be entitled to attend and speak at, each meeting of the Committee concerning the Company's annual financial statements and, if the Committee feels it is necessary or appropriate, at every other meeting. On request by the Auditor, the Chair shall call a meeting of the Committee to consider any matter that the Auditor believes should be brought to the attention of the Committee, the Board or the shareholders of the Company.

At each meeting, a quorum shall consist of a majority of members that are not officers or employees of the Company or of an affiliate of the Company.

As part of its goal to foster open communication, the Committee may periodically meet separately with each of management and the Auditor to discuss any matters that the Committee or any of these groups believes would be appropriate to discuss privately. In addition, the Committee should meet with the Auditor and management annually to review the Company's financial statements in a manner consistent with Section III of this Charter.

The Committee may invite to its meetings any director, any manager of the Company, and any other person whom it deems appropriate to consult in order to carry out its responsibilities. The Committee may also exclude from its meetings any person it deems appropriate to exclude in order to carry out its responsibilities.

### **III. DUTIES**

#### **A. Introduction**

The following functions shall be the common recurring duties of the Committee in carrying out its purposes outlined in Section I of this Charter. These duties should serve as a guide with the understanding that the Committee may fulfill additional duties and adopt additional policies and procedures as may be appropriate in light of changing business, legislative, regulatory or other conditions. The Committee shall also carry out any other responsibilities and duties delegated to it by the Board from time to time related to the purposes of the Committee outlined in Section I of this Charter.

The Committee, in discharging its oversight role, is empowered to study or investigate any matter of interest or concern which the Committee in its sole discretion deems appropriate for study or investigation by the Committee.

The Committee shall be given full access to the Company's internal accounting staff, managers, other staff and Auditor as necessary to carry out these duties. While acting within the scope of its stated purpose, the Committee shall have all the authority of, but shall remain subject to, the Board.

#### **B. Powers and Responsibilities**

The Committee will have the following responsibilities and, in order to perform and discharge these responsibilities, will be vested with the powers and authorities set forth below, namely, the Committee shall:

##### *Independence of Auditor*

1. Review and discuss with the Auditor any disclosed relationships or services that may impact the objectivity and independence of the Auditor and, if necessary, obtain a formal written statement from the Auditor setting forth all relationships between the Auditor and the Company.
2. Take, or recommend that the Board take, appropriate action to oversee the independence of the Auditor.
3. Require the Auditor to report directly to the Committee.
4. Review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the Auditor and former independent external auditor of the Company.

##### *Performance & Completion by Auditor of its Work*

1. Be directly responsible for the oversight of the work by the Auditor (including resolution of disagreements between management and the Auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company, including resolution of disagreements between management and the Auditor regarding financial reporting.
2. Review annually the performance of the Auditor and recommend the appointment by the Board of a new, or re-election by the Company's shareholders of the existing, Auditor for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company.
3. Recommend to the Board the compensation of the Auditor.
4. Pre-approve all non-audit services, including the fees and terms thereof, to be performed for the Company by the Auditor.

*Internal Financial Controls & Operations of the Company*

1. Establish procedures for:
  - a) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls, or auditing matters; and
  - b) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

*Preparation of Financial Statements*

1. Discuss with management and the Auditor significant financial reporting issues and judgments made in connection with the preparation of the Company's financial statements, including any significant changes in the Company's selection or application of accounting principles, any major issues as to the adequacy of the Company's internal controls and any special steps adopted in light of material control deficiencies.
2. Discuss with management and the Auditor any correspondence with regulators or governmental agencies and any employee complaints or published reports which raise material issues regarding the Company's financial statements or accounting policies.
3. Discuss with management and the Auditor the effect of regulatory and accounting initiatives as well as off-balance sheet structures on the Company's financial statements.
4. Discuss with management the Company's major financial risk exposures and the steps management has taken to monitor and control such exposures, including the Company's risk assessment and risk management policies.
5. Discuss with the Auditor the matters required to be discussed relating to the conduct of any audit, in particular:
  - a) The adoption of, or changes to, the Company's significant auditing and accounting principles and practices as suggested by the Auditor, internal auditor or management.
  - b) The management inquiry letter provided by the Auditor and the Company's response to that letter.
  - c) Any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management.

*Public Disclosure by the Company*

1. Review the Company's annual and interim financial statements, management discussion and analysis (MD&A) and earnings press releases before the Board approves and the Company publicly discloses this information.
2. Review the Company's financial reporting procedures and internal controls to be satisfied that adequate procedures are in place for the review of the Company's public disclosure of financial information extracted or derived from its financial statements, other than disclosure described in the previous paragraph, and periodically assessing the adequacy of those procedures.
3. Review disclosures made to the Committee by the Company's Chief Executive Officer and Chief Financial Officer during their certification process of the Company's financial statements about any significant deficiencies in the design or operation of internal controls or material weaknesses therein and any fraud involving management or other employees who have a significant role in the Company's internal controls.

*Manner of Carrying Out its Mandate*

1. Consult, to the extent it deems necessary or appropriate, with the Auditor, but without the presence of management, about the quality of the Company's accounting principles, internal controls and the completeness and accuracy of the Company's financial statements.
2. Request any officer or employee of the Company or the Company's outside counsel or Auditor to attend a meeting of the Committee or to meet with any members of, or consultants to, the Committee.
3. Meet, to the extent it deems necessary or appropriate, with management, any internal auditor and the Auditor in separate executive sessions.
4. Have the authority, to the extent it deems necessary or appropriate, to retain special independent legal, accounting or other consultants to advise the Committee advisors.
5. Make regular reports to the Board.
6. Review and reassess the adequacy of this Charter annually and recommend any proposed changes to the Board for approval.
7. Annually review the Committee's own performance.
8. Provide an open avenue of communication among the Auditor, the Company's financial and senior management and the Board.
9. Not delegate these responsibilities.

**C. Limitation of Audit Committee's Role**

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or to determine that the Company's financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of management and the Auditor.

