



**AIRBOSS OF AMERICA CORP.**

**Notice of Meeting and Management Information Circular**

**For the Annual General and Special Meeting of Shareholders  
to be held May 10, 2018**

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**April 9, 2018**

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# AIRBOSS OF AMERICA CORP.

**AIRBOSS OF AMERICA CORP.  
16441 YONGE STREET  
NEWMARKET, ONTARIO  
L3X 2G8**

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## **NOTICE OF 2018 ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS**

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**NOTICE IS HEREBY GIVEN** that the Annual General and Special Meeting (the "Meeting") of shareholders of AirBoss of America Corp. (the "Company") will be held at Magna Golf Club located at 14780 Leslie Street, Aurora, Ontario on Thursday, May 10, 2018, at 4:30 p.m. (Toronto time) for the following purposes:

- (a) to receive the Company's 2017 Annual Report containing the financial statements for the year ended December 31, 2017, together with the report of the auditors thereon;
- (b) to elect the directors of the Company for the ensuing year;
- (c) to appoint the auditors for the ensuing year and authorize the directors of the Company to fix their remuneration;
- (d) to vote on a resolution to approve unallocated awards under the Company's 2015 Omnibus Incentive Plan; and
- (e) to transact such other business as may properly come before the Meeting or any adjournments or postponements thereof.

The accompanying Management Information Circular provides additional information relating to matters to be dealt with at the Meeting and forms part of this Notice.

The 2017 Annual Report, which includes the Management's Discussion and Analysis of financial condition and results of operations, the consolidated financial statements of the Company and the auditors' report to the shareholders of the Company for the financial year ended December 31, 2017, when requested, accompanies this notice and is posted on the Company's website at [www.airbossofamerica.com](http://www.airbossofamerica.com) and on SEDAR at [www.sedar.com](http://www.sedar.com).

The Board of Directors of the Company has fixed the close of business on March 29, 2018 as the record date for the determination of the shareholders entitled to receive notice of and to vote at the Meeting. A registered shareholder wishing to be represented by proxy at the Meeting or any adjournment or postponement thereof must (i) deposit his or her duly executed form of proxy with the Company's transfer agent, Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, by no later than 5:00 pm. (Toronto time) on Tuesday, May 8, 2018 or if the Meeting is adjourned or postponed, no later than 48 hours (excluding Saturday, Sunday and holidays) before the time of the Meeting, or (ii) deposit the form of proxy with the Chairman at the Meeting prior to the commencement of the Meeting or any adjournments or postponements thereof at which the proxy is to be used.

**Shareholders who are unable to attend the Meeting in person, are requested to date, complete, sign, and return the enclosed form of proxy so that as large a representation as possible may be had at the Meeting.**

**DATED** at Newmarket, Ontario this 9<sup>th</sup> day of April, 2018.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) Chris Figel  
Vice-President and Secretary

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## MANAGEMENT INFORMATION CIRCULAR

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### PART I – VOTING INFORMATION

#### SOLICITATION OF PROXIES

**This Management Information Circular is furnished in connection with the solicitation by the management of AirBoss of America Corp. (the "Company") of proxies to be used at the Annual General and Special Meeting of shareholders of the Company (the "Meeting") referred to in the accompanying Notice of 2018 Annual General and Special Meeting of Shareholders (the "Notice of Meeting") to be held at Magna Golf Club, Aurora, Ontario on Thursday, May 10, 2018 at 4:30 p.m. (Toronto time) and at any adjournments or postponements thereof for the purposes set forth in the Notice of Meeting. Proxies will be solicited primarily by mail, but may also be solicited personally or by telephone by the directors and/or officers of the Company at nominal cost. The cost of such solicitation will be borne by the Company. The information contained herein is given as of March 14, 2018, unless indicated otherwise.**

The Company intends to pay the reasonable costs incurred by persons who are the registered but not beneficial owners of voting shares of the Company (such as brokers, dealers, other registrants under applicable securities laws, nominees and/or custodians) in sending or delivering copies of this management information circular ("Circular"), the Notice of Meeting and form of proxy (collectively, the "Meeting Materials") to the beneficial owners of such shares. The Company is not sending the Meeting Materials to registered or beneficial owners of the Company's securities using the notice-and-access provisions set out in National Instrument 54-101 of the Canadian Securities Administrators titled "NI 54-101". The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose. The Company's Annual Report and the Meeting Materials are available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.airbossofamerica.com](http://www.airbossofamerica.com).

## NON-REGISTERED SHAREHOLDERS

Only registered holders of Class A shares of the Company designated as common shares ("Common Shares") or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Common Shares beneficially owned by a person (a "Non-Registered Holder") are registered either: (i) in the name of an intermediary (an "Intermediary") with whom the Non-Registered Holder deals in respect of the Common Shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or (ii) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of NI 54-101 copies of the Meeting Materials are being distributed to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries in Canada are required to forward the Meeting Materials to Non-Registered Holders. Non-Registered Holders will be given, in substitution for the proxy otherwise contained in the Meeting Materials, a request for voting instructions (the "voting instructions form") which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary, will constitute voting instructions which the Intermediary must follow.

The purpose of this procedure is to permit Non-Registered Holders to direct the voting of the Common Shares they beneficially own. Should a Non-Registered Holder who receives the voting instructions form wish to vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should so indicate in the place provided for that purpose in the voting instructions form and a form of legal proxy will be sent to the Non-Registered Holder. Non-Registered Holders should carefully follow the instructions of their Intermediary set out in the voting instructions form.

## APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy represent management of the Company. **A SHAREHOLDER HAS THE RIGHT TO APPOINT SOME OTHER PERSON OR COMPANY, WHO NEED NOT BE A SHAREHOLDER OF THE COMPANY, TO REPRESENT HIM OR HER AT THE MEETING AND MAY DO SO BY FILLING IN THE NAME OF SUCH PERSON OR COMPANY IN THE BLANK SPACE PROVIDED IN THE PROXY OR BY COMPLETING ANOTHER PROPER FORM OF PROXY.** A registered shareholder wishing to be represented by proxy at the Meeting or any adjournments or postponements thereof must, in all cases, (i) deposit the completed proxy with the Company's registrar and transfer agent, Computershare Investor Services Inc., Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, facsimile within North America (866) 249-7775 and outside North America (416) 263-9524, by no later than 5:00 p.m. (Toronto time) on Tuesday, May 8, 2018, or if the Meeting is adjourned or postponed, no later than 48 hours (excluding Saturdays, Sunday and holidays) before the time of the Meeting or (ii) deposit the form of proxy with the Chairman of the Meeting prior to the commencement of the Meeting or any adjournments or postponements thereof at which the proxy is to be used. A proxy should be executed by the shareholder or his or her attorney duly authorized in writing or, if the shareholder is a corporation, by an officer or attorney thereof duly authorized.

A shareholder who has given a proxy may revoke it by an instrument in writing executed by the shareholder or by his or her attorney authorized in writing or, where the shareholder is a corporation, by a duly authorized officer or attorney of the corporation, and delivered to the Company's registrar and transfer agent at the address set out above, at any time up to and including 5:00 p.m. on the last business day preceding the day of the Meeting, or if adjourned or postponed, any reconvening thereof, or to the Chairman of the Meeting on the day of the Meeting or, if adjourned or postponed, any reconvening

thereof or in any other manner provided by law. Only a registered shareholder of the Company has the right to revoke a proxy. A Non-Registered Holder who wishes to change his, her or its vote must arrange for the Intermediary to revoke the proxy on his, her or its behalf in accordance with the instructions of such Intermediary set out in the voting instructions form. A revocation of a proxy does not affect any matter on which a vote has been taken prior to the revocation.

A registered shareholder attending the Meeting has the right to vote in person and, if he or she does so, his or her proxy is nullified with respect to the matters he or she votes upon and any subsequent matters thereafter to be voted upon at the Meeting or any adjournment thereof.

### **EXERCISE OF DISCRETION BY PROXIES**

The shares represented by properly executed proxies in favour of management nominees in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder and, if a shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the shares represented by the proxy shall be voted accordingly. **WHERE NO CHOICE IS SPECIFIED, THE PROXY WILL CONFER DISCRETIONARY AUTHORITY AND WILL BE VOTED FOR THE ELECTION OF THE SIX NOMINEES AS DIRECTORS, FOR THE RE-APPOINTMENT OF KPMG LLP AS THE AUDITORS OF THE COMPANY AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, AND FOR THE APPROVAL OF UNALLOCATED AWARDS UNDER THE COMPANY'S 2015 OMNIBUS INCENTIVE PLAN. THE ENCLOSED FORM OF PROXY ALSO CONFERS DISCRETIONARY AUTHORITY UPON THE PERSONS NAMED THEREIN TO VOTE WITH RESPECT TO ANY AMENDMENTS OR VARIATIONS TO THE MATTERS IDENTIFIED IN THE NOTICE OF MEETING AND WITH RESPECT TO OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING IN SUCH MANNER AS SUCH NOMINEE IN HIS OR HER JUDGMENT MAY DETERMINE.** At the time of printing this Circular, management of the Company knows of no such amendments, variations or other matters to come before the Meeting.

### **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

As at March 14, 2018, the Company had 23,088,913 Common Shares issued and outstanding, each of which carries one vote in respect of each matter to be voted upon at the Meeting. To the knowledge of the directors and executive officers of the Company, the following table sets out the name of the only persons who beneficially own, directly or indirectly, or exercise control or direction over more than 10% of the Common Shares:

Name of Beneficial Owner	Number of Common Shares Held	Percentage of Total Outstanding Common Shares
P. Grenville Schoch Chairman and CEO	4,510,147	19.53%
James Gordon Flatt <sup>(1)</sup>	3,642,000	15.78%

<sup>(1)</sup> Information taken from reports filed on SEDI by Mr. Flatt on December 22, 2016 AND September 19, 2017. According to such filings, all Common Shares are held through Skky Capital Corporation Limited.

Each holder of Common Shares registered on the books of the Company at the close of business on March 29, 2018 (the "**record date**") will be entitled to vote at the Meeting or at any adjournments or postponements thereof, either in person or by proxy.

## **PART II – BUSINESS OF THE MEETING**

### **ANNUAL REPORT AND AUDITED FINANCIAL STATEMENTS**

The Company's 2017 Annual Report, including the consolidated financial statements for the fiscal years ended December 31, 2017 and 2016 and the report of the auditors thereon, will be submitted to shareholders at the Meeting. Receipt at such meeting of the auditors' report and the Company's financial statements for its last completed fiscal period will not constitute approval or disapproval of any matters referred to therein.

### **ELECTION OF DIRECTORS**

The Board of Directors of the Company (the "Board") is comprised of a minimum of three and a maximum of ten members. The Board currently has six directors and the Board has determined that the number of directors to be elected at the Meeting is six. The Board is currently constituted, and as proposed to be elected will be constituted, with a majority of individuals who qualify as independent directors in accordance with applicable Canadian securities laws, as determined by the Board.

#### **Majority Voting Policy**

The Company has adopted a majority voting policy pursuant to which any nominee proposed for election as a director in an uncontested election who receives, from the Common Shares voted at the meeting in person or by proxy, a greater number of Common Shares withheld than Common Shares voted in favour of their election, must promptly tender his or her resignation to the Chairman of the Board, to take effect on acceptance by the Board. The Nominating and Corporate Governance Committee will expeditiously consider the director's offer to resign and make a recommendation to the Board on whether to accept it. The Board will have 90 days to make a final decision and announce it by way of press release. The relevant director will not participate in any deliberations of the Nominating and Corporate Governance Committee or the Board on the resignation offer.

#### **Nominees**

The present term of office for each director of the Company will expire immediately prior to the election of directors at the Meeting. It is proposed to nominate for election each of the six persons whose names are set out below as a director of the Company to serve until the next annual general meeting of shareholders, or until their successors are duly elected or appointed unless his or her office is earlier vacated in accordance with the Company's by-laws. The following table and the notes thereto set out the names of each of the persons proposed to be nominated by management for election as a director, all positions and offices with the Company now held by each of them, the principal occupation or employment of each of them for the past five years, the year in which each was first elected a director of the Company and the number of securities of the Company that each has advised are beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them as of March 14, 2018.

Name and Residence	Present Principal Occupation	Period of Service as a Director of the Company	Securities of the Company Beneficially Owned, Directly or Indirectly, or Controlled or Directed <sup>(1)</sup>
Robert L. Hagerman Ontario, Canada <b>Independent</b>	Corporate Director. Previous President and CEO of the Company until his retirement on May 8, 2014.	October 13, 1989 to Present	606,120 Common Shares 200,000 Options 1,577 DSUs
Mary Matthews, CPA, C.A., ICD.D <sup>(2)(3)(4)</sup> Ontario, Canada <b>Independent</b>	Corporate Director and President and Co-Founder of Santa Comes to Bay Street (a registered charity).	May 29, 2006 to Present	138,502 Common Shares 5,334 DSUs
Robert McLeish <sup>(2)(3)(4)</sup> Ontario, Canada <b>Independent</b>	Lead Director and Chairman of Dundee Corporation (a TSX-listed investment holding company).	February 1, 1999 to Present	230,373 Common Shares 50,000 Options 7,417 DSUs
Brian A. Robbins <sup>(2)</sup> Ontario, Canada <b>Independent</b>	President and Chief Executive Officer of Exco Technologies Limited (a TSX-listed tooling manufacturing corporation).	June 5, 1997 to Present	40,159 Common Shares 20,000 Options 10,999 DSUs
P. Grenville Schoch Ontario, Canada <b>Non-independent</b>	Chairman and CEO of the Company.	October 13, 1989 to Present	4,510,147 <sup>(5)</sup> Common Shares 463,030 Options
Alan J. Watson <sup>(3)(4)</sup> New South Wales, Australia <b>Independent</b>	Corporate Director and Chairman of Pinnacle Investment Management Group Limited (a publicly-traded Australian investment management company).	September 10, 2007 to Present	130,000 Common Shares 50,000 Options 4,678 DSUs

Notes:

- (1) The information as to voting securities beneficially owned, controlled or directed, has been furnished by each respective nominee as of March 14, 2018. A description of the terms of DSUs can be found under "Statement of Executive Compensation – Compensation of Directors".
- (2) Member of the Audit Committee.
- (3) Member of the Compensation Committee.
- (4) Member of the Nominating and Corporate Governance Committee.
- (5) See "Voting Securities and Principal Holders Thereof." 45,000 of these Common Shares are held by a company controlled by Mr. Schoch.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE ELECTION OF THE ABOVE-NAMED NOMINEES, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF ONE OR MORE OF THE ABOVE-NAMED NOMINEES. MANAGEMENT HAS NO REASON TO BELIEVE THAT ANY OF THE NOMINEES WILL BE UNABLE TO SERVE AS A DIRECTOR, BUT IF THAT SHOULD OCCUR FOR ANY REASON PRIOR TO THE MEETING, THE PERSONS NAMED IN THE ENCLOSED FORM OF PROXY RESERVE THE RIGHT TO VOTE FOR THE REMAINING NOMINEES AND MAY VOTE FOR SUBSTITUTE NOMINEES AT THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.**

#### **Directors' Minimum Shareholding Requirement**

To align Directors' interests with those of shareholders of the Company, the Board has adopted a minimum shareholding requirement for Directors. Each Director is required to hold Common Shares valued at three times the annual retainer entitlement. Directors have a period of three years from the date of their election to the Board to achieve the minimum shareholding requirement. As of March 31, 2018, all Directors have met this minimum shareholding requirement.

## Director Affiliations and Attendance

Certain directors of the Company are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

Name of Director	Reporting Issuer (or equivalent)
Brian A. Robbins	Director, Heroux-Devtek Inc. Director, Exco Technologies Limited
Robert L. McLeish	Chairman, Dundee Corporation
Alan J. Watson	Chairman, Pinnacle Investment Management Group Limited

In order to carry out its responsibilities, the Board meets on a regular basis on at least five occasions annually and otherwise as required in the circumstances. During fiscal 2017, the Board held five meetings. The attendance record for each director is set out below.

Director	Board of Directors Meeting	Audit Committee	Compensation Committee	Nominating and Corporate Governance Committee
Robert L. Hagerman	5 of 5	N/A	N/A	N/A
Mary Matthews	5 of 5	4 of 4	1 of 1	1 of 1
Robert McLeish	5 of 5	4 of 4	1 of 1	1 of 1
Brian A. Robbins	5 of 5	4 of 4	N/A	N/A
P. Grenville Schoch	5 of 5	N/A	N/A	N/A
Alan J. Watson	5 of 5	N/A	1 of 1	1 of 1

## APPOINTMENT AND REMUNERATION OF AUDITORS

Management proposes to re-appoint KPMG LLP, Chartered Professional Accountants as the auditors of the Company to hold office until the close of the next annual meeting of shareholders and proposes that the shareholders authorize the directors to fix the remuneration of the auditors. KPMG LLP have been the auditors of the Company since April 3, 2001.

### Auditors' Fees

The following table summarizes the fees billed to the Company for services provided by its external auditors, KPMG LLP, during the 2017 and 2016 fiscal years:

Description	2017 (US\$)	2016 (US\$)
Audit	347,008	345,143
Audit-related fees	Nil	Nil
Tax fees	Nil	Nil
All other fees	40,964	13,406
<b>Total</b>	<b>387,972</b>	358,549

The Audit Committee has determined that KPMG LLP's provision of non-audit services is compatible with maintaining KPMG LLP's independence. The Audit Committee has adopted a policy whereby it must pre-approve all services performed by the Company's external auditors over \$10,000.

See page 20 of the Company's Annual Information Form for the year ended December 31, 2017 for additional information regarding the Audit Committee and the auditors.

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE RE-APPOINTMENT OF KPMG LLP, CHARTERED ACCOUNTANTS, AS AUDITORS OF THE COMPANY TO HOLD OFFICE UNTIL THE NEXT ANNUAL MEETING OF SHAREHOLDERS AND THE AUTHORIZATION OF THE DIRECTORS TO FIX THEIR REMUNERATION, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

## APPROVAL OF UNALLOCATED AWARDS UNDER THE COMPANY'S 2015 OMNIBUS INCENTIVE PLAN

### *Background*

On May 14, 2015, shareholders of the Company approved the 2015 Omnibus Incentive Plan (the "**2015 Omnibus Plan**") pursuant to which the Company issues all long-term incentives to executives until it is amended or replaced. The 2015 Omnibus Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, performance awards, other stock-based awards and cash-based awards and is administered by the Compensation Committee. For a discussion of the terms of the 2015 Omnibus Plan, please refer to the section entitled "Part III – Statement of Executive Compensation – 2015 Omnibus Plan", below. A copy of the 2015 Omnibus Plan is attached as Appendix B.

### *Approval of Unallocated Incentive Awards*

The maximum number of Common Shares reserved for issuance from time to time pursuant to awards granted and outstanding under the 2015 Omnibus Plan may not exceed 10% of the issued and outstanding Common Shares of the Company. Pursuant to the rules of the Toronto Stock Exchange ("**TSX**"), all unallocated rights, options or other entitlements under a "security based compensation arrangement" which do not have a fixed maximum aggregate of securities issuable thereunder must be approved by a majority of the issuer's directors and security holders every three years. As the 2015 Omnibus Plan was adopted on May 14, 2015, unallocated awards under the 2015 Omnibus Plan will expire on May 13, 2018. The 2015 Omnibus Plan also requires that shareholders approve all unallocated awards under the plan every three years.

Shareholders are being asked at the Meeting to consider an ordinary resolution to approve unallocated awards under the 2015 Omnibus Plan for a further three year term. If the ordinary resolution is passed at the Meeting, the Corporation will be required to seek similar approval from shareholders on the next renewal date, being no later than May 10, 2021. If approval is not obtained at the Meeting, awards which have not been allocated as of May 14, 2018 and awards which are outstanding as of May 14, 2018 and are subsequently cancelled, terminated or exercised will not be available for a new grant of awards. Previously allocated awards will continue to be unaffected by the approval or disapproval of the resolution.

As of December 31, 2017, after deducting 785,000 options to acquire Common Shares under the existing Prior Option Plan, the 203,710 options issued under the 2015 Omnibus Plan, the 150,000 RSUs issued under the 2015 Omnibus Plan and the 30,005 DSUs issued to Directors under the 2015 Omnibus Plan, there were 1,140,396 shares available for issuance under the 2015 Omnibus Plan, representing approximately 5% of the Company's issued and outstanding Common Shares.

### *Requirement for Shareholder Confirmation*

The Board has unanimously approved, subject to regulatory and Shareholder approval, all unallocated awards under the 2015 Omnibus Plan. In order for the shareholder resolution approving all unallocated awards under the 2015 Omnibus Plan to be effective, it must be approved by the affirmative vote of a majority of the votes cast in respect thereof by shareholders present in person or by proxy at the Meeting.

Accordingly, at the Meeting shareholders will be asked to vote on an ordinary resolution substantially in the following form:

"WHEREAS:

1. the board of directors of the Company adopted on April 8, 2015 the 2015 Omnibus Incentive Plan (the "2015 Omnibus Plan") which does not have a fixed maximum number of common shares issuable;
2. the shareholders of the Company approved the 2015 Omnibus Plan, by a majority of votes cast, on May 14, 2015; and
3. the rules of the Toronto Stock Exchange provide that all unallocated options, rights or other entitlements under a security base compensation arrangement which does not have a fixed number of maximum securities issuable, be approved every three (3) years;

BE IT HEREBY RESOLVED as an ordinary resolution of the Company that:

1. all unallocated awards under the 2015 Omnibus Plan are hereby approved and authorized;
2. the Company has the ability to continue granting awards under 2015 Omnibus Plan until May 10, 2021, which is the date that is three (3) years from the date of the shareholder meeting at which shareholder approval is being sought; and
3. any one (or more) director or officer of the Company is authorized and directed, on behalf of the Company, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Company or otherwise) that may be necessary or desirable to give effect to the foregoing resolution. "

**PROXIES RECEIVED IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR THE APPROVAL OF UNALLOCATED AWARDS UNDER THE COMPANY'S 2015 OMNIBUS PLAN, UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY THAT HIS, HER OR ITS SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT THEREOF.**

## **PART III – STATEMENT OF EXECUTIVE COMPENSATION**

### **COMPENSATION DISCUSSION AND ANALYSIS**

#### ***Compensation Objectives***

The objectives of the Company's policies and practices for executive compensation are linked to strategic business objectives. Our compensation objectives include attracting and retaining key employees of the Company by remaining competitive with peers, as well as motivating such individuals to enhance shareholder value and promote the long-term financial growth of the Company.

Our compensation programs are designed to meet pay for performance and competitiveness objectives, and seek to reward the achievement of measurable results and improvements to operations year-over-year. Objective and subjective measures are established each year and generally include: achieving profitability targets; providing a fair return on capital employed and invested capital; and meeting individual objectives. We believe these objective and subjective measures result in compensation programs which are aligned with shareholder interests.

#### ***Compensation Process***

The Board has established a Compensation Committee composed of independent directors (details regarding the Compensation Committee can be found below under "Disclosure of Corporate Governance Practices – Compensation"). The responsibilities of the Compensation Committee include reviewing, and recommending for Board approval, the compensation of executive officers of the Company on an annual basis. Each year, the Compensation Committee meets to assess the performance of the Chairman and Chief Executive Officer ("CEO") and to recommend to the Board the CEO's total compensation. At the same time, the Compensation Committee receives the CEO's evaluation of performance and compensation recommendations for the Chief Financial Officer ("CFO"), the President of the Company and other senior executives (including each of the other Named Executive Officers ("NEOs") identified in this Circular), and subsequently recommends the compensation of such individuals for Board approval. For 2017, the Company's NEOs were: P. G Schoch (Chairman and CEO), Lisa Swartzman (President), Daniel Gagnon (CFO), Chris Bitsakakis (COO and President of AirBoss Rubber Solutions, Darren Wasylucha (former Senior Executive Vice President, Corporate and Secretary) and Robert Dodd (former Executive Vice President and President of AirBoss Rubber Solutions).

The Compensation Committee may, from time to time, engage independent compensation consultants, to assess the adequacy and fairness of executive compensation; however, no executive compensation consultant was engaged in 2017. In addition, the members of the Compensation Committee may receive compensation data on an informal basis related to his or her involvement with other companies as directors or otherwise, to assess the adequacy and fairness of executive compensation. No formal benchmarking was undertaken in 2017 to assess the adequacy of executive compensation.

The Compensation Committee examines and approves the compensation policies and practices taking into account the risks associated with such policies and practices, including the risks associated with any different compensation structures at the Company's business units and any differences in compensation practices among executive officers. The Compensation Committee did not determine that any risk associated with the Company's compensation policies and practices were reasonably likely to have a material adverse effect on the Company.

### *Compensation Elements and their Weighting*

Our executive compensation program includes a balance of the following fixed and variable components: (a) base salary; (b) short-term incentives; (c) long-term incentives; and (d) and other personal benefits and perquisites.

For all executives, the total compensation package is reviewed annually and modified to reflect changes in responsibilities specific to the executive, the competitive market and other economic conditions. Our compensation policies and practices are based on the philosophy that a significant portion of each executive's total compensation should be variable or "at risk". This variable portion includes short-term and long-term incentive awards. Generally speaking, the amount of variable compensation for an executive should increase with seniority and for the most senior executives variable compensation should comprise the substantial majority of total compensation.

#### *Base Salary*

Base salaries provide fixed compensation to our executives. The Company pays base salaries that the Compensation Committee believes are competitive with those provided for similar positions and are based on the executive's level of responsibility and ability to influence the performance of the Company. Following its review of executive base salaries in March of 2018, the Compensation Committee approved an increase in base salaries in 2018 for the following NEOs: the CEO, P. Grenville Schoch (from C\$650,000 to C\$675,000), the President, Lisa Swartzman (from C\$450,000 to C\$475,000) and the CFO, Daniel Gagnon (from C\$325,000 to C\$350,000). Neither Mr. Schoch nor Ms. Swartzman had received salary increases since March 2016.

#### *Short-Term Incentives*

The Company has an annual short-term incentive program as a variable component of executive compensation, which is designed to compensate the NEOs for the achievement of annual performance objectives. Typically awards under the short-term incentive program are paid as a cash bonus, but they can also be paid in equity of the Company under the equity-based compensation plans discussed below.

The annual performance objectives are a combination of personal objectives and corporate performance objectives, and are established each year for executive officers by the Compensation Committee, upon recommendation by the CEO (except in the case of the CEO, whose objectives are approved by the Board). For 2017, the weighting between performance objectives for all NEOs other than Mr. Dodd was 70% to corporate performance objectives and 30% personal objectives. For Mr. Dodd, the weighting was 80% to corporate performance and 20% personal objectives. The corporate performance objectives consisted of financial performance targets for measures such as EBIT<sup>1</sup>, return on capital employed and return on invested capital targets. For all NEOs other than Mr. Dodd, the corporate performance objectives related entirely to the consolidated financial results of the Company. For Mr. Dodd, the corporate performance objectives were a combination of consolidated financial results and the financial results of the AirBoss Rubber Solutions division, with more weight given to the latter category of results. In addition, the Compensation Committee and Board retain the discretion to award short-term incentives in an amount greater than, less than, or on different terms than the amount that would otherwise be payable based on the achievement of set objectives under the annual short-term incentive program. Such discretion is in keeping with its philosophy of ultimate control over executive compensation and the need, from time to time, to deal with exceptional circumstances.

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<sup>1</sup> EBIT, a non-IFRS financial measure, is defined by the Company as earnings before interest income, interest expense and income taxes.

The maximum amount payable to an executive as part of the annual short-term incentive program is expressed as a percentage of their base salary. For 2017, the maximum percentages for NEOs were as follows: CEO, President, COO and Senior EVP Corporate – 100%; CFO – 50%; Other NEOs – 30%. The amounts of short term incentives awarded to NEOs in respect of 2017 reflected the fact that corporate performance objectives were not fully achieved in 2017, and include amounts relating to the achievement of personal objectives. The table below sets out the details regarding 2017 short term incentive awards to NEOs.

NEO	Value of Award	Value of Award as a % of Base Salary	Form of Award
Ms. Swartzman	C\$130,000	28.9%	Paid in cash
Mr. Gagnon	C\$56,000	17.2%	Paid in cash

### *Long-Term Incentives*

Long-term incentives at AirBoss are designed to: (a) attract, retain and reward those individuals who are expected to contribute significantly to the success of the Company; (b) incentivize such individuals to perform at the highest level; and (c) strengthen the mutuality of interests between such individuals and our shareholders. Overall, long-term incentives are intended to optimize the profitability and growth of the Company in a manner consistent with the Company's strategic objectives and also allow recipients to share in the success of the Company. Long-term incentives are provided in the form of equity-based awards that are settled in either Common Shares or cash or a combination of Common Shares and cash, depending on the award.

On May 14, 2015, shareholders approved the 2015 Omnibus Incentive Plan (the "**2015 Omnibus Plan**"), pursuant to which the Company will issue all future long-term incentives to executives until it is amended or replaced. Prior to the 2015 Omnibus Plan, the Company issued stock options under a prior Stock Option Plan (the "**Prior Option Plan**") and issued stock appreciation rights (or SARs) under a prior share appreciation rights plan (the "**Prior SAR Plan**"). Each of these prior plans has been replaced by the 2015 Omnibus Plan, and there will be no further long-term incentive awards issued under the Prior Option Plan or the Prior SAR Plan.

The Board has previously made periodic grants of long-term incentives to senior executives, including the NEOs, in the form of stock options and restricted stock units ("**RSUs**") to sustain a commitment to long-term profitability, maximize shareholder value, attract and retain valuable employees and to reward exceptional contributions. The details regarding any relevant grants are set out in the tables below in the section entitled "Executive Compensation Summary".

In addition to having the flexibility to grant long-term incentives on a discretionary basis (for example to recognize exceptional circumstances or to provide an incentive to attract high calibre candidates to the Company), the Board recognizes that long-term incentives should be considered as a regular part of annual variable compensation for senior executives and that it is desirable to maintain consistency in the awarding of such incentives unless circumstances warrant otherwise. As a result, the Board, on the recommendation of the Compensation Committee, has now established guidelines for an annual long-term incentive program under which executives will be eligible to receive annual grants of long-term incentive awards as part of their total compensation package. The amount of awards granted under this annual program will be based on ensuring the appropriate mix of fixed and variable compensation, as a proportion of total compensation, is achieved and maintained. The calculation of the value of annual awards will, in a similar fashion as with our short-term incentive program, be tied to the financial performance of the Company, will be approved each year by the Compensation Committee upon

recommendation from the CEO, and will not take into account the amounts or value of previous grants. Senior executives became eligible to receive awards under the annual long-term incentive plan beginning in 2016. The annual long-term incentive plan awards issued to NEOs in 2017 under the 2015 Omnibus Plan consisted of 50,292 performance share units ("**PSUs**") and 130,156 stock options. The details regarding these grants, and the terms of the PSUs are set out in the tables below in the section entitled "Executive Compensation Summary".

#### *Other Benefits and Perquisites*

The Company maintains a competitive group benefit plan for executives, including all NEOs, that includes the provision of life insurance, accidental death and dismemberment insurance, short and long-term disability income and health and dental insurance. In addition, the Company makes matching contributions to Registered Retirement Savings plans for Canadian employees and NEOs, 401(k) contributions on behalf of US employees and NEOs, and provides certain executives (including all NEOs) with a car allowance and annual medicals. The Compensation Committee reviews each element of these other benefits and perquisites to ensure the package as a whole is fair and competitive to attract, retain and motivate officers and key employees to achieve the strategic objectives whilst demonstrating long-term responsibility to shareholders.

#### *Description of Equity Incentive Plans*

The Company's equity-based compensation plans are described below.

##### *2015 Omnibus Plan*

###### *Types of Awards*

The 2015 Omnibus Plan provides for the grant of options, stock appreciation rights, restricted stock, restricted stock units, deferred stock, performance awards, other stock-based awards and cash-based awards (each an "**Award**" and collectively, the "**Awards**").

###### *Plan administration*

The 2015 Omnibus Plan is administered by the Compensation Committee. Subject to the terms of the 2015 Omnibus Plan and applicable law, and the rules of the TSX, the Compensation Committee (or its delegate) has the power and authority to, among other things, designate participants and determine the types of Awards to be granted, number of shares to be covered and the terms and conditions of those Awards. It also has the authority to interpret and administer the 2015 Omnibus Plan and any instrument or agreement relating to the 2015 Omnibus Plan and to make any other determination and take any other action that the Compensation Committee deems necessary or desirable for the administration of the 2015 Omnibus Plan.

The following individual participant limitations are applicable under the 2015 Omnibus Plan:

- (i) the maximum number of Common Shares subject to any performance Award which may be granted under the 2015 Omnibus Plan to any participant in any fiscal year is 2,000,000 shares;
- (ii) the maximum value of a cash payment made under a performance Award which may be granted to any participant in any fiscal year is \$10,000,000; and
- (iii) the maximum number of Common Shares that may be granted under the 2015 Omnibus Plan to a non-employee director in any fiscal year cannot exceed 1,000,000 Common Shares.

## Insider Limits

The 2015 Omnibus Plan limits insider participation such that the number of Common Shares issuable to insiders, at any time, under all security based compensation arrangements of the Company, may not exceed 10% of the Company's issued and outstanding Common Shares; and the number of Common Shares issued to insiders within any one-year period, under all security based compensation arrangements of the Company, may not exceed 10% of the Company's issued and outstanding Common Shares.

## Eligible participants

Any director, employee or consultant of the Company, its subsidiaries or any of its affiliates is eligible to participate in the 2015 Omnibus Plan. However, only eligible employees of the Company and its subsidiaries are eligible to be granted incentive stock options under the 2015 Omnibus Plan. Eligibility for the grant of Awards and actual participation in the 2015 Omnibus Plan is determined by the Compensation Committee in its sole discretion.

## Description of Awards

*Options.* Subject to the provisions of the 2015 Omnibus Plan, the Compensation Committee is permitted to grant stock options under the 2015 Omnibus Plan. The exercise price per share and terms of each option is determined by the Compensation Committee; provided, however, that the exercise price may not be less than the fair market value of a Common Share on the date that the option is granted. Under the 2015 Omnibus Plan, the fair market value of a Common Share is equal to the weighted volume average price of a Common Share reported on the TSX on the five trading days immediately prior to the grant date. In the event that the Compensation Committee determines that stock options will be granted at a future date following the expiration of a blackout period, such options will be granted on the seventh day following the expiration of the blackout period and the fair market value of a Common Share will be the weighted volume average price on the five trading days immediately preceding the grant date. An option will be exercisable only in accordance with the terms and conditions established by the Compensation Committee in the corresponding Award Agreement. The Compensation Committee fixes the vesting terms it deems appropriate when granting options. In addition, the Compensation Committee may, in its discretion, provide that an option may become vested and exercisable in whole or in part, in instalments, cumulative or otherwise, for any period of time specified by the Compensation Committee and reflected in an Award Agreement. The Compensation Committee will fix the term of each option, not to exceed ten years. If the term of an option would otherwise expire during, or within ten business days of the expiration of a blackout period, the term of the option will be extended to the close of business of the tenth business day following the expiration of the blackout period.

*Stock appreciation rights.* Subject to the provisions of the 2015 Omnibus Plan, the Compensation Committee is permitted to grant stock appreciation rights (or "**SARs**") under the 2015 Omnibus Plan. SARs may be granted to participants either alone ("freestanding") or in addition to other Awards granted under the 2015 Omnibus Plan ("tandem"). Except under certain circumstances described in the 2015 Omnibus Plan, a freestanding SAR will not have a term of greater than ten years. In the case of any tandem SAR related to an option, the SAR will not be exercisable until the related option is exercisable and will terminate, and no longer be exercisable, upon the termination or exercise of the related option. A freestanding SAR will not have a grant price less than the fair market value of a Common Share on the date of grant.

*Restricted stock and restricted stock units.* Subject to the provisions of the 2015 Omnibus Plan, the Compensation Committee is permitted to grant awards of restricted stock and restricted stock units (or "**RSUs**") under the 2015 Omnibus Plan. Shares of restricted stock and restricted stock units shall have a

minimum vesting period of three months and are subject to any restrictions that the Compensation Committee may impose, including any limitation on the right to receive any dividend or dividend equivalent (with entitlements on such dividend equivalents becoming available after the vesting of the RSUs). If deemed necessary, the Compensation Committee may require that, as a condition of any grant of restricted stock, the participant will deliver a signed stock power or other instruments of assignment, which would permit transfer to the Company of all or a portion of the shares subject to the award of restricted stock or restricted stock units in the event that the Award is forfeited.

*Deferred stock.* Under the 2015 Omnibus Plan, the Compensation Committee is permitted to grant deferred stock and deferred stock units (or "**DSUs**") to participants, subject to the conditions that deferred stock will be settled upon expiration of the deferral period specified for an award by the Compensation Committee. In addition, deferred stock is subject to a minimum vesting period of three months and to any restrictions on transferability, risk of forfeiture and other restrictions that the Compensation Committee may impose and, the Compensation Committee, in its discretion, may award dividend equivalents with respect to awards of deferred stock (with entitlements on such dividend equivalents becoming available after the vesting of the DSUs).

*Performance awards.* The Compensation Committee may grant a performance award, including a performance share unit (or "**PSU**") to a participant payable upon the attainment of specific performance goals. The Compensation Committee may grant performance awards that are intended to qualify as "performance-based compensation" under Section 162(m), as well as performance awards that are not intended to qualify. If the performance award is payable in shares of restricted stock, then the shares will be transferable to the participant only upon attainment of the relevant performance goal.

*Other stock-based and cash-based Awards.* Subject to obtaining TSX and any requirement shareholder approval, the Compensation Committee is authorized to grant to participants other awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, shares or factors that may influence the value of shares. The Compensation Committee will determine the terms and conditions of such stock-based awards. The Compensation Committee is also permitted to grant cash-based awards to participants. In its discretion, the Compensation Committee will determine the number of cash-based awards to grant to a participant, the duration of the period during which, and any conditions under which, the cash incentive awards will be eligible to vest or will be forfeited, and any other terms and conditions applicable.

#### Effect of Termination of Service on Awards

The Compensation Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, the circumstances in which Awards shall be exercised, vested, paid or forfeited in the event a Participant ceases to provide service to the Company or any Affiliate prior to the end of a performance period or exercise or settlement of such Award.

#### Change in control

Unless otherwise provided in an Award Agreement, in the event of a change in control (as defined in the 2015 Omnibus Plan) a participant's unvested Awards will be treated in accordance with one of the following methods as determined by the Compensation Committee:

- (a) Awards, whether or not vested, will be continued, assumed or have new rights substituted as determined by the Compensation Committee;

- (b) the Compensation Committee, in its sole discretion, may provide for the purchase of any Awards by the Company or an affiliate for an amount of cash equal to the excess of the change in control price of the shares covered by such Awards, over the aggregate exercise price of such Awards; or
- (c) if and to the extent that the approach chosen by the Compensation Committee results in an acceleration or potential acceleration of the exercise, vesting or settlement of an Award, the Compensation Committee may impose such conditions upon the exercise, vesting or settlement of such Award as it determines.

#### Term of the Omnibus Plan

No Award will be granted under the 2015 Omnibus Plan after ten years from the original effective date for the 2015 Omnibus Plan. However, unless otherwise expressly provided in the Omnibus Plan or in an Award Agreement, any Award granted may extend beyond such date, and the authority of the Compensation Committee to amend, alter, adjust, suspend, discontinue, or terminate the Award, or to waive any conditions or rights under the Award, and the authority of the Board to amend the 2015 Omnibus Plan, will extend beyond such date.

#### Assignability

Awards granted under the 2015 Omnibus Plan may not be sold, pledged or otherwise transferred, other than following the death of a participant by will or the laws of descent. A participant's beneficiary or estate may exercise vested Options during the applicable exercise period following the death of the participant, subject to the same conditions that would have applied to exercise by the participant.

#### Administration

Subject to the terms of the 2015 Omnibus Plan and applicable law and the rules of the TSX, the Compensation Committee (or its delegate) has the power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the 2015 Omnibus Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions, not inconsistent with the terms of the 2015 Omnibus Plan, of any Award granted thereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the Shares relating thereto, based on such factors, if any, as the Committee determines, in its sole discretion); (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the 2015 Omnibus Plan shall be deferred either automatically or at the election of the holder thereof or of the Compensation Committee, taking into consideration the requirements of Section 409A of the Code; (vii) determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Compensation Committee, in its sole discretion, following the date of the acquisition of such Award; (viii) determine whether an Option is an Incentive Stock Option or Non-Qualified Option; (ix) modify, extend or renew an Award, provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant and provided that such extension of the Award does not benefit an insider; (x) interpret and administer the 2015 Omnibus Plan and any instrument or agreement relating to, or Award made under, the Plan; (xi) establish, amend, suspend or

waive such rules and regulations and appoint such agents as it shall deem appropriate for the proper administration of the Plan; (xii) solely to the extent permitted by applicable law and the rules of the TSX, determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options or acquire Shares under the 2015 Omnibus Plan; (xiii) permit accelerated vesting or lapse of restrictions of any Award at any time; and (xiv) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the 2015 Omnibus Plan.

#### Amendment

The Board may amend, suspend or terminate the 2015 Omnibus Plan and any outstanding Awards granted under the 2015 Omnibus Plan, in whole or in part, at any time, provided that all material amendments to the 2015 Omnibus Plan require the prior approval of the shareholders and must comply with the rules of the TSX. Examples of the types of amendments that the Board is entitled to make without shareholder approval include, without limitation, the following: (i) ensuring continuing compliance with applicable law, the rules of the TSX or other applicable stock exchange rules and regulations or accounting or tax rules and regulations; (ii) minor changes of a "housekeeping" nature; (iii) changing the vesting provisions of any Award, subject to certain limitations; (iv) waiving any conditions or rights under any Award, subject to certain limitations, (v) changing the termination provisions of any Award that does not entail an extension beyond the original expiration date thereof; (vi) adding a cashless exercise feature, payable in securities, where such feature provides for a full deduction of the number of underlying shares from the Plan reserve, and any amendment to a cashless exercise provision; (vii) adding a form of financial assistance and any amendment to a financial assistance provision which is adopted; (viii) changing the process by which a participant who wishes to exercise his or her Award can do so; and (ix) delegating any and all of the powers of the Compensation Committee to administer the 2015 Omnibus Plan to officers of the Company.

No amendment to the 2015 Omnibus Plan requiring the approval of the shareholders of the Company under any applicable securities laws or requirements will become effective until such approval is obtained. In addition, the approval of the holders of a majority of the Common Shares present and voting in person or by proxy at a meeting of shareholders shall be required for, among other things, an increase in the maximum number of Common Shares that may be made the subject of Awards under the 2015 Omnibus Plan, any adjustment (other than in connection with a stock dividend, recapitalization or other transaction where an adjustment is permitted or required under the 2015 Omnibus Plan), an amendment that reduces or would have the effect of reducing the exercise price of an option or SAR previously granted under the 2015 Omnibus Plan or an extension to the term or an outstanding option or SAR beyond the expiry date thereof. Furthermore, except as otherwise permitted under the 2015 Omnibus Plan, no change to an outstanding Award that will adversely impair the rights of a participant may be made without the consent of the participant except to the extent that such change is required to comply with applicable law, stock exchange rules and regulations or accounting or tax rules and regulations.

#### *Prior Option Plan*

Prior to the adoption of the 2015 Omnibus Plan, the Company had made grants of stock options under the Prior Option Plan to eligible employees and directors. As of March 14, 2018, 785,000 options issued under the Prior Option Plan remain outstanding with the expiry dates ranging from August 2018 to March 2020. All options granted under the Prior Option Plan have a five-year term and provide for a four year vesting period with 25% of the original grant vesting on each of the first, second, third and fourth anniversary of the grant date. The Prior Option Plan has been replaced by the 2015 Omnibus Plan and no further grants will be made under the Prior Option Plan.

Options issued under the Prior Option Plan terminate on the earlier of: (a) the date of expiration for the particular option (not exceeding 10 years); (b) 90 days after the Plan participant ceases to be an eligible person under the Option Plan, other than by reason of retirement, permanent disability or death; (c) 180 days after the date of the death of the plan participant; and (d) 90 days after termination of a participant's employment by reason of permanent disability or retirement. The Prior Option Plan contains anti-dilution adjustment provisions in respect of the number of shares for which outstanding options are exercisable in the event of certain capital reorganizations and stock dividends.

In the event of a "change of control" of the Company (as defined in the Prior Option Plan), the Board may, in its discretion, permit and authorize the accelerated vesting and early exercise of all or any portion of the then outstanding options in connection with the completion of the change of control.

The Prior Option Plan includes a specific amendment provision, pursuant to which the Board may amend the Prior Option Plan or any option outstanding at any time in its discretion without the approval of the shareholders, (provided no amendment may have the effect of adversely affecting the existing rights of a participant without his or her consent in writing) with respect to certain specified matters including: (a) a change to the vesting provision of an option agreement; (b) an amendment to the provisions of the Prior Option Plan or an option agreement to comply with applicable laws, the requirements of regulatory authorities and stock exchanges; (c) a change in the process by which a participant who wishes to exercise his or her option can do so; (d) a change to the identity of eligible persons under the Prior Option Plan; (e) a change to the termination provisions of the Prior Option Plan or for an option as long as the change does not extend an outstanding option's original expiry date; (f) a change to the terms of the Prior Option Plan relating to the effect of termination, cessation or death of a participant on the right to exercise options; (g) a change to the provisions on the transferability of options for normal estate settlement purposes; (h) the addition of a sub-plan or scheme containing additional rules applicable to participants outside of Canada; and (i) housekeeping changes such as changes to correct an ambiguity, inconsistency or typographical error or a change to update an administrative or technical provision.

Notwithstanding the foregoing, the following amendments to the Prior Option Plan or to an option outstanding thereunder at any time shall be made only upon the requisite approval by the shareholders of the Company: (a) increasing the number of Common Shares that can be issued under the Prior Option Plan; (b) reducing the exercise price of an outstanding option (including a cancellation and re-grant of an option, constituting a reduction of the option price of an option); (c) extending the expiry date of an outstanding option or amending the Prior Option Plan to permit the grant of an option with an expiry date beyond the maximum term allowed under the Prior Option Plan; (d) increasing the limit on the aggregate number of Common Shares issuable to insiders or any one person; and (e) changing the provisions relating to the transferability of options except if the transfer is for normal estate settlement purposes.

#### *Prior SAR Plan*

During 2011, the Company established the Prior SAR Plan to reward selected directors and employees through the issuance of SARs in that year. All SARs issued under the Prior SAR Plan vested in 2015 and as at December 31, 2015, no SARs were outstanding under the Prior SAR Plan. The Prior SAR Plan has been replaced by the 2015 Omnibus Plan and no further SARs will be granted under the Prior SAR Plan in the future.

#### *Shares available for awards*

There are no Common Shares available for issuance under the Prior SAR Plan and, other than in respect of the 785,000 previously issued options, there will be no further Common Shares available for issuance under the Prior Option Plan. The number of Common Shares available for issuance under the 2015 Omnibus Plan is a rolling maximum number equal to 10% of the issued and outstanding Common Shares

from time to time, which as of December 31, 2017 was 2,309,111 Common Shares. The 2015 Omnibus Plan is considered to be an "evergreen" plan as Common Shares covered by Awards which have been exercised or settled, as applicable, will be available for subsequent grant under the 2015 Omnibus Plan and the number of Awards that may be granted under the 2015 Omnibus Plan increases if the total number of issued and outstanding Common Shares increases. As of December 31, 2017, after deducting 785,000 options to acquire Common Shares under the existing Prior Option Plan (3.40% of issued and outstanding Common Shares), the 203,710 options issued under the 2015 Omnibus Plan (0.88% of issued and outstanding Common Shares), the 150,000 RSUs issued under the 2015 Omnibus Plan (0.65% of issued and outstanding Common Shares) and the 30,005 DSUs (0.13% of issued and outstanding Common Shares) issued to Directors under the 2015 Omnibus Plan, there were 1,140,396 shares available for issuance under the 2015 Omnibus Plan, representing approximately 5% of the Company's issued and outstanding Common Shares.

The following individual participant limitations are applicable under the 2015 Omnibus Plan:

- The maximum number of Common Shares subject to any performance Award which may be granted under the 2015 Omnibus Plan to any participant in any fiscal year is 2,000,000 shares;
- The maximum value of a cash payment made under a performance Award which may be granted to any participant in any fiscal year is C\$10,000,000; and
- The maximum number of Common Shares that may be granted under the 2015 Omnibus Plan to a non-employee director in any fiscal year cannot exceed 1,000,000 Common Shares.

The 2015 Omnibus Plan limits insider participation such that the number of Common Shares issuable to insiders, at any time, under all security based compensation arrangements of the Company, may not exceed 10% of the Company's issued and outstanding Common Shares; and the number of Common Shares issued to insiders within any one-year period, under all security based compensation arrangements of the Company, may not exceed 10% of the Company's issued and outstanding Common Shares.

### ***Burn Rate***

The following table discloses the annual burn rate for awards under the 2015 Omnibus Plan and the Prior Option Plan, as applicable, for each of the three most recently completed fiscal years as a percentage of weighted average of the number of Common Shares that were outstanding as at the year of grant.

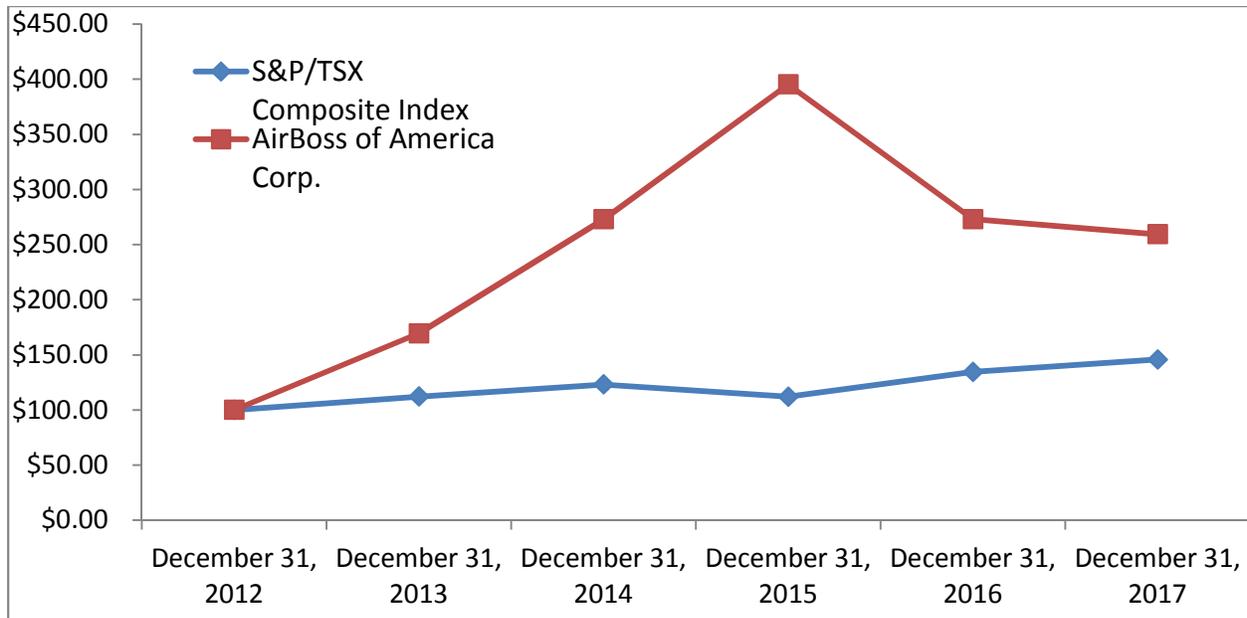
<b>Year</b>	<b>Options</b>	<b>RSUs</b>	<b>DSUs</b>	<b>PSUs</b>
2017	0.62%	0.00%	0.08%	0.24%
2016	0.48%	0.00%	0.05%	0.23%
2015	0.37%	0.76%	0.00%	0.00%

### ***Hedging Transactions***

As set out in our Insider Trading Policy, no director or NEO is permitted to engage in the short selling of, or trading in call options or put options in respect of, the securities of the Company nor otherwise enter into transactions or arrangements which operate to limit the economic risk of their security holding in the Company.

## PERFORMANCE GRAPH

The Common Shares are listed and posted for trading on the TSX under the symbol "BOS". The following performance graph and table compare the total cumulative shareholder return for the five-year period commencing on December 31, 2012 and ending December 31, 2017 on Common Shares with the cumulative return of the S&P/TSX Composite Index, assuming C\$100 was invested on the first day of the period and assuming reinvestment of all dividends.



	Dec. 31, 2012	Dec. 31, 2013	Dec. 31, 2014	Dec.31, 2015	Dec. 31, 2016	Dec. 31, 2017
BOS	C\$100.00	C\$169.46	C\$272.88	C\$395.21	C\$273.08	C\$259.29
S&P/TSX	C\$100.00	C\$112.12	C\$123.07	C\$111.97	C\$134.56	C\$145.76

### *Correlation of Compensation to Performance*

Over the five-year period, total compensation of NEOs (excluding stock options, SARs and RSU grants) increased by 3.4%. Total compensation, including stock option benefits (which may not be achieved on exercise of the stock options), SARs and RSU grants, increased by 23.9% over the same five-year period, compared to a total shareholder return on Common Shares of over 159%.

## EXECUTIVE COMPENSATION SUMMARY

### *Summary compensation table*

The table below sets forth information for the 2017, 2016 and 2015 fiscal years concerning the compensation of the Company's CEO and CFO and the three most highly compensated executive officers of the Company (other than the CEO and CFO) who were executive officers during fiscal 2017 and whose total compensation was in excess of \$150,000, being the President, the COO and President of Rubber Solutions (and former Executive Vice President and President of Rubber Solutions) and the former Senior Executive Vice President, Corporate and Secretary (such individuals are hereafter referred to as the "**Named Executive Officers**" or "**NEOs**"). All amounts in the table below and all other tables that follow in this "Executive Compensation Summary" section are reported in US dollars unless otherwise stated. Salary and other cash compensation for each of the NEOs were paid in Canadian dollars. Unless otherwise stated, the exchange rate used to determine the US dollar equivalent for amounts actually paid in Canadian dollars in 2017 in this section was US\$1 = C\$1.29622, being the average of the monthly average exchange rates posted by the Bank of Canada for 2017.

Name and Principal Position	Fiscal Year	Salary (US\$)	Share-based awards (US\$)	Option-based awards (US\$)	Non-Equity incentive plan compensation – Annual incentive plans <sup>(4)</sup> (US\$)	Pension Value (US\$)	All Other Compensation <sup>(5)</sup> (US\$)	Total Compensation (US\$)
P. Grenville Schoch <i>Chairman &amp; CEO</i>	<b>2017</b>	501,458	115,721 <sup>(1)</sup>	–	–	1,247,409 <sup>(11)</sup>	–	1,864,588
	2016	484,165	420,086 <sup>(1)(3)</sup>	172,091 <sup>(2)</sup>	–	–	–	1,076,342
	2015	430,155	1,367,669	–	–	–	–	1,797,824
Lisa Swartzman <sup>(6)</sup> <i>President</i>	<b>2017</b>	347,163	19,287 <sup>(1)</sup>	19,287 <sup>(2)</sup>	100,292	–	–	486,029
	2016	318,030	142,679 <sup>(1)(3)</sup>	137,564 <sup>(2)(3)</sup>	–	–	–	598,273
	2015	249,294	1,410,126	161,230	156,420	–	–	1,977,070
Daniel Gagnon, <i>CFO</i> <sup>(7)</sup>	<b>2017</b>	234,657	21,601 <sup>(1)</sup>	21,601 <sup>(2)</sup>	43,203	–	–	321,062
	2016	111,657	119,427 <sup>(1)</sup>	11,639 <sup>(2)</sup>	23,278	–	–	266,001
	2015	–	–	–	–	–	–	–
Chris Bitsakakis <sup>(8)</sup> <i>COO and President, Rubber Solutions</i>	<b>2017</b>	51,407	92,577	57,861	–	–	–	201,844
	2016	–	–	–	–	–	–	–
	2015	–	–	–	–	–	–	–
Robert Dodd <sup>(9)</sup> <i>Former Executive Vice President &amp; President Rubber Solutions</i>	<b>2017</b>	95,981	–	–	–	–	–	95,981
	2016	214,552	38,691 <sup>(1)</sup>	36,866 <sup>(2)</sup>	39,875	–	–	329,984
	2015	213,122	231,558	–	46,144	–	–	490,823
Darren Wasylucha <sup>(10)</sup> <i>Former Senior Executive Vice President, Corporate &amp; Secretary</i> <sup>(9)</sup>	<b>2017</b>	241,086	–	–	–	–	–	241,086
	2016	240,184	86,791 <sup>(1)(3)</sup>	86,939 <sup>(2)(3)</sup>	–	–	–	413,914
	2015	103,227	277,489	–	70,389	–	–	451,105

Notes:

- (1) Share-based awards in 2017 included PSUs granted to the NEOs under the Company's annual long-term incentive program: (i) in 2017 in connection with Mr. Bitsakakis' appointment as COO and President, Rubber Solutions; and (ii) in March 2018 but granted in respect of the 2017 fiscal year. Each PSU represents the right to receive on vesting a cash payment equal to the product of (a) the fair market value of a Common Share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of predetermined performance objectives over the vesting period generally. Under these awards granted in or in respect of 2017, PSUs were issued to Mr. Schoch (12,976), Ms. Swartzman (2,163) and Mr. Gagnon (2,422). Additionally, Mr. Bitsakakis was awarded 10,926 PSUs in connection with his appointment as COO and President, Rubber Solutions. The amounts in the share-based award column relating to these PSUs represent the Company's estimate of the fair value of such PSUs on the grant date, which is equal to the number of PSUs multiplied by the closing price of a Common Share on the TSX on the grant date.
- (2) Option-based awards in 2017 included options granted to the NEOs under the Company's annual long-term incentive program: (i) in 2017 in connection with Mr. Bitsakakis' appointment as COO and President, Rubber Solutions, and (ii) in March 2018, but granted in respect of the 2017 fiscal year. Under these awards granted in or in respect of 2017, options were issued to Ms. Swartzman (8,030) and Mr. Gagnon (8,993). Additionally, Mr. Bitsakakis was issued 33,200 options in connection with his appointment as COO and President, Rubber Solutions. Options granted in 2017 have an exercise price of C\$10.98, expire on November 10, 2022, and vest in equal amounts over the first four years of the term of the options. Options granted in March 2018 in respect of 2017 have an exercise price of C\$11.56, expire on March 22, 2023, and vest in equal amounts over the first four years of the term of the options. The amounts in the option-based column include the Black-Scholes value of the stock options granted in the applicable year, as a measure of their fair value. See Note 12 to the Company's annual audited financial statements for the year ended December 31, 2017 for a description of the Black-Scholes assumptions used to determine option values.
- (3) The Board determined that 2016 short-term incentive awards to Mr. Schoch, Ms. Swartzman and Mr. Wasylucha would be satisfied through the grant of additional PSUs and options under the long-term incentive awards granted in March 2017, having a fair market value equal to the award value as of the relevant date of grant. The dollar amounts in the share-based award column and option-based award column for these individuals attributable to the 2016 short-term awards are as follows: Mr. Schoch \$115,896 (share-based); Ms. Swartzman \$40,100 (share-based) and \$40,100 (option-based); and Mr. Wasylucha \$30,569 (share-based) and \$30,569 (option-based). On the grant date, the number of PSUs and options, as applicable, awarded was determined by dividing that award value (i) by the market price of a Common Share on the date of grant (as determined under the 2015 Omnibus Plan) in the case of PSUs and (ii) by the fair market value of an option on the date of grant using Black-Scholes valuation.
- (4) Non-equity incentive plan compensation disclosed for the NEOs in 2017 consists of the awards for the 2017 annual short-term incentive program, as recommended by the Compensation Committee and approved by the Board.
- (5) All other compensation includes car allowances, car lease payments, taxable life insurance premiums, employer match of employee RRSP or 401(k) contributions (as applicable) and the cost of annual medicals. Such perquisites have not been disclosed as the prescribed aggregate threshold for such items of C\$50,000 or 10% of total salary for the year was not met.
- (6) Appointed President of the Company on January 1, 2015. Previously joined the Company as Executive Vice President, Corporate Affairs on May 13, 2014.
- (7) Appointed Chief Financial Officer on June 20, 2016.
- (8) Appointed COO and President, Rubber Solutions on November 6, 2017.
- (9) Ceased acting as Executive Vice President & President Rubber Solutions on June 9, 2017.
- (10) Ceased acting as Senior Executive Vice President, Corporate & Secretary on December 15, 2017.
- (11) During 2017, the defined contribution amount related to the CEO's pension was paid out, eliminating the liability in full. See the discussion below under the heading "-Defined benefit pension plan".

***Outstanding share-based and option-based awards***

The following tables list all option-based and share-based awards outstanding as at December 31, 2017 for all NEOs. The exchange rate used to determine the US dollar equivalent for the value of unexercised in-the-money options and value of unvested share awards in the tables below is US\$1 = C\$1.29622, being the average of the monthly average exchange rates posted by the Bank of Canada for 2017.

Name	Option-based awards			
	Number of securities underlying unexercised options	Option exercise price (C\$)	Option expiration date	Value of unexercised in-the-money options (US\$)
P. Grenville Schoch	200,000	6.35	August 8, 2018	715,928
	200,000	12.05	December 31, 2019	-
	63,030	16.69	March 30, 2021	-
Lisa Swartzman	50,000	15.40	March 31, 2020	-
	21,010	16.69	March 30, 2021	-
	44,967	12.26	March 21, 2022	-
Daniel Gagnon	6,530	12.26	March 21, 2022	-
Chris Bitsakakis	33,200	10.98	November 10, 2022	256
Robert Dodd	-	-	-	-
Darren Wasylucha	2,363	16.69	March 30, 2021	-

Name	Share-based awards		
	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested (US\$)	Market or payout value of <u>vested</u> share-based awards not paid out or distributed (US\$)
P. Grenville Schoch	75,000 <sup>(1)</sup> 42,924 <sup>(2)</sup>	635,887 363,931	-
Lisa Swartzman	75,000 <sup>(1)</sup> 14,623 <sup>(2)</sup>	635,887 123,981	-
Daniel Gagnon	11,250 <sup>(2)</sup>	95,383	-
Chris Bitsakakis	6,828 <sup>(2)</sup>	57,891	-
Robert Dodd	-	-	-
Darren Wasylucha	-	-	-

Notes:

- (1) Represent RSUs granted to the NEOs under the 2015 Omnibus Plan. Each RSU represents the right to receive one Common Share or the cash value thereof on the vesting date. The RSUs vest at the end of a three-year period from the date of grant (or conditional grant if conditionally granted prior to shareholder approval), and the RSUs in the table will vest between March 2017 and December 2018, provided the relevant NEO remains employed by the Company. The payout value amounts for RSUs represent the number of RSUs multiplied by the closing price of a Common Share on the TSX on December 31, 2017.
- (2) Represent PSUs granted to the NEOs under the 2015 Omnibus Plan. Each PSU represents the right to receive on vesting a cash payment equal to the product of (a) the fair market value of a Common Share as of the vesting date and (b) a performance factor between 0.5 and 2.0, based on the level of achievement of pre-determined performance objectives over the vesting period generally. The PSUs vest three years following their grant dates. The payout value amounts for PSUs in the table represent the number of PSUs multiplied by the closing price of a Common Share on the TSX on December 31, 2017 (applying a performance factor of 1).

***Incentive plan awards – value vested or earned during the year***

The following table sets forth: (a) the dollar value that would have been realized if "in-the-money" options that vested in 2017 had been exercised by NEOs; (b) the dollar value of share-based awards that vested in 2017; and (c) the cash incentive compensation earned during 2017. Vesting of options is not dependent on performance goals.

Name	Options – Value vested during the year (US\$)	Share-based awards – Value vested during the year (US\$)	Non-equity incentive compensation earned during the year <sup>(1)</sup> (US\$)
P. Grenville Schoch	715,928	-	-
Lisa Swartzman	-	-	100,292
Daniel Gagnon	-	-	43,203
Robert Dodd	-	-	-
Darren Wasylucha	-	-	-

Notes:

- (1) Non-equity incentive plan compensation consists of awards for the 2017 annual short-term incentive program, as recommended by the Compensation Committee and approved by the Board.

***Securities authorized for issuance under equity compensation plans***

The following table provides information concerning the Company's equity compensation plans as of December 31, 2017:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted average exercise price of outstanding options, warrants and rights (C\$)</b>	<b>Number of securities available for future issuance under equity compensation plans (excluding options, warrants and rights issued and outstanding)</b>
Equity compensation plans approved by security holders	988,710 options 150,000 RSUs 30,005 DSUs	9.88 (options) N/A (RSUs) N/A (DSUs)	1,140,176

***Defined benefit pension plan***

The Company maintained a supplemental retirement pension plan for the benefit of the CEO (the "Retirement Plan"). The Retirement Plan provided for the payment of an annual retirement compensation equivalent to C\$5,000 for every year of service to a maximum of 20 years (or C\$100,000) or an actuarially determined equivalent if the CEO retires and in certain other circumstances. At the commencement of the Retirement Plan on November 1, 1999, the CEO was credited with 10 years of service. The Company maintained an insurance policy on the life of the CEO in the amount of US\$1.0 million with the Retirement Plan as the beneficiary. Premiums paid in 2017 were C\$2,631. During 2017, in advance of the eventual retirement of the CEO, the Company reached an agreement with the CEO to convert the defined benefit pension promise provided for under the Retirement Plan into a notional defined contribution account balance of value that was equal to the December 31, 2016 defined benefit balance sheet liability of \$1,223,000 effective January 1, 2017. This notional defined contribution account balance was credited with interest at an agreed rate of 3.75% per annum, until it was paid out. During 2017, the defined contribution amount of \$1,247,409 which includes interest of \$11,000 and foreign exchange of \$13,000 was paid to the executive, eliminating the liability in full. Please see Note 17 to our annual audited financial statements for the year ended December 31, 2017 for more details of the Retirement Plan.

<b>Name</b>	<b>Years of credited service (#)</b>	<b>Annual benefits payable (US\$)</b>	<b>Accrued obligation at start of year (US\$)</b>	<b>Compensatory change (US\$)</b>	<b>Non-compensatory change (US\$)</b>	<b>Re-Measurement (US\$)</b>	<b>Accrued obligation at year-end (US\$)</b>
		<b>At year end or at age 65</b>					
P. Grenville Schoch	20 <sup>(1)</sup>	777,147	1,222,542	(1,247,909)	11,466	13,401	-

Notes:

- (1) Mr. Schoch was granted 10 years of credited service on establishment of this plan in 1999.

### ***Other Retirement Plans***

Each of the NEO's participates in a registered retirement savings plan available to our Canadian employees, which requires the Company to match employee contributions to the plan up to a maximum annual amount of 2% of their base salary, for Ms. Swartzman, Mr. Gagnon, Mr. Bitsakakis and Mr. Wasylucha, and 3%, for Mr. Schoch and Mr. Dodd.

### ***Termination and Change of Control Benefits***

#### *Change of Control Benefits*

On any "change of control" of the Company as such term is defined in the Prior Option Plan and in the 2015 Omnibus Plan, respectively, the Board (under the Prior Option Plan) or Compensation Committee (under the 2015 Omnibus Plan) may, in its discretion, determine that: (a) some or all of the outstanding unvested options held by the NEOs will accelerate and become immediately exercisable; and (b) some or all of the outstanding unvested RSUs and PSUs will either accelerate and vest, or be cancelled in exchange for a cash payment equal to the in-the-money amount of such award, on the occurrence of such change of control. Set out below are the assumed cash values of unvested options and unvested RSUs and PSUs held by each NEO assuming that a "change of control" had occurred on December 31, 2017 and that the Board and Compensation Committee had determined to accelerate the vesting of unvested options, RSUs and PSUs.

In the case of options, these values are derived by multiplying: (a) the difference between C\$10.99 (the closing price of Common Shares on the TSX on December 29, 2017) and the applicable option exercise price; and (b) the number of options vested as a result of the change of control.

In the case of RSUs, these values are derived by multiplying: (a) the closing price of Common Shares on the TSX on December 29, 2017; and (b) the number of RSUs that would vest or be purchased for cancellation as a result of the change of control.

In the case of PSUs, these values are derived by multiplying: (a) the closing price of Common Shares on the TSX on December 29, 2017 (which assumes a performance payout factor of "1"); and (b) the number of PSUs that would vest or be purchased for cancellation as a result of the change of control.

The exchange rate used to determine the US dollar equivalent for amounts in Canadian dollars in this section was US\$1 = C\$1.2545, being the December 29, 2017 year-end closing rate posted by the Bank of Canada.

<b>Name</b>	<b>Options Amount (US\$)</b>	<b>RSU Amount (US\$)</b>	<b>PSU Amount (US\$)</b>
P. Grenville Schoch	-	657,035	376,034
Lisa Swartzman	-	657,035	128,104
Daniel Gagnon	-	-	98,555
Chris Bitsakakis	-	-	59,816
Robert Dodd	-	-	-
Darren Wasylucha	-	-	-

### *Termination Benefits*

The Company does not have any written agreements with NEOs that provide benefits on termination of their employment in addition to that payable under statutory or common law, except as set out in this paragraph. Under an employment agreement with Mr. Gagnon, if he is terminated without cause he is entitled to notice of termination equal to the greater of (a) three months or (b) one month per completed year of service, or compensation in lieu thereof, to a maximum of 24 months. If Mr. Gagnon had been terminated on December 31, 2017, he would have been entitled to receive three months of notice or compensation of approximately C\$81,250 in lieu thereof. Under an employment agreement with Mr. Bitsakakis, if he is terminated without cause he is entitled to notice of termination equal to the greater of (a) twelve months or (b) one month per completed year of service, or compensation in lieu thereof, to a maximum of 24 months. If Mr. Bitsakakis had been terminated on December 31, 2017, he would have been entitled to receive twelve months of notice or compensation of approximately C\$450,000 in lieu thereof.

### *Directors' and Officers' Liability Insurance*

In 2017 the Company maintained directors and officers liability insurance coverage against liability incurred by the directors or officers in their capacity as directors or officers of the Company or any subsidiary. The total amount of insurance coverage is C\$25 million and, subject to the deductible portions referred to below, up to the full-face amount of the policies is payable, regardless of the number of directors and officers involved. The annual premium paid by the Company for the policy year to December 31, 2017 was \$21,335. The policies provide a coverage limit of C\$25 million per occurrence and in the aggregate.

Our directors and officers are covered to the extent of the face amount of the policies. However, in no event will the policies pay out, in the aggregate, more than C\$25 million during their annual term. The policies provide for deductibles as follows: (i) with respect to our directors and officers, there is no deductible applicable; and (ii) with respect to reimbursement of the Company, there is a deductible of C\$25,000 per occurrence.

### **COMPENSATION OF DIRECTORS**

During the 2017 fiscal year, each independent director received a quarterly cash retainer of C\$10,000 and a quarterly grant of deferred stock units ("DSUs") under the 2015 Omnibus Plan having a fair market value of C\$6,250. In addition, annual cash retainer fees were paid to the Lead Director (C\$15,000), Audit Committee Chair (C\$10,000) and the chair of each other committee of the Board (C\$5,000). Directors also receive C\$1,500 per Board or Committee meeting they attend, provided that where more than one meeting is attended on the same day, such C\$1,500 fee is applied for the full day of meetings. Directors have the ability to elect to receive some or all of their cash retainers and meeting fees in additional DSUs having a fair market value equal to the amount of the fees that would otherwise have been paid in cash.

All DSUs vest three months following the relevant grant date. Each vested DSU represents the right to receive on one of the following on redemption, at the sole discretion of the Company: (a) one Common Share; (b) a cash payment equal to the fair market value of one Common Share as of the redemption date; or (c) a combination of both cash and a portion of Common Share having an aggregate fair market value equal to one Common Share on the redemption date (provided that no fractional Common Shares will be issued). The redemption of a DSU occurs only following the termination of a holder's service as Director and will occur on either: (a) a date selected by the Director following the termination of their services as a director (which can be no earlier than 10 days, and no later than one year, after the service termination date); or (b) a date selected by the Company following the death of the recipient while still serving as director (which can be no later than 90 days following the death of the recipient).

For the purposes of DSU awards, the "fair market value" of a DSU on its grant date or of a Common Share on the redemption date, as applicable, is equal to the volume-weighted average trading price of a Common Share on the TSX for the 5 trading days preceding the relevant grant date or redemption date.

### ***Director compensation table***

The table below summarizes the compensation paid to the directors of the Board relating to the 2017 fiscal year, other than the CEO, Mr. Schoch. Mr. Schoch receives no additional consideration in connection with his role as a director, and his compensation in his capacity as CEO is described under "Executive Compensation Summary" above.

<b>Director</b>	<b>Fees earned<sup>(1)</sup> (US\$)</b>	<b>Share-based awards (US\$)<sup>(2)</sup></b>	<b>Option-based awards (US\$)</b>	<b>All other compensation (US\$)</b>	<b>Total (US\$)</b>
Robert L. Hagerman	26,230	14,462	–	–	40,692
Mary Matthews	30,859	27,774	–	–	58,633
Robert L. McLeish	30,859	38,953	–	–	69,812
Brian A. Robbins <sup>(3)</sup>	–	62,496	–	–	62,496
Alan J. Watson <sup>(4)</sup>	26,809	26,809	–	–	53,617

Notes:

- (1) All amounts received by directors as fees were paid out in Canadian dollars. Amounts in the table have been converted using the same exchange rate as in the Executive Summary Compensation table above.
- (2) Amounts under share-based awards represent the sum of the products of (a) each DSU awarded to the relevant Director in 2017 and (b) the volume average weighted price of a Common Share on the TSX for the 5 days preceding the grant date of such DSU. This amount is then converted using the same exchange rate as in the Summary Compensation tables above.
- (3) In 2017, Mr. Robbins elected to receive all of his fees in the form of additional DSUs.
- (4) In 2017, Mr. Watson elected to receive a portion of his fees in the form of additional DSUs.

### ***Outstanding share-based and options-based awards***

The following tables document all share-based and option-based awards outstanding as at December 31, 2017 for all directors other than Mr. Schoch. All share-based awards in the tables below consist of DSUs granted to Directors in the manner described above, and the dollar values set out below represent the number of relevant DSUs multiplied by the closing price of the Common Shares on December 29, 2017 converted at a rate of US\$1 = C\$1.29622, being the average of the monthly average exchange rates posted by the Bank of Canada for 2017.

<b>Name</b>	<b>Share-based awards</b>		
	<b>Number of shares or units of shares that have not vested</b>	<b>Market or payout value of share-based awards that have not vested (US\$)</b>	<b>Market or payout value of vested share-based awards not paid out or distributed (US\$)</b>
Robert L. Hagerman	570	4,980	8,514
Robert L. McLeish	1,163	10,160	52,879
Brian A. Robbins	1,848	16,145	77,374
Alan J. Watson	787	6,876	32,899
Mary Matthews	821	7,173	38,158

	Option-based awards			
Name	Number of securities underlying unexercised options	Option exercise price (C\$)	Option expiration date	Value of vested unexercised in-the-money options (US\$)
Robert L. Hagerman	200,000	6.35	August 8, 2018	715,928
Robert L. McLeish	30,000	6.35	August 8, 2018	107,389
	20,000	12.05	December 31, 2019	-
Brian A. Robbins	20,000	12.05	December 31, 2019	-
Alan J. Watson	50,000	6.35	August 8, 2018	178,982

***Incentive plan awards – value vested or earned during the year***

The following tables set forth: (a) the dollar value that would have been realized if "in-the-money" options that vested in the year had been exercised by directors; and (b) the dollar value of DSUs granted to directors that vested in 2017. Vesting of options is not dependent on performance goals.

Name	Options – Value vested during the year (US\$)	DSUs – Value vested during the year <sup>(1)</sup> (US\$)
Robert L. Hagerman	178,982	8,815
Robert L. McLeish	26,847	39,315
Brian A. Robbins	-	62,450
Alan J. Watson	44,745	26,665
Mary Matthews	-	28,395

Notes:

- (1) These amounts represent the sum of the products of (a) each DSUs vested in 2017 for the relevant Director and (b) the closing price of a Common Share on the TSX on the vesting date of such DSU, converted at the rate of US\$1 = C\$1.29622.

**INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

As of the date of this Circular, except as disclosed below, there was no amount of indebtedness outstanding to the Company or any of its subsidiaries in respect of all executive officers, directors and employees of the Company and any of its subsidiaries, and their respective associates, and by former executive officers, directors and employees of the Company.

During 2014, the Company invested US\$550,000 in the form of a convertible promissory note in a company for which the former Deputy Chairman of the Company, Timothy Toppen, is the Chairman. This note was convertible to an equity interest under the following conditions: (1) if the company completed a "qualified financing" raising US\$1 million in gross proceeds (excluding the Company's loan); (2) if no "qualified financing" took place prior to the maturity date, the Company had the option to convert into common stock within 60 days prior to the maturity date of the note. By the end of 2016, the entire promissory note was written off and subsequently the company in which the investment was made, was dissolved.

During the fourth quarter of 2014, the Company provided a share purchase loan of C\$1,000,000 to the President to purchase Common Shares. The share purchase loan is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or November 24, 2019. During the fourth quarter of 2016, the Company provided a share purchase loan of C\$250,000 to the Chief Financial Officer to purchase Common Shares. This loan is due upon the earlier of the disposition date of all or proportionate to any part of the pledged securities or December 20, 2021. All share purchase loans currently bear interest at 1% annually with full recourse, and interest is due and payable semi-annually. In total, 122,000 shares of the Company were pledged as collateral on these two loans.

## PART IV – CORPORATE GOVERNANCE

### DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

The Company, its Board and its management are committed to the highest standards of corporate governance, transparency and integrity. Effective corporate governance is a priority for the Board and is essential to the proper conduct of the affairs of the Company. The Nominating and Corporate Governance Committee of the Board continually monitors regulatory developments affecting corporate governance and the transparency of a public company.

The Board believes that the Company's governance system is effective, and that there are in place appropriate structures and procedures to ensure the Board's independence from management and to ensure that actual or potential conflicts of interest between the Company and members of the Board are dealt with appropriately.

Set out below is a description of the Company's approach to corporate governance, in compliance with the requirements prescribed by *National Instrument 58-101 – Disclosure of Corporate Governance Practices*.

#### **Board of Directors**

##### *Leadership and Independence*

The Board maintains the exercise of independent supervision over management by ensuring that a majority of its directors are independent. Under *National Instrument 52-110 – Audit Committees* ("**NI 52-110**") a director is independent if he or she does not have a direct or indirect relationship with the Company, which could, in the view of the Board, be reasonably expected to interfere with the exercise of his or her independent judgment. In determining whether a director is independent the Board also considers whether the director has a relationship, which could, or could be perceived to interfere with the director's ability to objectively assess the performance of management.

The Board currently consists of six individuals, of which four (being Messrs. McLeish, Robbins and Watson and Ms. Matthews) are considered independent within the meaning of NI 52-110 and have no other relationships that could reasonably interfere with the exercise of their independent judgment in discharging their duties. Independent directors of the Company do not receive remuneration from the Company other than directors' retainers and fees, which can be received in a combination of cash and DSUs as set out under "Compensation of Directors" above. Messrs. Schoch and Hagerman are not independent directors as they are currently, or were formerly, part of the management of the Company in their respective positions as Chairman and CEO (Mr. Schoch) and Former President and CEO (Mr. Hagerman).

As our current Chairman performs executive functions for the Company, as its CEO, he is therefore not independent under the meaning of NI 52-110. The Board has implemented structures and procedures to provide assurance that the Board can act independently of management, including the establishment of the Lead Director role (described below) and ensuring the standing Audit, Nominating and Corporate Governance and Compensation Committees of the Board are composed entirely of independent directors.

The directors believe that the Board, as presently constituted, facilitates effective decision-making and functions independently of management. The election of directors at the Meeting, as proposed, will result in a Board that remains composed of a majority of independent directors. In addition, the Board appointed Mr. McLeish as Lead Director effective March 15, 2016. The role of the Lead Director is to facilitate the functioning of the Board independently of management to ensure that independent directors have an independent contact on matters of concern to them and to ensure that the Board's agenda will enable it to successfully carry out its duties. In particular, the Lead Director will provide leadership to the Board if circumstances arise in which the Chairman may be, or may be perceived to be, in conflict and chairs those Board sessions that are attended only by independent directors.

The independent directors meet separately from the non-independent directors as they deem appropriate, and met separately from the non-independent directors on five occasions in 2017. In addition, the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee are composed entirely of these independent directors, and such committees meet without members of management four times per year, in the case of the Audit Committee, and as often as required in the case of the other Committees.

Individual directors may, in appropriate circumstances, engage an outside advisor at the expense of the Company, subject to the approval of the Board.

#### *Director Affiliations and Attendance*

Additional information relating to our directors, including a list of public companies for which they serve as Board members, as well as their attendance records for all Board and Committee meetings for the year ended December 31, 2017, can be found above under "Election of Directors".

#### **Board Mandate and Committees**

The mandate of the Board is to supervise the management of the business and affairs of the Company and to act with a view to the best interests of the Company and its shareholders. In March of 2017, the Board adopted a revised written mandate setting out their oversight responsibilities, a copy of which is attached to this circular as Appendix "A". The mandate includes responsibility for approving strategic goals and objectives, review of operations, disclosure and communications policies, oversight of financial reporting and other internal controls, corporate governance, director orientation and education, senior management compensation and oversight, and director nomination, compensation and assessment.

The Board's mandate is fulfilled directly as a whole and through the following standing committees of the Board: the Audit Committee, the Nominating and Corporate Governance Committee and the Compensation Committee. The Board may also from time to time appoint ad-hoc committees to report to the Board on specific matters as they arise.

Generally, the Board meets a minimum of five times each year. In addition, the Board meets at other times when matters requiring its approval are raised and the timing is such that it is not prudent or possible to wait for a regularly scheduled quarterly meeting.

## **Succession Planning**

The Board is responsible for overseeing the succession planning processes of the Company with respect to senior management positions. The Company's succession planning process includes the identification and consideration of suitable short and long-term candidates to hold the applicable roles, on both an interim and permanent basis. Candidates are considered based on various factors, including (where relevant) executive experience, market and industry expertise, geographic location, diversity (including gender), familiarity with the Company and its subsidiaries' businesses, past performance with the Company, as well as past successes in achieving particular corporate goals.

## **Risk Oversight**

The Board has overall responsibility for monitoring risk management and does so primarily through its three standing Committees noted above.

The Board reviews and discusses reports prepared by management on the overall financial position of the Company, on each of its business segments, on its business plans, on strategic business issues and on operating risks. The Board, through the Audit Committee, reviews internal controls and management information systems issues. The Board responds to and, if it considers appropriate, approves, with such revisions as it may require, corporate objectives and recommended courses of action, which have been brought forward by the CEO and management. In addition to those matters which must be approved by the Board by law, significant business activities, actions and communications proposed to be taken or submitted by the Company are subject to Board approval.

Annual capital and operating budgets and significant changes thereto, long range plans, the annual information circular, major changes in the organizational structure of the Company, annual financial statements, major acquisition and disposition transactions, major financing and banking transactions, long term contracts with significant cumulative financial commitments, appointment of officers, benefit plans, stock options plans, issuance of equity-based compensation to senior executives (including stock options and stock appreciation rights, restricted stock units, performance stock units and other forms of awards) and succession plans are all subject to Board approval.

The Board has initiated processes to ensure that it is informed of material business issues and risks and to ensure that appropriate safeguards are maintained. Proper practices are in place to manage the risk of operating in foreign jurisdictions.

## **Position Descriptions**

The Board has adopted written position descriptions for the Chairman of the Board, the Chair of each Board Committee, the Lead Director and the CEO. The Board is of the view that the respective corporate governance roles of the Board and of management, as represented by these positions, and their respective responsibilities and limits of authority are clear and well understood.

In addition, as part of its involvement in strategic planning and performance assessment, the Board meets to review and discuss strategic and business plans through which the objectives of senior management are established. The objectives and responsibilities of the CEO are established by the Board during the planning process and informally during regular Board meetings.

## **Ethical Business Conduct**

The Board has adopted a Code of Business Conduct and Ethics (the "Code") which provides a framework for directors, officers and employees to maintain the highest standards of ethical conduct in corporate affairs. This Code was updated in 2017 and distributed across the organization. Specifically, the purpose of the Code is to encourage among the Company's representatives a culture of honesty, accountability and fair business practice.

The Board oversees compliance of the Code and has designated the Company's general counsel and Secretary as the Compliance Officer for the day-to-day implementation and administration and monitoring of the Code. Any waivers from the Code that are granted for the benefit of the Company's directors or executive officers will only be granted by the Board or a Board Committee. The Code is available on SEDAR at [www.sedar.com](http://www.sedar.com) and the Company's website at [www.airbossofamerica.com](http://www.airbossofamerica.com). Building on the basic pillars of the Code, the Company adopted in 2016 an Anti-Corruption Policy to assist the Company in complying with anti-corruption and anti-bribery laws applicable to its operations around the world.

The Board has also adopted a Whistleblower Policy which requires prompt reporting by employees or officers of any violation of the Code or any other complaints including violations regarding corporate reporting and disclosure, accounting and auditing control and procedures, securities laws or other matters pertaining to fraud, on a confidential and anonymous basis. The Whistleblower Policy was also updated in 2017. Complaints with respect to compliance matters can be made internally to supervisors or to investigating officers appointed under the Whistleblower Policy (including the Compliance Officer under the Code) or can be made through a secure reporting process to the individual designated by the Audit Committee as the Responsible Officer for the Whistleblower Policy (currently the Chair of the Audit Committee) or through the Company's independent third party supplier, Ethicspoint/Navex Global. The Board believes that providing a procedure for employees and officers to raise concerns about ethical conduct on an anonymous and confidential basis fosters a culture of ethical conduct within the Company.

To promote the exercise of independent judgment by directors in considering transactions and agreements, any director or officer who has a material interest in the matter being considered would not be present for discussions relating to the matter and would not participate in any vote on the matter. The Company's Code also sets out the Board's expectations and requirements for officers, directors and employees with respect to avoiding or dealing conflicts of interest.

## **Nomination of Directors**

The Nominating and Corporate Governance Committee is currently comprised of three independent directors: Mary Matthews (Chair), Robert L. McLeish and Alan J. Watson. Because the Nominating and Corporate Governance Committee is independent and functions in accordance with a detailed mandate, the Board believes its nomination process is objective.

The primary mandate of the Nominating and Corporate Governance Committee is to oversee the Company's approach to governance issues, to recommend to the Board corporate governance practices consistent with the Company's commitment to high standards of corporate governance, to recommend to the Board candidates for election as directors and for appointment to Board Committees, and to assess the effectiveness and contribution of the Board, of Board Committees and of individual directors.

The Board has delegated to the Nominating and Corporate Governance Committee responsibility to identify and recommend qualified individuals to be recruited to the Board. In fulfilling this responsibility, the Nominating and Corporate Governance Committee identifies current gaps, if any, and expected future gaps. In addition to seeking candidates who have sound business acumen, along with high level of financial experience, new candidates for Board nomination, would need to possess strong leadership skills, integrity, and the time availability required of a director to fulfill Board responsibilities. Industry specific skills that would be of benefit to the Company, along with experience would be weighed, in addition to diversity, ethnicity, gender, cultural and personality fit, in order to ensure that the Board considers all avenues possible to bring forward an informal list of potential nominees.

The mandate of the Nominating and Corporate Governance Committee also includes the assessment of the competencies and skill of each existing director and to determine the appropriate size of the Board with a view to effective decision making. In addition, the Nominating and Corporate Governance Committee is tasked with assisting the Board in fulfilling its oversight responsibilities to ensure that the Company has an effective corporate governance system. The Nominating and Corporate Governance Committee is responsible for monitoring governance developments, best practices and the effectiveness of the Company's governance practices.

The Nominating and Corporate Governance Committee generally meets at least once a year and additional meetings are held as deemed necessary by the Committee Chair. The Nominating and Corporate Governance Committee has a written charter that sets out its mandate and responsibilities and authority to engage outside advisors as required. This mandate was reviewed, and amendments thereto were approved, by the Board in 2017.

## **Compensation**

The Board has a Compensation Committee comprised of three independent directors; Robert L. McLeish (Chair), Mary Matthews, and Alan J. Watson, each of whom the Board believes has sufficient skills and experience relevant to their role on the Compensation Committee. The primary mandate of the Compensation Committee is to review and approve compensation policies and guidelines for directors, officers and employees of the Company, to approve compensation arrangements for senior executives of the Company, assess the performance of the CEO and report on executive compensation in the Company's information circulars. A detailed discussion regarding the Company's executive compensation policies and processes is found above in the section entitled "Compensation Discussion and Analysis".

Directors' compensation is reviewed annually by the Board, following review and recommendations from the Compensation Committee. As noted above under the section entitled "Director Compensation", director compensation structures were revised at the beginning of 2016 to align with current practices for public companies. The Board feels that the compensation paid to directors under the new structure is adequate and reflects the responsibilities and risks of their position. In determining the appropriate compensation, the Board takes into consideration the remuneration paid by other reporting issuers that the Board feels are similarly placed within the same industry as the Company and that would attract and retain qualified directors.

The Compensation Committee has a written mandate that sets out its mandate and responsibilities and authority to engage outside advisors as required. This mandate was reviewed, and amendments thereto were approved, by the Board in 2017.

## **Audit Committee**

The Audit Committee is comprised of three independent directors: Brian A. Robbins (Chair), Mary Matthews and Robert L. McLeish. The Audit Committee has direct communication channels with internal personnel responsible for financial statement preparation and with the Company's external auditors. The Audit Committee monitors audit functions, management reporting on internal control and the preparation of financial statements and meets with outside auditors independent of management. The Audit Committee operates independently. The Annual Information Form of the Company for the year ended December 31, 2016 contains additional information about the Audit Committee, including the full text of the Audit Committee Charter. The Annual Information Form is available on SEDAR at [www.sedar.com](http://www.sedar.com).

The primary mandate of the Audit Committee is to review the financial statements of the Company and public disclosure documents containing financial information and to report on such review to the Board, to be satisfied that adequate procedures are in place for the review of the Company's public disclosure documents that contain financial information, to oversee the work and review the independence of the external auditors, and to review any evaluation of the Company's internal control over financial reporting.

The Audit Committee has a written charter that sets out its mandate and responsibilities and authority to engage outside advisors as required. This charter was reviewed, and amendments thereto were approved, by the Board in 2017.

## **Assessment of Directors**

The Nominating and Corporate Governance Committee is responsible for assessing the performance and effectiveness of the Board, Board Committees, and individual directors from time to time, with a view to ensuring that they are fulfilling their respective responsibilities and duties. A subjective evaluation is conducted at least annually to assist in assessing the overall performance of the Board and the Board Committees. The Chairman of the Committee reports the findings, including key recommendations, to the full Board for discussion.

## **Representation of Women and Diversity on the Company Board and in Executive Officer Positions**

The Board believes that gender diversity is important to ensure that the profiles of senior management provide the necessary range of perspectives, experience and expertise required to maximize effective management. The Board recognizes that gender diversity is a significant aspect of diversity and acknowledges the important role of women in contributing to diversity in senior management roles. The Board is committed to selecting the best person to fulfill director and senior management roles within the Company.

The Company has not adopted a written policy on the identification and nomination of female executive officers or Board members, or a target for the number of women in these roles. The Company does not believe that quotas or targets necessarily result in the selection of the best candidates for Board members and executive officers. However, the Company is mindful of the benefit of promoting diversity and the need to maximize the Company's effectiveness and the effectiveness of the Board. Accordingly, the Company considers both the level of female representation and diversity as essential considerations in the selection process for new Board members and executive officers, in addition to the expertise and experience required. The Governance Committee focusses on diversity, including gender diversity, in discussions surrounding potential nominees for the Board. As of the date of this Circular, one woman is a member of the Board and one holds executive officer positions (representing 17% of the proposed directors and 14% of our executive officers, respectively).

### **Director Tenure and Retirement**

The Company does not have established term limits or a set retirement age for directors. The Board has not adopted policies imposing an arbitrary term or retirement age limit in connection with individuals nominated for election as directors of the Company, as it does not believe that such limits are in the best interests of the Company. Continuity of Board members has served the Company well. The Company's policy regarding director tenure and retirement is determined on a case-by-case basis depending upon various factors, including the age and experience of the director and his or her history of service on the Board. The current Board members have diverse experience and viewpoints.

### **Director Orientation and Continuing Education**

The Company currently has an informal orientation and education program for new Board members, which is tailored to meet the specific needs and experiences of each director, as assessed by the Board. Incoming directors would be provided with comprehensive information to familiarize them with the nature and operations of the Company's business, the role of the Board, its Committees and directors, and of the contributions that the newly elected director is expected to make. Board members are encouraged to communicate with the Company's management, auditors and consultants to remain current with industry trends, developments and changes in applicable legislation. The Board provides all directors with information pertaining to their fiduciary duties under corporate legislation and the Company's continuous disclosure obligations under securities legislation.

Directors are updated by way of quarterly presentations to the Board meetings, regarding the Company's major operating subsidiaries and operating segments. Directors also receive a comprehensive package of information prior to each Board and Committee meeting. Directors also have access to the Company's senior management and employees on an ongoing basis throughout their mandate. Directors are also provided opportunities to do site visits.

The Board also recognizes the importance of continuing education for directors. The Board encourages directors of the Company to participate in continuous improvement programs from time to time, as considered appropriate. Two of the Company's independent directors have completed courses within the Global Network of Director Institutes during the current tenure of their directorship: one with the Institute of Corporate Directors, earning the designation of ICD.D; and the other with the Australian Institute of Company Directors, earning the designation of GAICD.

### **Communication with Third Parties**

The Company believes that it is in its best interest to have a consistent message delivered to the investment community (including shareholders, potential investors, analysts and other media) and other third parties. Accordingly, pursuant to the corporate disclosure policy of the Company, the Chairman and CEO and the President together act as the unified voice of the organization. Other directors do not (unless specifically requested by the Chairman and CEO or President to do so) engage in communications with third parties regarding the Company or its affairs.

## **PART V – OTHER INFORMATION**

### **NORMAL COURSE ISSUER BID**

On November 28, 2016 the Company announced that the Toronto Stock Exchange ("TSX") accepted the Company's Notice of Intention to make a normal course issuer bid for Common Shares (the "Bid"). Pursuant to the Bid, the Company had purchased 2,100 Common Shares at an average cost of C\$11.00. On November 27, 2017 the Company announced that the TSX had accepted its Notice of Intention to renew the Bid (the "Renewed Bid"). Purchases made pursuant to the Renewed Bid will be made in the open market through the facilities of the TSX and alternative Canadian trading systems, if eligible, in accordance with applicable regulatory requirements. Pursuant to the Renewed Bid, the Company may repurchase up to 1,359,443 Common Shares (representing approximately 10% of the Company's public float of 13,594,433 Common Shares). The Renewed Bid commenced on November 30, 2017 and will remain in effect until the earlier of November 29, 2018, the termination of the Bid by the Company or the Company purchasing the maximum number of Common Shares permitted under the Bid. As of March 14, 2018, the Company has purchased 2,200 Common Shares at an average price of C\$10.00 under the Renewed Bid. The price paid for any Common Shares acquired by the Company will be the market price of the shares at the time of acquisition. The Company intends to fund the repurchases under the Bid out of its available cash. All Common Shares acquired by the Company under the Bid will be cancelled.

Shareholders may obtain a copy of the Company's Notice of Intention filed with the TSX without charge by contacting the Company at the address provided under "Additional Information" below.

### **INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as set out in the following paragraph, no director, executive officer, person or company who beneficially owns, controls or directs more than 10% of the voting securities of the Company or proposed nominee for election as a director of the Company, and no associate or affiliate of the foregoing persons, has or has had any material interest, direct or indirect, in any transaction since the beginning of the Company's last completed fiscal year or in any proposed transaction which, in either such case, has materially affected or will materially affect the Company

On July 24, 2015, the Company completed the acquisition of all of the membership interests of Immediate Response Technologies LLC ("IRT"), pursuant to a purchase and sale agreement dated June 17, 2015 between AirBoss-Defense Inc., the Company, IRT and the vendors. Pursuant to the purchase and sale agreement related to the transaction, certain individuals employed or formerly employed with the vendors, including Thomas H. Ripley, the current President of AirBoss Defense, could potentially earn additional amounts of deferred purchase price consideration under earn-out provisions. The purchase and sale agreement and a Form 51-102F4 Business Acquisition Report in respect of the acquisition has been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com) and are incorporated by reference herein.

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

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's last completed financial year, no proposed nominee for election as a director, and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Circular.

### **ADDITIONAL INFORMATION**

A copy of this Circular has been sent to each director of the Company, to each shareholder of the Company entitled to receive notice of and to vote at the Meeting, and to the auditors of the Company.

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative financial statements and Management Discussion and Analysis for the year ended December 31, 2017. Copies of the Company's financial statements and Management Discussion and Analysis may be obtained through [www.sedar.com](http://www.sedar.com) or upon written request to the Secretary of the Company at 16441 Yonge Street, Newmarket, Ontario, L3X 2G8 or the Company's website at [www.airbossofamerica.com](http://www.airbossofamerica.com).

#### **GENERAL**

The contents of this Circular and the sending of this Circular to the shareholders of the Company has been approved by the Board of Directors of the Company.

DATED the 9<sup>th</sup> day of April, 2018

(signed) Peter Grenville Schoch  
Chairman and CEO

## APPENDIX "A"

### AIRBOSS OF AMERICA CORP.

#### MANDATE OF THE BOARD OF DIRECTORS

##### 1. Responsibilities of the Board and Each Director

###### *Board responsibility*

The Board of Directors (the "Board") of AirBoss of America Corp. (the "Corporation") is responsible for the stewardship of the Corporation. In connection with this responsibility, the Board will:

- (a) in consultation with the chief executive officer of the Corporation (the "CEO"), define the principal objective(s) of the Corporation;
- (b) supervise the management of the business and affairs of the Corporation with the goal of achieving the Corporation's principal objective(s) as defined by the Board;
- (c) discharge the duties imposed on the Board by applicable laws; and
- (d) for the purpose of carrying out the foregoing responsibilities, take all such actions as the Board deems necessary or appropriate.

###### *Director obligations*

In exercising his or her powers and discharging his or her responsibilities to the Corporation, each director shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances and shall act honestly and in good faith with a view to the best interests of the Corporation. In addition, each director shall:

- (a) review and participate in the work of the Board necessary in order for the Board to discharge its duties and responsibilities as set out herein;
- (b) participate in any orientation and continuing orientation programs developed by the Corporation for directors;
- (c) participate in any processes as may be established by the Board for assessing the Board, directors and any committee of the Board from time to time; and
- (d) in connection with each meeting of the Board and of each committee of the Board of which such director is a member:
  - (i) respond promptly to management requests in respect of availability for proposed meetings;
  - (ii) review thoroughly the material provided to the director by management in connection with the meeting; and
  - (iii) attend each meeting in person to the extent practicable (unless the meeting is scheduled to be held by phone or video-conference).

### *Delegation*

Unless otherwise stated herein or under the Corporation's by-laws, the *Business Corporations Act* (Ontario) or other applicable laws and regulations, the Board may delegate its duties and responsibilities to any committee of the Board and to senior management. However, such delegation does not relieve the Board of its overall responsibilities and it retains its oversight over such delegated matters.

The Board may establish such committees as the Board may consider appropriate and shall establish and regularly review written terms of reference for each such committee. The duties and responsibilities delegated to any committee shall be those set out in the applicable terms of reference.

The Board has delegated responsibility for the day-to-day operations of the Corporation to the CEO, which delegation shall be guided by the limitations set out in this Mandate, the strategic, operating, capital and financial plans approved by the Board from time to time and any other express limitation put in place by the Board from time to time.

## **2. Organization and Operation of the Board**

### *Composition*

- (a) The Board will be composed of a minimum of three and a maximum of 10 members, a majority of whom must qualify as "independent directors" under the rules of the applicable stock exchange(s) and corporate and securities laws, as determined by the Board.
- (b) The Chair of the Board will be an independent director. If this is not desirable in the circumstances an independent lead director shall be appointed.

### *Meetings*

- (a) The Board shall meet at least once each fiscal quarter, and shall also meet at least once annually to review the Corporation's strategic plan and approve proposed annual operating and capital budgets.
- (b) The quorum at any meeting of the Board shall be a majority of directors in office.
- (c) The Chair of the Board and the Corporate Secretary shall develop the agenda for each meeting of the Board in consultation with the CEO and the lead independent director, if any. The agenda and the appropriate material shall be provided to directors of the Corporation on a timely basis prior to any meeting of the Board.
- (d) Independent directors will meet regularly without management present and without non-independent directors present.
- (e) Minutes of each meeting will be prepared and approved.
- (f) Unless otherwise requested by the Board, the CEO and, where appropriate, other executive officers of the Corporation and its consultants and advisors may be invited to attend meetings to provide additional input or insight to matters discussed at the meeting.

## **2. Director Share Ownership**

To align directors' interests with those of shareholders of the Corporation, each director will be required to hold common shares of the Corporation valued at three times his or her annual retainer entitlement.

Directors will have a period of three years from the date of their election to the Board to achieve the minimum shareholding requirement.

### **3. Specific Duties of the Board**

In the course of discharging its responsibilities as described above, the Board will perform the specific duties set out below, and may direct any committee of the Board to consider any such matters and to report and make recommendations thereon. The following is not intended to be an exhaustive or comprehensive list of all actions directors must take in discharging its duties, nor is it intended to limit the Board's overall stewardship responsibility or its responsibility to supervise the management of the Corporation's business and affairs.

Specifically, the Board will:

#### *Strategic Direction, Operating, Capital and Financial Plans*

- (a) Require the CEO to present annually to the Board the Corporation's strategic initiatives and business plan, which must:
  - (i) be designed to achieve the Corporation's principal objectives;
  - (ii) identify the principal strategic factors and operational opportunities and risks of the Corporation's business; and
  - (iii) be approved by the Board as a pre-condition to the implementation of such plan.
- (b) Approve the annual operating and capital budgets with the Corporation's business plan and any material changes thereto.
- (c) Monitor the execution of the strategic initiatives and achievement of business plans by management and approve any significant or material change to such plans made necessary in light of changing circumstances.
- (d) Generally provide strategic advice and guidance to management and assess the effectiveness of strategic initiatives and business plans.
- (e) Identify and periodically review the principal risks of the Corporation's business and take all reasonable steps to ensure the implementation of the appropriate systems to manage these risks.
- (f) Subject to delegation by the Board to management and committees of the Board, review and approval all material transactions and investments.
- (g) Approve issuances of additional common shares or other securities of the Corporation.

#### *Management*

- (a) Select and appoint the CEO and determine the terms of the CEO's employment and, in consultation with the CEO, develop a clear written position description for the CEO.
- (b) Review and establish corporate and individual goals and objectives relevant to the compensation of the CEO and evaluate the performance of the CEO in light of such goals and objectives.

- (c) In consultation with the CEO, appoint all officers of the Corporation and approve terms of employment of each officer of the Corporation and each employee holding the title of President or Divisional President (or equivalent) at the Corporation or at one of its subsidiaries or divisions (collectively "senior executives").
- (d) Approve compensation levels (including incentive plan awards) for the CEO and each senior executive.
- (e) Approve all equity-based plans for the Corporation.
- (f) Satisfy itself, the extent possible, as to the integrity of the CEO and other senior executives and that senior management has fostered a culture of integrity throughout the organization.
- (g) Be responsible for the Corporation's succession planning, by monitoring the succession plan process for the Corporation (including the processes for appointment, training and evaluation of the CEO and executive officers).
- (h) Approve any proposed significant change in the management organization structure of the Corporation.
- (i) Approve any proposed retirement plans available to management of the Corporation.
- (j) In consultation with the CEO, establish a communications policy for the Corporation and establish processes pursuant to which the Board can receive feedback from shareholders of the Corporation.

*Risk Oversight and Management and Financial Controls*

- (a) Ensure that the Corporation maintains appropriate systems to manage the principal risks of the Corporation's business and periodically review and assess the Corporation's risk management programs.
- (b) Review and assess the quality and adequacy of risk-related information provided to the Board by management (directly or through its committees), to ensure the Board is made aware of material risks on a timely basis and to ensure the Board has sufficient information to evaluate such risks, their impact on the Corporation and management's proposed management of such risks.
- (c) Require that the CEO institute, and maintain the integrity of, internal control, disclosure control and management and information systems and periodically review and assess the effectiveness of such controls and systems.
- (d) In consultation with the CEO, establish at least annually the limits of management's authority and responsibility in conducting the Corporation's business as proposed in the annual operating and capital plans and on an individual transaction basis.
- (e) Review and approve material contracts not in the ordinary course of business to be entered into by the Corporation and material contracts related to (re)financing, equity, acquisitions, and divestitures.
- (f) Ensure that the financial performance of the Corporation is properly reported to shareholders, other security holders and regulators on a timely and regular basis. Take all necessary actions to ensure that all financial results made public by the Corporation

(including the Corporation's annual and quarterly financial statements) are reported fairly and in accordance with generally accepted accounting principles and applicable legal disclosure requirements.

- (g) In consultation with the CEO, establish the ethical standards to be observed by all officers and employees of the Corporation and monitor compliance with those standards, including by adopting and reviewing, on a regular basis, the Corporation's Code of Business Conduct and Ethics applicable to the Corporation's directors, officers and employees.
- (h) Monitor compliance with all applicable laws and all significant corporate policies of the Corporation.

#### *Governance*

- (a) Develop the Corporation's approach to corporate governance and approve the Corporation's public disclosure regarding its corporate governance principles and guidelines.
- (b) Facilitate the continuity, effectiveness and independence of the Board by, amongst other things:
  - (i) selecting nominees for election to the Board;
  - (ii) appointing from amongst the directors an audit committee and such other committees of the Board as the Board deems appropriate;
  - (iii) ensuring that processes are in place and are utilized to assess the size of the Board, the independence of directors, the effectiveness of the Chairman of the Board, the Board as a whole, each committee of the Board and each director; and
  - (iv) providing for an orientation and education to new members to the Board and continuing education opportunities to all directors as deemed necessary.
- (c) Review annually the adequacy and form of the compensation of directors and approve all changes thereto.
- (d) Ensuring that processes are in place for the assessment, on at least an annual basis, of the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.

**APPENDIX "B"**  
**AIRBOSS OF AMERICA CORP.**  
**2015 OMNIBUS INCENTIVE PLAN**

**Section 1. Purpose.** The purpose of the AirBoss of America Corp. 2015 Omnibus Incentive Plan is to attract, retain and reward those employees, directors and other individuals who are expected to contribute significantly to the success of the Corporation and its Affiliates, to incentivize such individuals to perform at the highest level, to strengthen the mutuality of interests between such individuals and the Corporation's shareholders and, in general, to further the best interests of the Corporation and its shareholders.

**Section 2. Definition.**

As used in the Plan, the following terms shall have the meanings set forth below:

(a) "**Affiliate**" shall mean: (i) any entity that, directly or indirectly, controls (as well as is controlled by or under common or joint control with) the Corporation; or (ii) any entity in which the Corporation has a significant equity interest, in either case as determined by the Committee; provided that, unless otherwise determined by the Committee, the Shares subject to any Options or SAR that are granted to a service provider of an Affiliate constitutes "service recipient stock" for purposes of Section 409A of the Code or otherwise does not subject the Award to the excise tax under Section 409A of the Code.

(b) "**Award**" shall mean any Option, Stock Appreciation Right, award of Restricted Stock, Restricted Stock Unit, Deferred Stock, annual or long-term Performance Award, Other Stock-Based Award or Cash-Based Award granted under the Plan, which may be denominated or settled in Shares, cash or in such other forms as provided for herein. All Awards shall be granted by an Award Agreement.

(c) "**Award Agreement**" shall mean the agreement (whether in written or electronic form) or other instrument or document evidencing any Award granted under the Plan, which may, but need not, be executed or acknowledged by a Participant.

(d) "**Beneficiary**" shall mean a person or persons entitled to receive payments or other benefits or exercise rights that are available under the Plan in the event of the Participant's death. If no such person is named by a Participant, such individual's Beneficiary shall be the individual's estate.

(e) "**Blackout Period**" means a period when the Participant is prohibited from trading in the Corporation's securities pursuant to securities regulatory requirements or the Corporation's insider trading policy or other applicable policy or requirement of the Corporation.

(f) "**Board**" shall mean the board of directors of the Corporation.

(g) "**Cash-Based Award**" means an Award granted pursuant to Section 11 of the Plan and payable in cash at such time or times and subject to such terms and conditions as determined by the Committee in its sole discretion.

(h) "**Change in Control**" shall mean the occurrence of:

(i) any individual, entity or group of individuals or entities acting jointly or in concert (other than the Corporation, its Affiliates or an employee benefit plan or trust maintained by the Corporation or its Affiliates, or any company owned, directly or indirectly, by the shareholders of the

Corporation in substantially the same proportions as their ownership of Shares of the Corporation) acquiring beneficial ownership, directly or indirectly, of more than 50% of the combined voting power of the Corporation's then outstanding securities (excluding any "person" who becomes such a beneficial owner (x) in connection with a transaction described in clause (A) of paragraph (ii) below;

(ii) the consummation of (A) a merger or consolidation of the Corporation or any direct or indirect subsidiary of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or any parent thereof) more than 20% of the combined voting power or the total fair market value of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person (other than those covered by the exceptions in paragraph (i) of this definition) acquires more than 50% of the combined voting power of the Corporation's then outstanding securities shall not constitute a Change in Control of the Corporation; or

(iii) a complete liquidation or dissolution of the Corporation or the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Corporation; other than such liquidation, sale or disposition to a person or persons who beneficially own, directly or indirectly, more than 20% of the combined voting power of the outstanding voting securities of the Corporation at the time of the sale.

Notwithstanding the foregoing, with respect to any Award that is characterized as "nonqualified deferred compensation" within the meaning of Section 409A of the Code, an event shall not be considered to be a Change in Control under the Plan for purposes of payment of such Award unless such event is also a "change in ownership," a "change in effective control" or a "change in the ownership of a substantial portion of the assets" of the Corporation within the meaning of Section 409A of the Code.

(i) "**Code**" shall mean the Internal Revenue Code of 1986, as amended from time to time. Any reference to any section of the Code shall also be a reference to any successor provision and any treasury regulation promulgated thereunder.

(j) "**Committee**" shall mean the Compensation Committee of the Board or such other committee as may be designated by the Board. If the Board does not designate the Committee, references herein to the "Committee" shall refer to the Board.

(k) "**Consultant**" means a person or corporation engaged by the Corporation to provide services for an initial, renewable or extended period of 12 months or more.

(l) "**Corporation**" shall mean AirBoss of America Corp.

(m) "**Covered Employee**" means an individual who is (i) a "covered employee" within the meaning of Section 162(m)(3) of the Code, or any successor provision thereto and (ii) any individual who is designated by the Committee, in its discretion, at the time of any Award or at any subsequent time, as reasonably expected to be a "covered employee" with respect to the taxable year of the Corporation in which any applicable Award will be paid.

(n) "**Deferred Stock**" shall mean a right to receive Shares or other Awards or a combination thereof at the end of a specified deferral period, granted under Section 9.

(o) **"Dividend Equivalent"** means a right, granted to a Participant under the plan, to receive cash, shares, other Awards or other property equal in value to dividends paid with respect to Shares.

(p) **"Effective Date"** shall mean April 8, 2015.

(q) **"Fair Market Value"** means, for purposes of the Plan, unless otherwise required by any applicable provision of the Code, any regulations issued thereunder or other applicable law, as of any date and except as provided below: (i) the weighted average trading price of the Shares on the TSX for the five most recent trading days immediately preceding the applicable date; or (ii) if the Shares are not traded, listed or otherwise reported or quoted, the Committee shall determine in good faith the Fair Market Value in whatever manner it considers appropriate taking into account the requirements of Section 409A of the Code and any other applicable law. For purposes of the grant of any Award, the applicable date shall be the date on which the Award is granted. For purposes of the exercise of any Award, the applicable date shall be the date a notice of exercise is received by the Committee or its designee, as applicable, or, if not a day on which the applicable market is open, the next day that it is open. In the event that the Committee determines that the date of grant of an Award shall be a future date because the Corporation is in a Blackout Period, the applicable date shall be deemed to occur on the seventh day following the termination of the Blackout Period and the Fair Market Value shall be the weighted average trading price of the Shares on the TSX for the five most recent trading days preceding the applicable date (e.g. trading days two to six following the lifting of the Blackout Period). In the event an additional Blackout Period commences such that six consecutive trading days (excluding weekends and statutory holidays) do not elapse following the expiry of the initial Blackout Period, the applicable date and market price shall be determined by reference to the seventh consecutive trading day following the expiry of the subsequent Blackout Period.

(r) **"Incentive Stock Option"** shall mean an option representing the right to purchase Shares from the Corporation, granted under and in accordance with the terms of Section 6, that is intended to be and is designated as an "Incentive Stock Option" within the meaning of Section 422 of the Code.

(s) **"Non-Qualified Stock Option"** shall mean an option representing the right to purchase Shares from the Corporation, granted under and in accordance with the terms of Section 6, that is not an Incentive Stock Option.

(t) **"Option"** shall mean an Incentive Stock Option or a Non-Qualified Stock Option.

(u) **"Other Stock-Based Award"** means an Award granted pursuant to Section 11 of the Plan.

(v) **"Participant"** shall mean the recipient of an Award granted under the Plan.

(w) **"Performance Award"** means an Award granted pursuant to Section 10 of the Plan.

(x) **"Performance Goals"** means goals established by the Committee as contingencies for Awards to vest and/or become exercisable or distributable based on one or more of the performance goals set forth in Exhibit A hereto.

(y) **"Performance Period"** means the period established by the Committee at the time any Performance Award is granted or at any time thereafter during which any Performance Goals specified by the Committee with respect to such Award are measured or must be satisfied.

(z) **"Plan"** shall mean this AirBoss of America Corp. 2015 Omnibus Incentive Plan, as the same may be amended or supplemented from time to time.

(aa) **"Restricted Stock"** shall mean any Share granted under Section 8.

(bb) **"Restricted Stock Unit"** shall mean a contractual right granted under Section 8 that is denominated in Shares. Each Restricted Stock Unit represents a right to receive one Share or the value of one Share upon the terms and conditions set forth in the Plan and the applicable Award Agreement.

(cc) **"SAR" or "Stock Appreciation Right"** shall mean any right granted to a Participant pursuant to Section 7 to receive, upon exercise by the Participant, the excess of (i) the Fair Market Value of one Share on the date of exercise over (ii) the grant price of the right on the date of grant, or if granted in connection with an outstanding Option on the date of grant of the related Option, as specified by the Committee in its sole discretion, which, except in the case of Substitute Awards, shall not be less than the Fair Market Value of one Share on such date of grant of the right or the related Option, as the case may be.

(dd) **"Service"** shall mean the active performance of services for the Corporation or an Affiliate by a person who is an employee or director of the Corporation or an Affiliate. Notwithstanding the foregoing, with respect to any Award that is characterized as "nonqualified deferred compensation" within the meaning of Section 409A of the Code, an event shall not be considered to be a termination of "Service" under the Plan for purposes of payment of such Award unless such event is also a "separation from service" within the meaning of Section 409A of the Code.

(ee) **"Shares"** shall mean shares of the common stock of the Corporation.

(ff) **"Subsidiary"** shall mean any corporation of which stock representing at least 50% of the ordinary voting power is owned, directly or indirectly, by the Corporation.

(gg) **"Substitute Awards"** shall mean Awards granted in assumption of, or in substitution for, outstanding awards previously granted by a company acquired by the Corporation or with which the Corporation combines.

(hh) **"Transfer"** means: (a) when used as a noun, any direct or indirect transfer, sale, assignment, pledge, hypothecation, encumbrance or other disposition (including the issuance of equity in any entity), whether for value or no value and whether voluntary or involuntary (including by operation of law), and (b) when used as a verb, to directly or indirectly transfer, sell, assign, pledge, encumber, charge, hypothecate or otherwise dispose of (including the issuance of equity in any entity) whether for value or for no value and whether voluntarily or involuntarily (including by operation of law). "Transferred" and "Transferable" shall have a correlative meaning.

(ii) **"TSX"** means the Toronto Stock Exchange.

### **Section 3. Eligibility.**

(a) Any employee, director, Consultant or other advisor of, or any other individual who provides services to, the Corporation or any Affiliate, shall be eligible to be selected to receive an Award under the Plan. Notwithstanding the foregoing, only eligible employees of the Corporation, its subsidiaries and its parent (as determined in accordance with Section 422(b) of the Code) are eligible to be granted Incentive Stock Options under the Plan. Eligibility for the grant of Awards and actual participation in the Plan shall be determined by the Committee in its sole discretion.

(b) An individual who has agreed to accept employment by the Corporation or an Affiliate shall be deemed to be eligible for Awards hereunder as of the date of such acceptance; provided that vesting and exercise of Awards granted to such individual are conditioned upon such individual actually becoming an employee of the Corporation or an Affiliate.

(c) Holders of options and other types of incentive awards granted by a company acquired by the Corporation or with which the Corporation combines are eligible for grant of Substitute Awards hereunder.

#### **Section 4. Administration.**

(a) The Plan shall be administered by the Committee. Subject to Section 15, the Committee shall have the authority to adopt, alter and repeal such administrative rules, guidelines and practices governing the Plan and perform all acts, including the delegation of its responsibilities (to the extent permitted by applicable law and applicable stock exchange rules), as it shall, from time to time, deem advisable; to construe and interpret the terms and provisions of the Plan and any Award issued under the Plan (and any agreements relating thereto); and to otherwise supervise the administration of the Plan. The Committee may correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any agreement relating thereto in the manner and to the extent it shall deem necessary to effectuate the purpose and intent of the Plan. The Committee may adopt special guidelines and provisions for persons who are residing in or employed in, or subject to, the taxes of, any domestic or foreign jurisdictions to comply with applicable tax and securities laws of such domestic or foreign jurisdictions. To the extent applicable, the Plan and Awards intended to be "performance-based," the applicable provisions of Section 162(m) of the Code, and the Plan shall be limited, construed and interpreted in a manner so as to comply therewith.

(b) Subject to the terms of the Plan and applicable law and the rules of the TSX and in addition to those authorities provided in Section 4(a), the Committee (or its delegate) shall have full power and authority to: (i) designate Participants; (ii) determine the type or types of Awards (including Substitute Awards) to be granted to each Participant under the Plan; (iii) determine the number of Shares to be covered by (or with respect to which payments, rights, or other matters are to be calculated in connection with) Awards; (iv) determine the terms and conditions, not inconsistent with the terms of the Plan, of any Award granted hereunder (including, but not limited to, the exercise or purchase price (if any), any restriction or limitation, any vesting schedule or acceleration thereof, or any forfeiture restrictions or waiver thereof, regarding any Award and the Shares relating thereto, based on such factors, if any, as the Committee shall determine, in its sole discretion); (v) determine whether, to what extent, and under what circumstances Awards may be settled or exercised in cash, Shares, other securities, or other Awards, or canceled, forfeited or suspended, and the method or methods by which Awards may be settled, exercised, canceled, forfeited or suspended; (vi) determine whether, to what extent, and under what circumstances cash, Shares, other securities, other Awards, and other amounts payable with respect to an Award under the Plan shall be deferred either automatically or at the election of the holder thereof or of the Committee, taking into consideration the requirements of Section 409A of the Code; (vii) determine whether to require a Participant, as a condition of the granting of any Award, to not sell or otherwise dispose of shares acquired pursuant to the exercise of an Award for a period of time as determined by the Committee, in its sole discretion, following the date of the acquisition of such Award; (viii) to determine whether an Option is an Incentive Stock Option or Non-Qualified Option; (ix) to modify, extend or renew an Award, provided, however, that such action does not subject the Award to Section 409A of the Code without the consent of the Participant and provided that such extension of the Award does not benefit an Insider (as defined in Section 21 of the Plan); (x) interpret and administer the Plan and any instrument or agreement relating to, or Award made under, the Plan; (xi) establish, amend, suspend or waive such rules and regulations and appoint such agents as it shall deem appropriate for the

proper administration of the Plan; (xii) solely to the extent permitted by applicable law and the rules of the TSX, to determine whether, to what extent and under what circumstances to provide loans (which may be on a recourse basis and shall bear interest at the rate the Committee shall provide) to Participants in order to exercise Options or acquire Shares under the Plan; (ix) to permit accelerated vesting or lapse of restrictions of any Award at any time; and (x) make any other determination and take any other action that the Committee deems necessary or desirable for the administration of the Plan.

(c) All decisions of the Committee shall be final, conclusive and binding upon all parties, including the Corporation, the shareholders and the Participants.

#### **Section 5. Shares Available for Awards; Per Person Limitations.**

(a) Subject to adjustment as provided below, the maximum number of Shares available for issuance under the Plan shall not exceed 10% of the issued and outstanding Shares less the number of Shares reserved for issuance under all other security based compensation arrangements of the Corporation; provided that all Shares reserved and available under the Plan shall constitute the maximum number of Common Shares that can be issued for Incentive Stock Options. Every three years after the Effective Date of the Plan, all unallocated Awards under the Plan shall be submitted for approval to the Board and the shareholders of the Corporation. With respect to Stock Appreciation Rights settled in Shares, upon settlement, only the number of Shares delivered to a Participant (based on the difference between the Fair Market Value of the Shares subject to such Stock Appreciation Right on the date such Stock Appreciation Right is exercised and the exercise price of each Stock Appreciation Right on the date such Stock Appreciation Right was awarded) shall count against the aggregate and individual share limitations set forth under this Section 5. If any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan expires, terminates or is canceled for any reason without having been exercised in full, the number of Shares underlying any unexercised Award shall again be available for the purpose of Awards under the Plan. If any shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares awarded under the Plan to a Participant are forfeited for any reason, the number of forfeited shares of Restricted Stock, Performance Awards or Other Stock-Based Awards denominated in Shares shall again be available for purposes of Awards under the Plan. Any Award under the Plan settled in cash shall not be counted against the foregoing maximum share limitations. On exercise of any Option, Stock Appreciation Right or Other Stock-Based Awards granted under the Plan, the number of Shares underlying such Award shall again be available for the purpose of Awards under the Plan.

(b) Any Shares delivered pursuant to an Award may consist, in whole or in part, of authorized and unissued Shares or Shares acquired by the Corporation.

(c) To the extent required by Section 162(m) of the Code for Awards under the Plan to qualify as "performance-based compensation," the following individual Participant limitations shall apply:

(i) The maximum number of Shares subject to any Award of Options, or Stock Appreciation Rights, shares of Restricted Stock, Restricted Stock Units or Other Stock-Based Awards for which the grant of such Award or the lapse of the relevant restriction period is subject to the attainment of Performance Goals in accordance with Section 10 which may be granted under the Plan during any fiscal year of the Corporation to any Participant shall be 2,000,000 Shares per type of Award (which shall be subject to any further increase or decrease pursuant to Section 5(d)) provided that the maximum number of Shares for all types of Awards granted to any Participant does not exceed 2,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)) during any fiscal year of the

Corporation. If a Stock Appreciation Right is granted in tandem with an Option, it shall apply against the Participant's individual share limitations for both Stock Appreciation Rights and Options.

(ii) Subject to Section 5(g), Section 5(h) and Section 21, there are no annual individual share limitations applicable to Participants on Options, Restricted Stock, Restricted Stock Units or Other Stock-Based Awards for which the grant, vesting or payment (as applicable) of any such Award is not subject to the attainment of Performance Goals.

(iii) The maximum number of Shares subject to any Performance Award which may be granted under the Plan during any fiscal year of the Corporation to any Participant shall be 2,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)) with respect to any fiscal year of the Corporation.

(iv) The maximum value of a cash payment made under a Performance Award which may be granted under the Plan with respect to any fiscal year of the Corporation to any Participant shall be \$10,000,000.

(v) The individual Participant limitations set forth in this Section 5(c) (other than Section 5(c)(iii)) shall be cumulative; that is, to the extent that Shares for which Awards are permitted to be granted to a Participant during a fiscal year are not covered by an Award to such Participant in a fiscal year, the number of Shares available for Awards to such Participant shall automatically increase in the subsequent fiscal years during the term of the Plan until used.

(d) Changes

(i) The existence of the Plan and the Awards granted hereunder shall not affect in any way the right or power of the Board or the shareholders of the Corporation to make or authorize (a) any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, (b) any arrangement, merger or consolidation of the Corporation or any Affiliate, (c) any issuance of bonds, debentures, preferred or prior preference stock ahead of or affecting the Shares (d) the dissolution or liquidation of the Corporation or any Affiliate, (e) any sale or transfer of all or part of the assets or business of the Corporation or any Affiliate or (f) any other corporate act or proceeding.

(ii) Subject to the provisions of Section 5(d)(iv), if there shall occur any such change in the capital structure of the Corporation by reason of any stock split, reverse stock split, stock dividend, extraordinary dividend, subdivision, combination or reclassification of shares that may be issued under the Plan, any recapitalization, any arrangement, any merger, any consolidation, any spin off, any reorganization or any partial or complete liquidation, or any other corporate transaction or event having an effect similar to any of the foregoing (a "Corporate Event"), then (i) the aggregate number and/or kind of shares that thereafter may be issued under the Plan, (ii) the number and/or kind of shares or other property (including cash) to be issued upon exercise of an outstanding Award granted under the Plan, and/or (iii) the purchase price thereof, shall be appropriately adjusted. In addition, subject to Section 5(d)(iv), if there shall occur any change in the capital structure or the business of the Corporation that is not a Corporate Event (an "Other Extraordinary Event"), including by reason of any ordinary dividend (whether cash or stock), any conversion, any adjustment, any issuance of any class of securities convertible or exercisable into, or exercisable for, any class of stock, or any sale or transfer of all or substantially all of the Corporation's assets or business, then the Committee, in its sole discretion, may adjust any Award and make such other adjustments to the Plan. Any adjustment pursuant to this Section 5(d) shall be consistent with the applicable Corporate Event or the applicable Other Extraordinary Event, as the case may be, and in such manner as the Committee may, in its sole discretion, deem appropriate and equitable to prevent substantial dilution or enlargement of the rights granted to, or available for,

Participants under the Plan. Any such adjustment determined by the Committee shall be final, binding and conclusive on the Corporation and all Participants and their respective heirs, executors, administrators, successors and permitted assigns. Except as expressly provided in this Section 5(d) or in the applicable Award Agreement, a Participant shall have no rights by reason of any Corporate Event or any Other Extraordinary Event.

(iii) Fractional shares of Shares resulting from any adjustment in Awards pursuant to Section 5(d)(i) or Section 5(d)(ii) shall be aggregated until, and eliminated at, the time of exercise by rounding-down for fractions less than one-half and rounding-up for fractions equal to or greater than one-half. No cash settlements shall be made with respect to fractional shares eliminated by rounding. Notice of any adjustment shall be given by the Committee to each Participant whose Award has been adjusted and such adjustment (whether or not such notice is given) shall be effective and binding for all purposes of the Plan.

(iv) In the event of a merger or consolidation of the Corporation or in the event of any transaction that results in the acquisition of substantially all of the Corporation's outstanding Shares by a single person or entity or by a group of persons and/or entities acting in concert, or in the event of the sale or transfer of all or substantially all of the Corporation's assets (all of the foregoing being referred to as an "Acquisition Event"), then the Committee may, in its sole discretion, terminate all outstanding and unexercised Options, Stock Appreciation Rights, or any Other Stock-Based Award that provides for a Participant elected exercise, effective as of the date of the Acquisition Event, by (i) cashing-out such Awards upon the date of consummation of the Acquisition Event, or (ii) delivering notice of termination to each Participant at least 5 days prior to the date of consummation of the Acquisition Event, in which case during the period from the date on which such notice of termination is delivered to the consummation of the Acquisition Event, each such Participant shall have the right to exercise in full all of such Participant's Awards that are then outstanding (without regard to any limitations on exercisability otherwise contained in the Award Agreements), but any such exercise shall be contingent on the occurrence of the Acquisition Event, and, provided that, if the Acquisition Event does not take place within a specified period after giving such notice for any reason whatsoever, the notice and exercise pursuant thereto shall be null and void. If an Acquisition Event occurs but the Committee does not terminate the outstanding Awards pursuant to this Section 5(d)(iv), then the provisions of Section 5(d)(ii) and Section 13 shall apply.

(e) Shares underlying awards that can only be settled in cash shall not reduce the number of Shares remaining available for issuance under the Plan.

(f) Notwithstanding any provision of the Plan to the contrary, if authorized but previously unissued Shares are issued under the Plan, such shares shall not be issued for a consideration that is less than as permitted under applicable law and the rules of the TSX.

(g) The maximum number of Shares that may be granted under the Plan to any non-employee director during any fiscal year of the Corporation shall not exceed 1,000,000 Shares (which shall be subject to any further increase or decrease pursuant to Section 5(d)).

(h) In the event that a Participant holds 20% or more of the issued and outstanding Shares or the settlement of an Award in Shares would cause the Participant to hold 20% or more of the issued and outstanding Shares, such Participant shall only be granted Awards that can be settled in cash.

## **Section 6. Options.**

The Committee is hereby authorized to grant Options to Participants with the following terms and conditions and with such additional terms and conditions, in either case not inconsistent with the provisions of the Plan, as the Committee shall determine:

(a) The purchase price per Share under an Option shall be determined by the Committee; provided, however, that, except in the case of Substitute Awards, such purchase price shall not be less than 100% (or 110% in the case of an Incentive Stock Option granted to a person owning stock possessing more than ten percent (10%) of the total combined voting power of all classes of stock of the Corporation, its subsidiaries or its parent, determined in accordance with Section 422(b)(6) of the Code) of the Fair Market Value of a Share on the date of grant of such Option. In the event that the Committee determines that the date of the Option grant shall be a future date because the Corporation is in a Blackout Period, the date of grant shall be deemed to occur on the seventh trading day following the termination of the Blackout Period and the Fair Market Value shall be the weighted average trading price of the Shares on the TSX for the five most recent trading days preceding the date of grant. In the event an additional Blackout Period commences such that six consecutive trading days (excluding weekends and statutory holidays) do not elapse following the expiry of the initial Blackout Period, the grant date and Fair Market Value shall be determined by reference to the seventh consecutive trading day following the expiry of the subsequent Blackout Period.

(b) The term of each Option shall be fixed by the Committee but shall not exceed 10 years from the date of grant thereof. Notwithstanding the foregoing, if the term of an Option (other than an Incentive Stock Option) held by any Participant not subject to Section 409A of the Code would otherwise expire during, or within ten business days of the expiration of a Blackout Period applicable to such Participant, then the term of such Option shall be extended to the close of business on the tenth business day following the expiration of the Blackout Period.

(c) The Committee shall determine the time or times at which an Option may be exercised in whole or in part.

(d) To the extent vested and exercisable, Options may be exercised in whole or in part at any time during the Option term, by giving written notice of exercise to the Corporation specifying the number of Shares to be purchased. Such notice shall be accompanied by payment in full of the purchase price as follows: (i) in cash or by check, bank draft or money order payable to the order of the Corporation; (ii) solely to the extent permitted by applicable law, if the Shares are traded on a national securities exchange, and the Committee authorizes, through a procedure whereby the Participant delivers irrevocable instructions to a broker reasonably acceptable to the Committee to deliver promptly to the Corporation an amount equal to the purchase price; or (iii) on such other terms and conditions as may be acceptable to the Committee (including, without limitation, having the Corporation withhold Shares issuable upon exercise of the Option, or by payment in full or in part in the form of Shares owned by the Participant, based on the Fair Market Value of the Shares on the payment date as determined by the Committee). No Shares shall be issued until payment therefor, as provided herein, has been made or provided for.

(e) The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code, or any successor provision thereto, and any regulations promulgated thereunder. To the extent that the aggregate Fair Market Value (determined as of the time of grant) of the Shares with respect to which Incentive Stock Options are exercisable for the first time by a Participant Employee during any calendar year under the Plan and/or any other stock option plan of the Corporation, any subsidiary or any parent exceeds \$100,000, such Options shall be treated as

Non-Qualified Options. Should any provision of the Plan not be necessary in order for the Options to qualify as Incentive Stock Options, or should any additional provisions be required, the Committee may amend the Plan accordingly, without the necessity of obtaining the approval of the shareholders of the Corporation, subject to the rules of the TSX. To the extent that any such Option does not qualify as an Incentive Stock Option (whether because of its provisions or the time or manner of its exercise or otherwise), such Option or the portion thereof which does not so qualify shall constitute a separate Non-Qualified Stock Option.

#### **Section 7. Stock Appreciation Rights.**

(a) The Committee is hereby authorized to grant Stock Appreciation Rights ("SARs") to Participants with terms and conditions as the Committee shall determine not inconsistent with the provisions of the Plan.

(b) SARs may be granted hereunder to Participants either alone ("freestanding") or in addition to other Awards granted under the Plan ("tandem") and may, but need not, relate to a specific Options granted under Section 6.

(c) Any tandem SAR related to an Option may be granted at the same time such Option is granted to the Participant. In the case of any tandem SAR related to any Option, the SAR or applicable portion thereof shall not be exercisable until the related Option or applicable portion thereof is exercisable and shall terminate and no longer be exercisable upon the termination or exercise of the related Option, except that a SAR granted with respect to less than the full number of Shares covered by a related Option shall not be reduced until the exercise or termination of the related Option exceeds the number of Shares not covered by the SAR. Any Option related to any tandem SAR shall no longer be exercisable to the extent the related SAR has been exercised.

(d) A freestanding SAR shall not have a term of greater than 10 years or, unless it is a Substitute Award, an exercise price less than 100% of Fair Market Value of the Share on the date of grant. Notwithstanding the foregoing, if the term of a SAR held by any Participant not subject to Section 409A of the Code would otherwise expire during, or within ten business days of the expiration of a Blackout Period applicable to such Participant, then the term of such SAR shall be extended to the close of business on the tenth business day following the expiration of the Blackout Period.

#### **Section 8. Restricted Stock and Restricted Stock Units.**

(a) The Committee is hereby authorized to grant Awards of Restricted Stock and Restricted Stock Units to Participants.

(b) Shares of Restricted Stock and Restricted Stock Units shall be subject to such restrictions as the Committee may impose (including, without limitation, any limitation on the right to receive any dividend or dividend equivalent or other right), which restrictions may lapse separately or in combination at such time or times, in such installments or otherwise, as the Committee may deem appropriate.

(c) Any share of Restricted Stock granted under the Plan may be evidenced in such manner as the Committee may deem appropriate including, without limitation, book-entry registration or issuance of a share certificate or certificates. In the event any share certificate is issued in respect of shares of Restricted Stock granted under the Plan, such certificate shall be registered in the name of the Participant and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock. If share certificates are issued in respect of shares of Restricted Stock, the Committee may require that any share certificates evidencing such Shares be held in custody by the Corporation until

the restrictions thereon shall have lapsed, and that, as a condition of any grant of Restricted Stock, the Participant shall have delivered a duly signed stock power or other instruments of assignment (including a power of attorney), each endorsed in blank with a guarantee of signature if deemed necessary or appropriate by the Corporation, which would permit transfer to the Corporation of all or a portion of the shares subject to the Restricted Stock Award in the event that such Award is forfeited in whole or part.

(d) The Committee may in its discretion, when it finds that a waiver would be in the best interests of the Corporation, waive in whole or in part any or all restrictions with respect to Shares of Restricted Stock or Restricted Stock Units.

(e) The Committee, in its discretion, may award Dividend Equivalents with respect to Awards of Restricted Stock Units. The entitlements on such Dividend Equivalents will not be available until the vesting of the Award of Restricted Stock Units.

(f) If the Committee intends that an Award under this Section 8 shall constitute or give rise to "qualified performance based compensation" under Section 162(m) of the Code, such Award may be structured in accordance with the requirements of Section 10, including without limitation, the Performance Goals and the Award limitation set forth therein, and any such Award shall be considered a Performance Award for purposes of the Plan.

(g) Awards of Restricted Stock Units shall have a minimum vesting period of three months.

**Section 9. Deferred Stock.** The Committee is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:

(a) Deferred Stock shall be settled upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions on transferability, risk of forfeiture and other restrictions, if any, as the Committee may impose, which restrictions may lapse at the expiration of the deferral period or at earlier specified times (including based on achievement of performance goals and/or future service requirements), separately or in combination, in installments or otherwise, and under such other circumstances as the Committee may determine at the date of grant or thereafter. Deferred Stock may be satisfied by delivery of Shares, other Awards, or a combination thereof, as determined by the Committee at the date of grant or thereafter.

(b) The Committee, in its discretion, may award Dividend Equivalents with respect to Awards of Deferred Stock. The entitlements on such Dividend Equivalents will not be available until the expiration of the deferral period for the Award of Deferred Stock.

(c) Awards of Deferred Stock shall have a minimum vesting period of three months.

**Section 10. Performance Awards.**

(a) The Committee may grant a Performance Award to a Participant payable upon the attainment of specific Performance Goals. The Committee may grant Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, as well as Performance Awards that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code. If the Performance Award is payable in shares of Restricted Stock, such shares shall be transferable to the Participant only upon attainment of the relevant Performance Goal in accordance with Section 8. If the Performance Award is payable in cash, it may be paid upon the attainment of the relevant Performance Goals either in cash or in shares of Restricted Stock (based on the then current Fair

Market Value of such shares), as determined by the Committee, in its sole and absolute discretion. Each Performance Award shall be evidenced by an Award Agreement in such form that is not inconsistent with the Plan and that the Committee may from time to time approve. With respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall condition the right to payment of any Performance Award upon the attainment of objective Performance Goals established pursuant to Section 10(b)(iii).

(b) Terms and Conditions. Performance Awards awarded pursuant to this Section 10 shall be subject to the following terms and conditions:

(i) Earning of Performance Award. At the expiration of the applicable Performance Period, the Committee shall determine the extent to which the Performance Goals established pursuant to Section 10(b) are achieved and the percentage of each Performance Award that has been earned.

(ii) Non-Transferability. Subject to the applicable provisions of the Award Agreement and the Plan, Performance Awards may not be Transferred during the Performance Period.

(iii) Objective Performance Goals, Formulae or Standards. With respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, the Committee shall establish the objective Performance Goals for the earning of Performance Awards based on a Performance Period applicable to each Participant or class of Participants in writing prior to the beginning of the applicable Performance Period or at such later date as permitted under Section 162(m) of the Code and while the outcome of the Performance Goals are substantially uncertain. Such Performance Goals may incorporate, if and only to the extent permitted under Section 162(m) of the Code, provisions for disregarding (or adjusting for) the impact of any of the following that the Committee determines to be appropriate: (i) corporate transactions (including, without limitation, dispositions and acquisitions) and other similar type events or circumstances, (ii) restructurings, discontinued operations, extraordinary items or events, and other unusual or non-recurring charges as described in the Corporation's Management Discussion & Analysis; (iii) an event either not directly related to the operations of the Corporation or any of its Affiliates or not within the reasonable control of the Corporation's management, (iv) a change in tax law or accounting standards required by generally accepted accounting principles, or (v) such other exclusions or adjustments as the Committee specifies at the time the Award is granted. To the extent that any such provision would create impermissible discretion under Section 162(m) of the Code or otherwise violate Section 162(m) of the Code, such provision shall be of no force or effect, with respect to Performance Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code.

(c) Dividends. Unless otherwise determined by the Committee in an Award Agreement, amounts equal to dividends declared during the Performance Period with respect to the number of Shares covered by a Performance Award will not be paid to the Participant. In all cases, such dividends would not become payable until the expiration of the applicable Performance Period.

(d) Payment. Following the Committee's determination in accordance with Section 10(b)(i) the Corporation shall settle Performance Awards, in such form (including, without limitation, in Shares or in cash) as determined by the Committee, in an amount equal to such Participant's earned Performance Awards. Notwithstanding the foregoing, the Committee may, in its sole discretion, award an amount less than the earned Performance Awards and/or subject the payment of all or part of any Performance Award to additional vesting, forfeiture and deferral conditions as it deems appropriate.

(e) Termination. Subject to the applicable provisions of the Award Agreement and the Plan, upon a Participant's termination of Service for any reason during the Performance Period for a given

Performance Award, the Performance Award in question will vest or be forfeited in accordance with the terms and conditions established by the Committee at grant.

(f) Accelerated Vesting. Based on service, performance and/or such other factors or criteria, if any, as the Committee may determine, the Committee may, at or after grant, accelerate the vesting of all or any part of any Performance Award.

(g) Minimum Vesting Period. Performance Awards shall have a minimum vesting period of three months.

#### **Section 11. Other Stock-Based and Cash Based Awards.**

(a) The Committee is authorized, subject to limitations under applicable law, the approval of the TSX and shareholder approval, if required, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Shares or factors that may influence the value of Shares, including, without limitation, convertible or exchangeable debt securities, other rights convertible or exchangeable into Shares, purchase rights for Shares, Awards with value and payment contingent upon performance of the Corporation or business units thereof, Shares awarded purely as a bonus and not subject to restrictions or conditions, or any other factors designated by the Committee. The Committee shall determine the terms and conditions of such Awards. Shares delivered pursuant to an Award in the nature of a purchase right granted under this Section 11 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Shares, other Awards, notes, or other property, as the Committee shall determine. Unless otherwise determined by the Committee in an Award Agreement, the recipient of an Award under this Section 11 shall not be entitled to receive, currently or on a deferred basis, dividends or Dividend Equivalents in respect of the number of Shares covered by the Award. In all cases, such dividends or Dividend Equivalents would not become payable until the expiration of any applicable performance period.

(b) The Committee may from time to time grant Cash-Based Awards to Participants in such amounts, on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by applicable law, as it shall determine in its sole discretion. Cash-Based Awards may be granted subject to the satisfaction of vesting conditions or may be awarded purely as a bonus and not subject to restrictions or conditions, and if subject to vesting conditions, the Committee may accelerate the vesting of such Awards at any time in its sole discretion. The grant of a Cash-Based Award shall not require a segregation of any of the Corporation's assets for satisfaction of the Corporation's payment obligation thereunder.

**Section 12. Effect of Termination of Service on Awards.** The Committee may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, the circumstances in which Awards shall be exercised, vested, paid or forfeited in the event a Participant ceases to provide Service to the Corporation or any Affiliate prior to the end of a performance period or exercise or settlement of such Award.

#### **Section 13. Change in Control Provisions.**

In the event of a Change in Control, and except as otherwise provided by the Committee in an Award Agreement, a Participant's unvested Award shall be treated in accordance with one of the following methods as determined by the Committee:

(a) Awards, whether or not then vested, shall be continued, assumed, have new rights substituted therefor or be treated in accordance with Section 5(d) hereof, as determined by the Committee, and restrictions to which shares of Restricted Stock or any other Award granted prior to the Change in Control are subject shall not lapse upon a Change in Control and the Restricted Stock or other Award shall, where appropriate in the sole discretion of the Committee, receive the same distribution as other Shares on such terms as determined by the Committee; provided that the Committee may decide to award additional Restricted Stock or other Awards in lieu of any cash distribution. Notwithstanding anything to the contrary herein, for purposes of Incentive Stock Options, any assumed or substituted Option shall comply with the requirements of Treasury Regulation Section 1.424-1 (and any amendment thereto).

(b) The Committee, in its sole discretion, may provide for the purchase of any Awards by the Corporation or an Affiliate for an amount of cash (either on a current basis or, to the extent such right does not subject the Award to the excise tax under Section 409A of the Code, a deferred basis) equal to the excess of the Change in Control Price (as defined below) of the Shares covered by such Awards, over the aggregate exercise price of such Awards. For purposes of this Section 13(b), "Change in Control Price" shall mean the highest price per Share paid in any transaction related to a Change in Control of the Corporation.

(c) If and to the extent that the approach chosen by the Committee results in an acceleration or potential acceleration of the exercisability, vesting or settlement of any Award, the Committee may impose such conditions upon the exercise, vesting and/or settlement of the Award (including without limitation a requirement that some or all of the proceeds from the accelerated portion of the Award be held in escrow and/or remain subject to risks of forfeiture or other conditions) as it shall determine; provided that those risks of forfeiture or other conditions are not in the good faith judgment of the Committee more restrictive than those under the original terms of the Award Agreement and do not result in any violation of Section 409A of the Code. The Committee shall give written notice of any proposed transaction referred to in this Section 13(c) at a reasonable period of time prior to the closing date for such transaction (which notice may be given either before or after the approval of such transaction), in order that Participants may have a reasonable period of time prior to the closing date of such transaction within which to exercise any Awards that are then exercisable (including any Awards that may become exercisable upon the closing date of such transaction). A Participant may condition his or her exercise of any Awards upon the consummation of the transaction.

#### **Section 14. General Provisions Applicable to Awards.**

(a) Awards may be granted for no cash consideration or for such minimal cash consideration as may be required by applicable law.

(b) Awards may, in the discretion of the Committee, be granted either alone or in addition to or in tandem with any other Award or any award granted under any other plan of the Corporation. Awards granted in addition to or in tandem with other Awards, or in addition to or in tandem with awards granted under any other plan of the Corporation, may be granted either at the same time as or at a different time from the grant of such other Awards or awards.

(c) Subject to the terms of the Plan, payments or transfers to be made by the Corporation upon the grant, exercise or payment of an Award may be made in the form of cash, Shares, other securities or other Awards, or any combination thereof, as determined by the Committee in its discretion at the time of grant, and may be made in a single payment or transfer, in installments, or on a deferred basis, in each case in accordance with rules and procedures established by the Committee and in compliance with Section 409A of the Code. Such rules and procedures may include, without limitation,

provisions for the payment or crediting of reasonable interest (or no interest) on installment or deferred payments or the grant or crediting of dividend equivalents in respect of installment or deferred payments.

(d) Except as may be permitted by the Committee or as specifically provided in an Award Agreement, (i) no Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner other than by will or the law of descent, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person, and (ii) each Award, and each right under any Award, shall be exercisable during the Participant's lifetime only by the Participant or, if permissible under applicable law, by the Participant's guardian or legal representative. The provisions of this paragraph shall not apply to any Award which has been fully exercised, earned or paid, as the case may be, and shall not preclude forfeiture of an Award in accordance with the terms thereof.

(e) A Participant may designate a Beneficiary or change a previous beneficiary designation at such times prescribed by the Committee by using forms and following procedures approved or accepted by the Committee for that purpose. If no Beneficiary designated by the Participant is eligible to receive payments or other benefits or exercise rights that are available under the Plan at the Participant's death, the Beneficiary shall be the Participant's estate.

(f) All certificates for Shares and/or Shares or other securities delivered under the Plan pursuant to any Award or the exercise thereof shall be subject to such stop transfer orders and other restrictions as the Committee may deem advisable under the Plan or the rules, regulations, and other requirements of the Ontario Securities Commission, any stock exchange upon which such Shares or other securities are then listed, and any applicable Federal or state securities laws, and the Committee may cause a legend or legends to be put on any such certificates to make appropriate reference to such restrictions.

(g) The Committee may impose restrictions on any Award with respect to non-competition, confidentiality and other restrictive covenants, as it deems necessary in its sole discretion and/or for the clawing back of any rights or benefits under any Awards as a result of any breaches of any of the foregoing covenants and/or for any reasons specified in the Award Agreement or in any employment or other agreement between the Corporation or any Affiliate and the Participant, and/or for clawing back any rights or benefits under any Awards to the extent provided under any Corporation policies (including without limitation any policies adopted or amended to comply with applicable securities or other laws or stock exchange requirements, whether those policies were adopted or amended before or after the date on which the Award was granted).

#### **Section 15. Amendments and Termination.**

(a) The Board may amend, alter, suspend, discontinue or terminate the Plan and any outstanding Awards granted hereunder, in whole or in part, at any time without notice to or approval by the shareholders of the Corporation, for any purpose whatsoever, provided that all material amendments to the Plan shall require the prior approval of the shareholders of the Corporation and must comply with the rules of the TSX. Examples of the types of amendments that are not material that the Board is entitled to make without shareholder approval include, without limitation, the following:

(i) ensuring continuing compliance with applicable law, the rules of the TSX or other applicable stock exchange rules and regulations or accounting or tax rules and regulations;

(ii) amendments of a "housekeeping" nature, which include amendments to correct any defect, supply any omission, or reconcile any inconsistency in the Plan or any Award Agreement in the manner and to the extent it shall deem desirable to carry the Plan into effect;

(iii) changing the vesting provision of the Plan or any Award (subject to the limitations for Awards subject to Section 10(b));

(iv) waiving any conditions or rights under any Award (subject to the limitations for Awards subject to Section 10(b));

(v) changing the termination provisions of any Award that does not entail an extension beyond the original expiration date thereof;

(vi) adding or amending a cashless exercise provision;

(vii) adding or amending a financial assistance provision;

(viii) changing the process by which a Participant who wishes to exercise his or her Award can do so, including the required form of payment for the Shares being purchased, the form of written notice of exercise provided to the Corporation and the place where such payments and notices must be delivered; and

(ix) delegating any or all of the powers of the Committee to administer the Plan to officers of the Corporation.

(b) Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Corporation under any applicable securities laws or requirements shall become effective until such approval is obtained. In addition to the foregoing, the approval of the holders of a majority of the Shares present and voting in person or by proxy at a meeting of shareholders shall be required for:

(i) an increase in the maximum number of Shares that may be made the subject of Awards under the Plan;

(ii) any adjustment (other than in connection with a stock dividend, recapitalization or other transaction where an adjustment is permitted or required under Section 5(d)(i) or Section 5(d)(ii)) or amendment that reduces or would have the effect of reducing the exercise price of an Option or Stock Appreciation Right previously granted under the Plan, whether through amendment, cancellation or replacement grants, or other means (provided that, in such a case, insiders of the Corporation who benefit from such amendment are not eligible to vote their Shares in respect of the approval);

(iii) an increase in the limits on Awards that may be granted to any Participant under Section 5(c) and Section 5(g);

(iv) an extension of the term of an outstanding Option or Stock Appreciation Right beyond the expiry date thereof;

(v) permitting Options granted under the Plan to be Transferrable other than for normal estate settlement purposes; and

(vi) any amendment to the plan amendment provisions set forth in this Section 15 which is not an amendment within the nature of Section 15(a)(i) or Section 15(a)(ii),

unless the change results from application of Section 5(d)(i) or Section 5(d)(ii).

Furthermore, except as otherwise permitted under the Plan, no change to an outstanding Award that will adversely impair the rights of a Participant may be made without the consent of the Participant except to the extent that such change is required to comply with applicable law, stock exchange rules and regulations or accounting or tax rules and regulations.

#### **Section 16. Miscellaneous.**

(a) The Plan is intended to constitute an "unfunded" plan for incentive and deferred compensation. With respect to any payment as to which a Participant has a fixed and vested interest but which are not yet made to a Participant by the Corporation, nothing contained herein shall give any such Participant any right that is greater than those of a general unsecured creditor of the Corporation.

(b) No employee, Participant or other person shall have any claim to be granted any Award under the Plan, and there is no obligation for uniformity of treatment of employees, Participants, or holders or beneficiaries of Awards under the Plan. The terms and conditions of Awards need not be the same with respect to each recipient. Any Award granted under the Plan shall be a one-time Award which does not constitute a promise of future grants. The Corporation, in its sole discretion, maintains the right to make available future grants hereunder.

(c) The Corporation shall have the right to deduct from any payment to be made pursuant to the Plan, or to otherwise require, prior to the issuance or delivery of Shares or the payment of any cash hereunder, payment by the Participant of, any federal, provincial, state or local taxes required by law to be withheld. Upon the vesting of Restricted Stock (or other Award that is taxable upon vesting), or upon making an election under Section 83(b) of the Code, a Participant shall pay all required withholding to the Corporation. Any statutorily required withholding obligation with regard to any Participant may be satisfied, subject to the consent of the Committee, by reducing the number of Shares otherwise deliverable or by delivering Shares already owned. Any fraction of a Share required to satisfy such tax obligations shall be disregarded and the amount due shall be paid instead in cash by the Participant.

(d) Nothing contained in the Plan shall prevent the Corporation from adopting or continuing in effect other or additional compensation arrangements, and such arrangements may be either generally applicable or applicable only in specific cases.

(e) The grant of an Award shall not be construed as giving a Participant the right to be retained in the employ of, or to continue to provide services to, the Corporation or any Affiliate. Further, the Corporation or the applicable Affiliate may at any time dismiss a Participant, free from any liability, or any claim under the Plan, unless otherwise expressly provided in the Plan or in any Award Agreement or in any other agreement binding the parties. The receipt of any Award under the Plan is not intended to confer any rights on the receiving Participant except as set forth in such Award.

(f) If any provision of the Plan or any Award is or becomes or is deemed to be invalid, illegal, or unenforceable in any jurisdiction, or as to any person or Award, or would disqualify the Plan or any Award under any law deemed applicable by the Committee, such provision shall be construed or deemed amended to conform to applicable laws, or if it cannot be so construed or deemed amended without, in the determination of the Committee, materially altering the intent of the Plan or the Award, such provision shall be stricken as to such jurisdiction, person or Award, and the remainder of the Plan and any such Award shall remain in full force and effect.

(g) Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between the Corporation and a Participant or any other person. To the extent that any person acquires a right to receive payments from the Corporation pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of the Corporation.

(h) No fractional Shares shall be issued or delivered pursuant to the Plan or any Award, and the Committee shall determine whether cash or other securities shall be paid or transferred in lieu of any fractional Shares, or whether such fractional Shares or any rights thereto shall be canceled, terminated or otherwise eliminated.

(i) No Award or other benefit payable under the Plan shall, except as otherwise specifically provided by law or permitted by the Committee, be Transferable in any manner, and any attempt to Transfer any such benefit shall be void, and any such benefit shall not in any manner be liable for or subject to the debts, contracts, liabilities, engagements or torts of any person who shall be entitled to such benefit, nor shall it be subject to attachment or legal process for or against such person.

(j) Unless otherwise determined by the Committee, as long as the Shares are listed on a national securities exchange including the TSX or system sponsored by a national securities association, the issuance of Shares pursuant to an Award shall be conditioned upon such shares being listed on such exchange or system. The Corporation shall have no obligation to issue such Shares unless and until such Shares are so listed, and the right to exercise any Option or other Award with respect to such Shares shall be suspended until such listing has been effected. If at any time counsel to the Corporation shall be of the opinion that any sale or delivery of Shares pursuant to an Option or other Award is or may in the circumstances be unlawful or result in the imposition of excise taxes on the Corporation under the statutes, rules or regulations of any applicable jurisdiction, the Corporation shall have no obligation to make such sale or delivery, or to make any application or to effect or to maintain any qualification or registration with respect to Shares or Awards, and the right to exercise any Option or other Award shall be suspended until, in the opinion of said counsel, such sale or delivery shall be lawful or will not result in the imposition of excise taxes on the Corporation. A Participant shall be required to supply the Corporation with certificates, representations and information that the Corporation requests and otherwise cooperate with the Corporation in obtaining any listing, registration, qualification, exemption, consent or approval the Corporation deems necessary or appropriate.

(k) No Award granted or paid out under the Plan shall be deemed compensation for purposes of computing benefits under any retirement plan of the Corporation or its Affiliates nor affect any benefit under any other benefit plan now or subsequently in effect under which the availability or amount of benefits is related to the level of compensation. The provisions of Awards need not be the same with respect to each Participant, and such Awards to individual Participants need not be the same in subsequent years.

(l) The Plan shall be binding on all successors and permitted assigns of a Participant, including, without limitation, the estate of such Participant and the executor, administrator or trustee of such estate. Any benefit payable to or for the benefit of a minor, an incompetent person or other person incapable of receipt thereof shall be deemed paid when paid to such person's guardian or to the party providing or reasonably appearing to provide for the care of such person, and such payment shall fully discharge the Committee, the Board, the Corporation, its Affiliates and their employees, agents and representatives with respect thereto.

**Section 17. Effective Date of the Plan.** The Plan shall be effective as of the Effective Date, which is the date of adoption by the Board, subject to the approval of the Plan by the

shareholders of the Corporation in accordance with the requirements of the laws of the Province of Ontario.

**Section 18. Term of the Plan.** No Award shall be granted under the Plan after ten years from the Effective Date. However, unless otherwise expressly provided in the Plan or in an applicable Award Agreement, any Award theretofore granted may extend beyond such date, and the authority of the Committee to amend, alter, adjust, suspend, discontinue, or terminate any such Award, or to waive any conditions or rights under any such Award, and the authority of the Board to amend the Plan, shall extend beyond such date.

**Section 19. Section 409A of the Code.**

(a) The Plan is intended to comply with the applicable requirements of Section 409A of the Code and shall be limited, construed and interpreted in accordance with such intent. To the extent that any Award is subject to Section 409A of the Code, it shall be paid in a manner that will comply with Section 409A of the Code, including proposed, temporary or final regulations or any other guidance issued by the Secretary of the Treasury and the Internal Revenue Service with respect thereto. Notwithstanding anything herein to the contrary, any provision in the Plan that is inconsistent with Section 409A of the Code shall be deemed to be amended to comply with Section 409A of the Code and to the extent such provision cannot be amended to comply therewith, such provision shall be null and void. The Corporation shall have no liability to a Participant, or any other party, if an Award that is intended to be exempt from, or compliant with, Section 409A of the Code is not so exempt or compliant or for any action taken by the Committee or the Corporation and, in the event that any amount or benefit under the Plan becomes subject to penalties under Section 409A of the Code, responsibility for payment of such penalties shall rest solely with the affected Participants and not with the Corporation. Notwithstanding any contrary provision in the Plan or Award Agreement, any payment(s) of "nonqualified deferred compensation" (within the meaning of Section 409A of the Code) that are otherwise required to be made under the Plan to a "specified employee" (as defined under Section 409A of the Code) as a result of such employee's separation from service (other than a payment that is not subject to Section 409A of the Code) shall be delayed for the first six (6) months following such separation from service (or, if earlier, the date of death of the specified employee) and shall instead be paid (in a manner set forth in the Award Agreement) upon expiration of such delay period.

(b) Notwithstanding the foregoing, the Corporation does not make any representation to any Participant or Beneficiary as to the tax consequences of any Awards made pursuant to this Plan, and the Corporation shall have no liability or other obligation to indemnify or hold harmless the Participant or any Beneficiary for any tax, additional tax, interest or penalties that the Participant or any Beneficiary may incur as a result of the grant, vesting, exercise or settlement of an Award under this Plan.

**Section 20. Governing Law.** This Plan shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable in the Province of Ontario.

**Section 21. TSX Requirements.** The number of Shares issuable to Insiders, at any time, under all Security Based Compensation Arrangements of the Corporation, may not exceed 10% of the Corporation's issued and outstanding Shares; and the number of Shares issued to Insiders within any one-year period, under all Security Based Compensation Arrangements of the Corporation, may not exceed 10% of the Corporation's issued and outstanding Shares. For the purpose of this Section 21, "Insider" shall mean any "reporting insiders" as defined in *National Instrument 55-104 – Insider Reporting Requirements*, and "Security Based Compensation Arrangement" shall mean any (i) any stock option plans for the benefit of employees, insiders, service providers or any one of such groups; (ii)

individual stock options granted to employees, service providers or insiders if not granted pursuant to a plan previously approved by the Corporation's security holders; (iii) share purchase plans where the Corporation provides financial assistance or where the Corporation matches the whole or a portion of the securities being purchased; (iv) stock appreciation rights involving issuances of securities from treasury; (v) any other compensation or incentive mechanism involving the issuance or potential issuances of securities of the Corporation; and (vi) security purchases from treasury by an employee, insider or service provider which is financially assisted by the Corporation by any means whatsoever.

## **EXHIBIT A PERFORMANCE GOALS**

To the extent permitted under Section 162(m) of the Code, performance goals established for purposes of Awards intended to be "performance-based compensation" under Section 162(m) of the Code, shall be based on the attainment of certain target levels of, or a specified increase or decrease (as applicable) in one or more of the following performance goals, which may include performance relative to the Corporation's peers or those of the Corporation's Affiliates or to the industry or industries in which the Corporation and/or its affiliates operates:

- earnings per share;
- net earnings;
- operating income;
- gross income;
- net income (before or after taxes);
- cash flow (including free cash flow, operating cash flow and cash flow return on investment);
- gross profit;
- profit before taxes;
- operating profit;
- gross profit return on investment;
- gross margin return on investment;
- gross margin;
- operating margin;
- working capital;
- earnings before interest and taxes;
- earnings before interest, tax, depreciation and amortization;
- net income before depreciation and amortization, interest expense, net, loss on early extinguishment of debt, and income tax expense, and excluding the impact of share-based compensation, other operating income (expense), net, and any other identified costs associated with non-recurring projects.
- earnings ratios;

- return on equity;
- return on assets;
- return on capital;
- return on invested capital;
- net revenues;
- gross revenues;
- revenue growth;
- annual recurring revenues;
- recurring revenues;
- license revenues;
- sales or market share;
- total shareholder return;
- economic value added;
- receivable turnover;
- financial return ratios;
- productivity;
- specified objectives with regard to limiting the level of increase in all or a portion of the Corporation's bank debt or that of any of its Affiliates or other long-term or short-term public or private debt or other similar financial obligations of the Corporation or any of its Affiliates, which may be calculated net of cash balances and/or other offsets and adjustments as may be established by the Committee in its sole discretion;
- the fair market value of a Share;
- Share price (including, but not limited to, growth in Share price);
- the growth in the value of an investment in the Share assuming the reinvestment of dividends; or
- reduction in operating and/or other expenses.

With respect to Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, to the extent permitted under Section 162(m) of the Code, the Committee may, in its sole discretion, also exclude, or adjust to reflect, the impact of an event or occurrence, or of any item, reflected in Section 10(b)(iii) of the Plan that the Committee determines should be appropriately excluded or adjusted.

Performance goals may also be based upon individual participant performance goals, as determined by the Committee, in its sole discretion. In addition, Awards that are not intended to qualify as "performance-based compensation" under Section 162(m) of the Code may be based on the performance goals set forth herein or on such other performance goals as determined by the Committee in its sole discretion.

In addition, such performance goals may be based upon the attainment of specified levels of Corporation (or subsidiary, other Affiliate, division, other operational unit, administrative department or product category of the Corporation or any of its Affiliates) performance under one or more of the measures described above relative to the performance of other corporations. With respect to Awards that are intended to qualify as "performance-based compensation" under Section 162(m) of the Code, to the extent permitted under Section 162(m) of the Code, but only to the extent permitted under Section 162(m) of the Code (including, without limitation, compliance with any requirements for stockholder approval), the Committee may also:

- (a) designate additional business criteria on which the performance goals may be based; or
- (b) adjust, modify or amend the aforementioned business criteria.