



# Decisive Dividend

— Corporation —

## **ANNUAL INFORMATION FORM**

For the year ended December 31, 2018

August 23, 2019

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## GLOSSARY

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Capitalized terms used in this annual information form have the meanings ascribed to them below. Unless otherwise stated, all references to “\$” or “dollars” are to the lawful currency of Canada.

“**2018 Equity Financing**” means the public offering of 3,737,500 Common Shares that closed on June 28, 2018 and July 19, 2018 for aggregate proceeds of \$14,950,000;

“**ABCA**” means the *Business Corporations Act* (Alberta);

“**Audit Committee**” means the Audit Committee of the Board;

“**BCBCA**” means the *Business Corporations Act* (British Columbia);

“**Blaze King**” means, collectively, Valley Comfort, Blaze King USA and Blaze King Canada;

“**Blaze King Canada**” means Blaze King Industries Canada Ltd., a corporation incorporated under the laws of Canada and an indirect wholly-owned Subsidiary of the Corporation;

“**Blaze King USA**” means Blaze King Industries Inc., a corporation incorporated under the laws of the State of Washington and an indirect wholly-owned Subsidiary of the Corporation;

“**Board**” means the Board of Directors of the Corporation;

“**Common Shares**” means the common shares of the Corporation and, where the context requires, includes a fraction thereof;

“**Corporation**” means Decisive Dividend Corporation and includes, where the context requires, its Subsidiaries;

“**Credit Facility**” means, at a particular time, the Corporation’s credit facility or credit facilities made available by the Corporation’s senior lender(s) at such time, as more particularly described under “*Description of Capital Structure – Credit Facilities*”;

“**CSA**” means the Canadian Standards Association;

“**Director**” mean a director of the Corporation;

“**DRIP**” means the Dividend Reinvestment and Cash Purchase Plan adopted by the Board on December 10, 2018 and effective for the dividend on the Common Shares paid in January 2019;

“**EPA**” means the United States Environmental Protection Agency;

“**EPA 2020 Regulations**” has the meaning ascribed to that term in “*Narrative Description of the Business – Description of the Business of Blaze King - Summary*”;

“**Equity Incentive Plan**” means the equity incentive plan of the Corporation providing for the grant of deferred share units, restricted share units and stock options, a copy of which is available on the Corporation’s profile on SEDAR at [www.sedar.ca](http://www.sedar.ca);

“**ESPP**” means the employee share purchase plan of the Corporation dated February 1, 2016;

“**Exchange**” means the TSX Venture Exchange;

“**Governance and Compensation Committee**” means the Governance and Compensation Committee of the Board;

**“Hawk”** means Hawk Machine Works Ltd., a corporation incorporated under the ABCA and a direct wholly-owned Subsidiary of the Corporation;

**“Hawk Vendors”** has the meaning ascribed to that term in *“General Development of the Business - History – Acquisition of Hawk”*;

**“IFRS”** means International Financial Reporting Standards;

**“Independent Director”** means a director who is “independent” within the meaning set forth in National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;

**“Northside”** means Northside Industries Inc., a corporation amalgamated under the BCBCA and a direct wholly-owned Subsidiary of the Corporation, and where the context requires, includes the predecessor thereof operating as “Northside Industries”;

**“Northside Vendors”** has the meaning ascribed to that term in *“Recent Developments – Acquisition of Northside”*;

**“OEM”** means original equipment manufacturer;

**“R&D”** means research and development;

**“Scotiabank”** means The Bank of Nova Scotia;

**“SEDAR”** means the System for Electronic Document Analysis and Retrieval;

**“Shareholder”** means a holder of Common Shares;

**“Slimline”** means, collectively, Slimline Manufacturing and Slimline Holdco;

**“Slimline Holdco”** means Slimline Manufacturing Ltd., a corporation incorporated under the BCBCA and a direct wholly-owned Subsidiary of the Corporation;

**“Slimline Manufacturing”** means Slimline Manufacturing (2016) Ltd., a corporation incorporated under the BCBCA and an indirect wholly-owned Subsidiary of the Corporation;

**“Slimline Vendors”** has the meaning ascribed to that term in *“General Development of the Business - History – Acquisition of Slimline”*;

**“Stock Option Plan”** means the stock option plan of the Corporation dated December 18, 2012;

**“Subsidiary”** means, at a particular time, any entity: (i) of which more than 50% of the outstanding securities ordinarily entitled to elect a majority of the board of directors thereof (whether or not securities of any other class or classes shall or might be entitled to vote upon the happening of any event or contingency) are at the time owned directly or indirectly by the Corporation; or (ii) which is otherwise controlled, directly or indirectly, by the Corporation;

**“Tax Act”** means the *Income Tax Act* (Canada), and the regulations thereto, as amended from time to time;

**“TiC”** means titanium carbide;

**“Unicast”** means Unicast Inc., a corporation amalgamated under the BCBCA and a direct wholly-owned Subsidiary of the Corporation;

“Unicast Vendors” has the meaning ascribed to that term in “General Development of the Business - History – Acquisition of Unicast and Related Financings”; and

“Valley Comfort” means Valley Comfort Systems Inc., a corporation incorporated under the laws of British Columbia and a direct wholly-owned Subsidiary of the Corporation.

## **FORWARD-LOOKING STATEMENTS**

This annual information form contains forward-looking statements. All statements other than statements of historical fact contained in this annual information form are forward-looking statements, including, without limitation, statements regarding future financial position, business strategy, prospects, potential acquisitions and financings and the potential impact of such completed and/or potential acquisitions and financings on the operations, results of operations, financial performance, financial condition, capital resources and business of the Corporation and/or its Subsidiaries, the Corporation’s policy with respect to the amount and/or frequency of dividends, budgets, litigation, projected costs and plans and objectives of or involving the Corporation or its Subsidiaries. Readers can identify many of these statements by looking for words such as “believes”, “expects”, “will”, “may”, “intends”, “projects”, “anticipates”, “plans”, “estimates”, “continues” and similar words or the negative thereof.

Forward-looking statements are necessarily based upon a number of expectations or assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, industry, economic and market risks, uncertainties and contingencies. Readers are cautioned to not place undue reliance on forward-looking statements, which only speak as to the date they are made. Although management believes that the expectations and assumptions underlying such forward-looking statements are reasonable as at the date they are made, there can be no assurance that such expectations or assumptions will prove to be correct or continue to be reasonable in the opinion of management. A number of factors could cause actual future results, performance, achievements and developments of the Corporation and/or its Subsidiaries to differ materially from anticipated results, performance, achievements and developments expressed or implied by such forward-looking statements. Such factors include, but are not limited to: general economic conditions; competition; government regulation; environmental regulation; access to capital; market trends and innovation; climate risk; general uninsured losses; risk related to acquisitions; dependence on customers, distributors and strategic relationships; supply and cost of raw materials and purchased parts; operational performance and growth; implementation of the growth strategy; product liability and warrant claims; litigation; reliance on technology and intellectual property risks; availability of future financing; interest rates and debt financing; income tax matters; foreign exchange; dividends; trading volatility of Common Shares; dilution risk; reliance on management and key personnel; employee and labour relations; conflicts of interest; all as more particularly described herein under “Risk Factors”.

Additional factors that could affect the operating results and performance of the Corporation and its Subsidiaries include assumptions regarding the performance of the businesses of the Corporation and its Subsidiaries that are considered in setting the business plan for the Corporation and its Subsidiaries and in setting financial targets. Key assumptions include that there will continue to be a demand for products and services of the businesses of the Corporation and its Subsidiaries. **Should one or more of the risks materialize or the assumptions prove incorrect, actual results, performance or achievements of the Corporation and its Subsidiaries may vary materially from those described in forward-looking statements.**

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included or incorporated by reference in this annual information form are made as of the date of this annual information form or such other date specified in such statement. Except as required by law, the Corporation disclaims any obligation to update any forward-looking information, estimates or opinions, future events or results or otherwise.

## **STRUCTURE OF THE CORPORATION**

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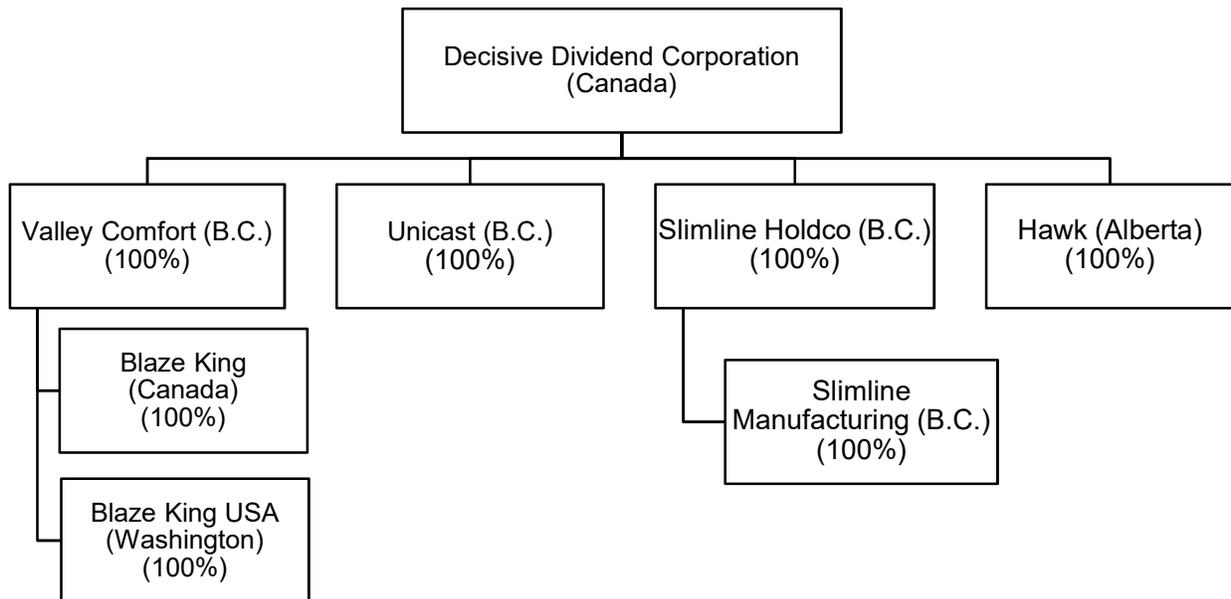
### **Name, Address and Formation**

The Corporation was incorporated under the BCBCA on October 2, 2012. The head office of the Corporation is located at #201, 1674 Bertram Street Kelowna, British Columbia V1Y 9G4. The registered office of the Corporation is located at #301, 1665 Ellis Street, Kelowna, British Columbia, V1Y 2B3.

The Corporation completed its initial public offering of Common Shares on September 19, 2013 and the Common Shares were listed on the Exchange on September 23, 2013. The Corporation is a reporting issuer in each Province of Canada, other than the Province of Québec.

### **Inter-Corporate Relationships**

As at December 31, 2018, the Corporation held the securities of its Subsidiaries as set forth in the diagram below. Each of the Subsidiaries is wholly-owned by the Corporation.



On August 16, 2019, the Corporation acquired all of the issued and outstanding shares of Northside. See “Recent Developments – Acquisition of Northside”.

## **GENERAL DEVELOPMENT OF THE BUSINESS**

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### **General**

The Corporation is an acquisition-oriented corporation focused on opportunities in manufacturing. The business plan of the Corporation is to acquire profitable, well-established manufacturing companies with strong cash flows and growth potential. To date, the Corporation has completed the acquisition of five manufacturing businesses, being Blaze King, Unicast, Slimline, Hawk and Northside, as further described below.

The objectives of the Corporation are:

- (a) to deliver long-term, sustainable and growing dividends to Shareholders by acquiring specialty manufacturing companies (with a sustainable competitive advantage and a focus on non-discretionary products) and providing oversight to ensure sound business operations and appropriate expansion strategies are executed;
- (b) to maximize Common Share value through on-going active monitoring and active organic growth of its operating Subsidiaries; and
- (c) to continue to acquire additional companies or businesses in order to expand and diversify the Corporation's investments.

Management of the Corporation continuously monitors its Subsidiaries. The Subsidiaries of the Corporation, however, operate autonomously and maintain their individual business identities.

The acquisition strategy of the Corporation is to acquire 100% ownership of profitable, well-established companies with strong cash flows and growth potential. The Corporation's acquisition strategy is focused on manufacturing companies. Where appropriate, the Corporation attempts to retain senior management following acquisitions and, wherever possible, have them own an equity interest in the Corporation. Management of the Corporation believes that there are numerous companies that meet the Corporation's acquisition criteria and that the Corporation will be able to implement its acquisition strategy in order to expand and diversify its investments and increase its cash flow and create Shareholder value over the long term.

Management believes that the Corporation provides an attractive exit opportunity for owners of successful companies who wish to have their business legacy continue. The Corporation provides business owners with the opportunity to liquidate their investment in their business. The Corporation's acquisition model provides for a negotiated percentage of the purchase price for a target company in cash with a percentage of the purchase price paid in Common Shares. Each transaction may differ in the percentage offered and paid. The Corporation provides target companies with capital to grow the business, where appropriate and available, and the stability of long-term ownership. From the perspective of employees of a target company acquired by the Corporation, the Corporation's acquisition model is to retain the existing employees of the target company and provide them an opportunity to own Common Shares through the ESPP.

The Corporation's current objective is to acquire an average of one target company per year.

### **History**

The Corporation was incorporated on October 2, 2012. On September 19, 2013, the Corporation completed its initial public offering as a "capital pool company" under the Exchange's Policy 2.4 – *Capital Pool Companies* and was classified as such until the completion of its qualifying transaction, which was the acquisition of Blaze King, as described below.

Set forth below is a summary of how the business of the Corporation has developed since its inception.

### ***Acquisition of Blaze King and Related Financings***

On February 27, 2015, the Corporation acquired Blaze King. The purchase price paid by the Corporation for Blaze King was \$6,600,000, subject to customary post-closing adjustments. This transaction served as the Corporation's "qualifying transaction" under the Exchange's Policy 2.4 – *Capital Pool Companies*.

The purchase price paid by the Corporation for Blaze King was satisfied by the issuance of 330,000 Common Shares to the vendors at a deemed price of \$2.00 per Common Share (\$660,000) with the balance of \$5,940,000 paid in cash.

The cash portion of the purchase price was paid by the Corporation from the following sources:

- (a) a \$3,500,000 term loan from the Corporation's senior lender at such time;
- (b) the net proceeds of a private placement of 1,004,250 subscription receipts at a price of \$2.00 per subscription receipts for aggregate gross proceeds of \$2,008,500. The subscription receipts were converted into Common Shares immediately prior to the closing of the acquisition of Blaze King on a one to one basis; and
- (c) cash on hand.

For further details regarding the business of Blaze King, see "*Narrative Description of the Business – Description of the Business of Blaze King*".

### ***Establishment of Monthly Dividend Policy***

On May 12, 2015, the Corporation announced that it had adopted a monthly dividend policy pursuant to which it would initially declare and pay monthly dividends in the amount of \$0.02 per Common Share (\$0.24 per Common Share on an annualized basis), subject to solvency tests under the BCBCA. The Corporation paid its first cash dividend on June 15, 2015.

### ***Increase to Monthly Dividend***

On August 26, 2015, the Corporation announced an increase of its monthly dividend to \$0.025 per Common Share (\$0.30 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid on October 15, 2015 to Shareholders of record as at September 30, 2015.

### ***Acquisition of Unicast and Related Financings***

On June 23, 2016, the Corporation acquired all the issued and outstanding shares and the shareholder loans of Unicast. The purchase price paid by the Corporation for Unicast was \$11,000,000, subject to customary post-closing adjustments.

The purchase price paid by the Corporation for Unicast was satisfied through the issuance of 516,996 Common Shares to the vendors (the "**Unicast Vendors**") at a deemed price of \$3.00 per Common Share (\$1,550,988) with the balance of \$9,449,012 paid in cash.

The cash portion of the purchase price was paid by the Corporation from the following sources:

- (a) a \$5,500,000 loan from the Corporation's senior lender at such time; and
- (b) the net proceeds of a private placement of 1,659,114 Common Shares at a price of \$3.00 per Common Share for aggregate gross proceeds of \$4,977,342.

For further details regarding the business of Unicast, see "*Narrative Description of the Business – Description of the Business of Unicast*".

### **Further Increase to Monthly Dividend**

On February 22, 2017, the Corporation announced an increase of its monthly dividend to \$0.030 per month (\$0.36 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid on April 14, 2017 to Shareholders of record as at March 31, 2017.

### **New Credit Facility**

In June 2017, the Corporation replaced its Credit Facility with its former senior lender with a Credit Facility with Scotiabank. For a summary of the terms of that Credit Facility, see “*Description of Capital Structure – Credit Facilities*”.

### **2018 Debt Financing**

In May 2018, the Corporation amended and restated its Credit Facility with Scotiabank which included the availability in one of its non-revolving loan facilities of an additional amount of \$6,000,000. The Corporation used the net proceeds from the new \$6,000,000 loan under the Credit Facility to satisfy the cash component of the purchase price for the acquisition of Slimline. For more details, see “*Description of Capital Structure – Credit Facilities*” and “*General Development of the Business - History – Acquisition of Slimline*”.

### **Acquisition of Slimline**

On May 31, 2018, the Corporation acquired Slimline. Slimline carries on a sprayer and evaporator design, manufacturing and distribution business based in Penticton, British Columbia.

The base purchase price paid by the Corporation for Slimline was \$7,000,000 subject to customary post-closing adjustments and an earn-out payment based upon the financial performance of Slimline for the 12-month period ending July 31, 2018. \$1,000,000 of the base purchase price for the acquisition of the issued and outstanding shares and shareholders loans of Slimline Holdco was satisfied through the issuance to certain vendors (the “**Slimline Vendors**”) of 257,733 Common Shares at a deemed price of \$3.88 per Common Share, with the balance of \$6,000,000 paid in cash. \$700,000 of the cash portion of the base purchase price was subject to escrow and was released to the Slimline Vendors on November 5, 2018. Following the final calculation of the earn out payment, the Slimline Vendors received an additional earn out payment in the amount of \$591,879 cash and 25,424 Common Shares.

The 283,157 Common Shares received by the vendors were subject to escrow and scheduled to be released to the Slimline Vendors in tranches as follows:

- (i) 94,386 (33%) of the escrowed shares (i) were released following the first anniversary of the closing date;
- (ii) 94,386 (33%) of the escrowed shares will be released following the second anniversary of the closing date; and
- (iii) the balance of the escrowed shares will be released following the third anniversary of the closing date.

For further details regarding the escrowed shares pursuant to the acquisition of Slimline, see “*Escrowed Securities and Securities Subject to a Contractual Restriction on Transfer*”.

For further details regarding the business of Slimline, see “*Narrative Description of the Business – Description of the business of Slimline*”.

## **2018 Equity Financing**

On June 28, 2018, the Corporation completed the initial closing of the 2018 Equity Financing, pursuant to which the Corporation issued 3,198,145 Common Shares at a price of \$4.00 per Common Share for net proceeds of \$12,792,580. On July 19, 2018, the Corporation completed the second and final closing of the 2018 Equity Financing, resulting from the exercise of the agent's over-allotment option, pursuant to which the Corporation issued 539,355 Common Shares at a price of \$4.00 per Common Share for net proceeds of \$2,157,420. Pursuant to the 2018 Equity Financing, the Corporation sold an aggregate amount of 3,737,500 Common Shares for aggregate gross proceeds of \$14,950,000.

## **Acquisition of Hawk**

On June 28, 2018, the Corporation acquired all of the issued and outstanding shares of Hawk. Hawk is a corporation governed by the ABCA that operates a full service, machine shop business based in Linden, Alberta.

The base purchase price paid by the Corporation for Hawk was \$13,500,000, which was subject to customary post-closing adjustments. \$2,700,000 of the purchase price was satisfied through the issuance to certain vendors (the "**Hawk Vendors**") of the 678,392 Common Shares at a deemed price of \$3.98 per Common Share, with the balance of \$10,800,000 paid in cash.

\$1,350,000 of the cash component of the purchase price was subject to escrow and was released on December 28, 2018.

The 678,392 Common Shares received by the Hawk Vendors were subject to escrow and scheduled to be released to the Hawk Vendors as follows:

- (i) 226,131 (33%) of the escrowed shares were released following the first anniversary of the closing date;
- (ii) 226,131 (33%) of the escrowed shares will be released following the second anniversary of the closing date; and
- (iii) the balance of the escrowed shares will be released following the third anniversary of the closing date.

For further details regarding the escrowed shares pursuant to the acquisition of Hawk, see "*Escrowed Securities and Securities Subject to a Contractual Restriction on Transfer*".

For further details regarding the business of Hawk, see "*Narrative Description of the Business – Description of the business of Hawk*".

## **DRIP**

On December 10, 2018, the Corporation announced the adoption of the DRIP effective for the regular monthly dividend payable on January 15, 2019 to Shareholders of record on December 31, 2018.

## **Recent Developments Since December 31, 2018**

### **Equity Incentive Plan**

On July 24, 2019, Shareholders approved the adoption of the Equity Incentive Plan. The Equity Incentive Plan will enable the Corporation to grant of deferred share units, restricted share units and stock options of the Corporation to Directors, officers and employees of the Corporation or any of its affiliates or of designated service providers, or designated service providers.

## **2019 Debt Financing**

In August 2019, the Corporation entered into a new Credit Facility with Scotiabank and Roynat Inc., a subsidiary of Scotiabank. The new Credit Facility consists of:

- a \$10,000,000 revolving term loan bearing interest at Scotiabank's prime rate plus 1% or bankers' acceptances plus 2.5%, and standby fees of 0.25% on the unused portion of the revolving term loan. The revolving term loan is for a committed three-year term;
- a \$21,200,000 term loan, bearing interest at a fixed rate of 8.0% with no required principal payments for the three-year term of the loan; and
- a credit card facility with a limit of up to \$300,000.

The new Credit Facility replaced the Corporation's pre-existing Credit Facility with Scotiabank. For more information see "*Description of Capital Structure – Credit Facilities*."

The new Credit Facility was also used to fund the cash component of the purchase price for the acquisition of Northside. For more information see "*Recent Developments – Acquisition of Northside*".

## **Acquisition of Northside**

On August 16, 2019, the Corporation acquired Northside, a specialty manufacturing company based in West Kelowna, British Columbia. Northside is a full-service provider of welding and fabrication solutions for a diverse number of industries. Northside's primary focus is in the commercial vehicle and forestry sectors, however it also has exposure to the agriculture, environmental, and oil and gas sectors, among others.

At closing, the Corporation paid an aggregate of \$12,237,541 to certain vendors of Northside (the "**Northside Vendors**"), representing the base purchase price of \$12,000,000, plus upward adjustments of \$200,041 for estimated closing working capital in excess of the target working capital; and \$37,500 for certain capital expenditures agreed to by the parties.

In satisfaction of the closing payment, the Corporation made a cash payment to the Northside Vendors of \$11,037,541 from the proceeds of its new Credit Facility with Scotiabank and Roynat Inc. (for further details, see, "*Recent Developments – 2019 Debt Financing*") and issued to the Northside vendors 316,539 common shares of Decisive (representing \$1,200,000 divided by \$3.791, being the volume weighted average trading price of the Common Shares for the ten trading day period ended August 15, 2019). The purchase price is subject to customary post-closing adjustments based upon confirmation of closing working capital plus up to an additional \$4,000,000 contingent on Northside meeting certain earnings targets over the next three years.

Of the cash portion of the base purchase price, \$1,080,000 is subject to escrow and is scheduled to be released to the Northside Vendors on February 23, 2021. The 316,539 Common Shares received by the vendors were also subject to escrow and scheduled to be released to the Northside Vendors in tranches as follows:

- (i) 105,513 (33%) of the escrowed shares will be released following the first anniversary of the closing date;
- (ii) 105,513 (33%) of the escrowed shares will be released following the second anniversary of the closing date; and
- (iii) the balance of the escrowed shares will be released following the third anniversary of the closing date.

## **NARRATIVE DESCRIPTION OF THE BUSINESS**

The Corporation's overall business is conducted through two operating segments comprised of finished product and component manufacturing. In addition, the Corporation itself, as the public company parent, is considered a third and separate reportable segment, as its function is an investment holding and management company. The Corporation's two operating segments, as determined by management, sell similar product types to similar types of customers and share similar processes and distribution methods. An overview of these operating segments and the businesses within each segment is set forth below.

- The finished product segment manufactures and sells products that are purchased and used by end customers as designed. As at December 31, 2018, within the finished product segment there were two separate businesses: Blaze King and Slimline.
- The component manufacturing segment manufactures and sells products based on specifications determined by its customers for use in its customers' processes. As at December 31, 2018, within the component manufacturing segment there were two separate businesses: Unicast and Hawk. Northside's business also forms part of this segment commencing in the third quarter of 2019.

The Corporation's financial results include the results of any acquisitions from their dates of acquisition. The revenues reported by operating segment for the years ended December 31, 2018 and December 31, 2017 are as follows:

<b>Year</b>	<b>Finished Product (\$000s)</b>	<b>Component Manufacturing (\$000s)</b>	<b>Consolidated (\$000s)</b>
2018	18,966	19,027	37,993
2017	14,945	8,506	23,451

### **Bankruptcy and Similar Proceedings**

Neither the Corporation nor any of its Subsidiaries have been subject to any bankruptcy, receivership or similar proceeding within the three most recently completed financial years of the Corporation or during or proposed for the current financial year of the Corporation.

### **Reorganizations**

There have been no material reorganizations of the Corporation or any of its Subsidiaries during the three most recently completed financial years of the Corporation or completed during or proposed for the current financial year of the Corporation.

### **Description of the Business of Blaze King**

#### **Summary**

Blaze King designs and produces high-quality, high-efficiency, clean burning wood stoves, inserts and gas fireplaces, all manufactured on its premises in Penticton, British Columbia and Walla Walla, Washington. Blaze King has been operating since 1977, and its hearth products are sold worldwide.

Blaze King is recognized as a leader in the design and manufacturing of high efficiency and clean-burning wood stoves, inserts and gas heating products.

New EPA regulations, set to take effect on May 15, 2020 (the "**EPA 2020 Regulations**"), are pushing the wood burning stove industry to meet new stringent emissions levels of under 2 grams of particulate emissions per hour. All of Blaze King's products meet the requirements of the EPA 2020 Regulations, and

10 of 12 (83%) product lines offered by Blaze King are more than 50% lower than the maximum 2-grams of particulate emissions per hour limit. Of note, Blaze King's Princess PE32, which is tested to 0.4 grams of particulate emissions per hour, or an 80% efficiency rating, makes it the most efficient wood stove available in North America, according to the EPA's list as at the date hereof. The Princess PE32 is also EPA 2020 Regulations approved and the cleanest wood stove of its size according to the EPA's list as at the date hereof.

Management believes that there could be some market disruption as retailers work to sell off their non-EPA 2020 Regulation certified products. Management believes that this potential disruption will be temporary and that Blaze King is in a strong position to take advantage of the new market conditions from the coming into force of the EPA 2020 Regulations on May 15, 2020 and onwards.

For a wood stove to be efficient, it must also burn less fuel and provide heat for a longer period of time. Blaze King's wood stoves provide longer burn times, are more efficient and consume less wood for a given amount of heat delivered into the consumer's home than those of its competitors as at the date hereof. These efficiencies are the result of Blaze King's unique combustion system, where airflow is constantly managed by the use of a thermostat regulator and catalytic combustor.

Set forth below is a list of the most efficient wood stove and fireplace insert models produced by Blaze King and how they are rated by the EPA:

<b>Model</b>	<b>Model #</b>	<b>Grams Per Hour Emissions</b>	<b>Higher Heating Value Tested Efficiency</b>
King	KE 1107	1.7	82%
Princess	PE 32	0.4	80%
Chinook 30	CK 30.2	0.8	80%
Sirocco 30	SC 30.2	0.8	80%
Ashford 30	AF30.2	0.8	80%
Chinook 20	CK20.2	0.7	77%
Sirocco 20	SC 20.2	0.7	77%
Ashford 20	AF20.2	0.7	77%
Boxer 24	BX 24	0.9	77%
Princess Insert	PI 29	1.26	76%
Sirocco 25 Insert	SC25	0.9	77%
Ashford 25 Insert	AF25	0.9	77%

Blaze King's products are now sold worldwide, although the majority of sales continue to be in North America. Blaze King continues to investigate potential new markets for its products outside of its traditional markets to manage seasonality and weather-related risks.

The main hearth products produced by Blaze King are wood stoves and fireplace inserts. Based on available data from the Hearth, Pool and Barbecue Association (HPBA), a trade association of which Blaze King is a member, the size of the North American cordwood appliance market was an estimated US\$300 million in 2018. The cordwood appliance market includes fireplaces, freestanding wood stoves and inserts. Blaze King produces wood stoves and fire-place inserts but does not produce fireplaces. Blaze King estimates that it accounted for 5% of the wood hearth market in 2018 based on its share of industry assessments levied by the HPBA.

The cordwood appliance sector of the hearth products industry has remained relatively flat in sales volume for the past three years. Management believes that the market will remain flat due to changes in seasons and increased competition from propane and natural gas heating products. The cost of these fuels remains relatively low due to the current low cost of oil.

Management of Blaze King expects further industry consolidation as smaller manufacturers will need significant investment to meet future environmental regulations, including the EPA 2020 Regulations. As of the date hereof, there are 406 fireboxes listed on the EPA web site that are approved for sale. Of these 406 fireboxes, only 73 currently meet the EPA 2020 Regulations that come into force on May 15, 2020, which would represent a reduction of 82% in the amount of salable fireboxes. Blaze King's management expects other manufacturers will certify more products to meet the EPA 2020 Regulations but anticipates that there will be a significant reduction in competitor product availability after its coming into force. As of the date hereof, Blaze King owns 7 of the 73, or 10%, of fireboxes that are approved for sale after the coming into force of the EPA 2020 Regulations. Blaze King's management believes that its preparation for the EPA 2020 Regulations will result in increased market share as other manufacturers struggle to meet the requirements.

Management of Blaze King believes that the Blaze King brand has significant opportunities for growth in both the wood and gas stove sectors of the hearth products industry. Blaze King's distribution network in eastern Canada and the northeastern United States is now established and it is anticipated by management that this will lead to Blaze King increasing its share of the wood stove market in these areas. There are also market opportunities for Blaze King's products in Europe, New Zealand and Australia. Consumers in these markets have inquired in the past as to the availability of Blaze King's products in their respective markets. The major driver of these inquiries is Blaze King's long and efficient burn times created by its unique combustion technology. Management of Blaze King believes that there is no manufacturer in these markets that utilizes such technology as of the date hereof. In December 2017, Blaze King received regulatory approval to sell its Sirocco 30 wood stove in New Zealand and shipped its first container shortly thereafter. As of the date hereof, Blaze King has four product models that are certified and available for sale in New Zealand, the Sirocco 30, Chinook 30, Sirocco 20 and Chinook 20. Blaze King shipped a further two containers in 2018 and is expecting a significant increase in orders for 2019.

Blaze King also has the opportunity to leverage its brand and improve the utilization of its sales force and dealer network by developing a full line of gas products for the North American market. The first of these gas products was launched in June of 2017 and, to date, market reception has been favourable.

### ***Marketing Strategies***

Blaze King is focused on producing highly efficient, well-built, eco-friendly hearth products. Management of Blaze King believes that its stoves are some of the longest-burning, highest efficiency stoves in the hearth market and that its stoves have a reputation for quality. These traits have helped build the Blaze King brand and reputation, which drives sales through dealer and customer loyalty.

There are two main channels of distribution in the hearth industry, the new construction and the independent retailer channel. The new construction channel is now dominated by the two largest entities in the North American hearth market and is the most price competitive segment. Management believes that opportunities exist for Blaze King at the higher end of the new construction market where price is a less significant consideration, however, many manufacturers compete in this segment. Blaze King is more active in the independent retailer channel where there are fewer manufacturers. Blaze King largely competes in the higher end of the independent retailer channel where price is generally not the most significant consideration for purchasers.

Management of Blaze King believes that the most important factors to customers are the features of each model, company reputation and product quality. Blaze King's stoves have a unique advantage because its combustion system is cleaner burning and more efficient than those of its competitors and, accordingly, occupy a market niche. This allows for premium pricing of Blaze King's products.

Blaze King focuses on prompt delivery of its products to retailers, which is important as many retailers no longer carry a large amount of stock and expect manufacturers to have adequate inventory available to be delivered to them. Management of Blaze King believes that competitors who focus on lower price point products also attempt to market products to big box retailers, and do not achieve the same degree of loyalty as Blaze King stoves do from the true independent retailer.

Management of Blaze King believes that the hearth business is very much dependent on personal relationships. In order to build these relationships, Blaze King has created and maintains an effective outside sales force that has had a positive effect on building personal relationships with dealers and distributors in all markets. This approach has been extremely important in expanding Blaze King's dealer network. Blaze King's brand reputation for efficiency, quality and customer service has also been important in building customer relationships.

Management of Blaze King believes that increasing the size of its dealer network has generally led to increasing market share for Blaze King.

New product development is an additional strategy that Blaze King has prioritized. This strategy allows Blaze King to address product categories where it is currently under-represented. Blaze King introduced new contemporary wood stove and insert models in 2017 and 2018. Blaze King re-certified its complete product line to meet the EPA 2020 Regulations and is prepared to meet the new regulatory challenges.

In 2018, Blaze King re-designed its website and launched a full social media platform that incorporates Twitter, Facebook and YouTube in order to provide more product information to the public in a timely manner.

### ***Research and Development***

Blaze King undertakes R&D to develop new products and improve upon its existing products on a continuous basis. Blaze King's R&D projects vary from designing a wood stove for small rooms or homes to research to reduce emissions from its hearth products. Blaze King has invested in improving its lab and testing facilities and improving its testing equipment.

Blaze King's R&D is conducted through a combination of its in-house expertise and the use of research facilities within its current manufacturing facilities in Walla Walla, Washington and Penticton, British Columbia. Blaze King's employees design new models and conduct testing in-house for all products. Blaze King currently has three full-time R&D employees in Penticton, British Columbia and two full-time R&D employees in Walla Walla, Washington.

### ***Production and Services***

Blaze King does its own manufacturing, for production of samples for R&D purposes and for fulfillment of commercial scale orders, in two leased facilities located in Penticton, British Columbia and Walla Walla, Washington.

All wood and gas stoves and accessories are processed in a similar fashion:

- (a) sheet stock is laser cut or punched;
- (b) bar stock is sawed to length or run through an ironworker;
- (c) parts are then welded into assemblies, and then into completed units;
- (d) the units are then sanded, prepped and painted;

- (e) final assembly includes addition of combustors, thermostats, control systems, glass, doors and labels; and
- (f) the units are then packaged individually in either wooden open side crates or cardboard cartons.

Blaze King has an ongoing purchasing goal for each of its hearth unit components to have two supplier relationships with an 80 to 20 percent split between these suppliers. The objective is to have a back-up supplier with an established relationship sufficient to ensure the shortest time to fill-in for a primary vendor failure. In most cases one or both of the primary and secondary vendors are long-term suppliers but the relationships (and percentage split) are subject to change in relation to price, quality, delivery, vendor failures, etc. There are always some items for which the search for “back-up” is ongoing.

No major failures with any supplier were experienced in the past year. Secondary vendors have been able to fill demand within sufficient time to prevent a major production delay.

Periodically, Blaze King does have quality or delivery issues, but with most of its vendor relationships being long-term, it has been able to resolve such issues fairly quickly.

Both of Blaze King’s manufacturing sites are leased from arm’s length parties. The Penticton, British Columbia site has a lease in place until March 31, 2021, and the Walla Walla, Washington location has a lease in place until October 31, 2021. Both leases are in good standing and the relationships with the landlords are good.

### ***Specialized Skill and Knowledge***

Management of Blaze King confirms that its quality assurance process meets the strict requirements of numerous agencies including, among others, the EPA, CSA, American National Standards Institute and Underwriters Laboratories. Quality assurance procedures are documented in Blaze King’s internal quality assurance manual and procedures stipulated by certification agencies such as Omni Test, Intertek Testing and CSA which audit Blaze King’s facilities every 3 months.

Blaze King has a low product return percentage and warranty expense of less than 1% annually (\$63,997 in the year ended December 31, 2018) and no additional significant issues in relation to product returns have been reported to Blaze King as at the date hereof.

Welders are the largest group of skilled employees of Blaze King, with up to 12 on staff at any one time. Most are “C” level welders with several participating in apprenticeship programs. Blaze King does not require its welders to obtain additional certification since their products are specialized and the tasks are fairly repetitive. Blaze King trains its welders in-house.

The ongoing R&D performed by Blaze King’s R&D team is a specialized skill of Blaze King. One of Blaze King’s R&D employees in Walla Walla, Washington has been with Blaze King for over 30 years and has developed a knowledge base and understanding regarding the function and operation of catalytic stoves that is very valuable to Blaze King. Blaze King’s R&D team is highly specialized, and is integral to Blaze King’s success.

### ***Competitive Conditions***

Management of Blaze King believes that the total hearth market has approximately 100 manufacturers in North America. In the wood stove market, in which the majority of Blaze King’s sales are derived, there are approximately 25 manufacturers in North America. The industry has seen some consolidation over the last 10 years reducing the number of independent companies. Blaze King’s main competitors include:

- (a) Hearth and Home Technologies (a division of HON Industries) is, to management's knowledge, the only publicly traded competitor of Blaze King. They are the largest hearth manufacturer in the North American market. These brands include Quadra Fire, Heat N Glow, Harman stoves, Heatilator, Vermont Castings, Monessen and Majestic.
- (b) Innovative Hearth Products is a company formed by a New York investment firm in the last two years from the hearth division of Lennox Industries and FMI Corporation. They are the other major entity in the new construction market channel.
- (c) Travis Industries is a privately held corporation based in Washington State. Their major wood brands are Lopi and Avalon. This company is a strong innovator in the industry and over the years has created many new segments for the industry, especially in relation to the gas segment of the industry. This company produces innovative products such as in the wall units, outdoor torches and fire pits.
- (d) Napoleon (a division of Wolf Steel Ltd.) is a privately held corporation based in Barrie, Ontario. They are a diversified company that continues to expand into many areas and markets, including patio furniture, HVAC furnaces and barbecues.
- (e) Fireplace Products International Ltd. is a company based on Delta, British Columbia that has recently been acquired by a Swedish company, NIBE. Their main brand is Regency, and their focus is on gas, wood and pellet products.
- (f) Stove Builder International is a privately-owned corporation based in Québec. They have a highly automated factory and are a builder of lower price point products. Brand names include Drolet, Nordica, Osburn, Enerzone, and PSG.

### ***New Products***

Blaze King has a number of projects currently being developed in its R&D facilities in both Walla Walla, Washington and Penticton, British Columbia.

In terms of gas heating product development, projects include a new gas fireplace and a new gas fireplace insert, slated for release in 2019.

On the wood stove product development, Blaze King is finalizing all wood products to be completely certified for the EPA 2020 regulations, as well as a new wood fireplace insert for export markets.

### ***Components***

Blaze King has never had any difficulty in sourcing the raw materials, component parts or finished products necessary to produce its products. See "*Production and Services*" above.

### ***Intangible Properties***

Blaze King has secured trademarks to protect its brand names in Canada and the United States. The following is a list of all current and pending trademarks and registrations in the United States and Canada:

### Canadian Trademark Registrations

Registration Number	Application Number	Registration Date	Current Owner	Trade-mark	Renewal Date
ETMA828,167	1515365	July 16, 2012	Valley Comfort Systems Inc.	BLAZE KING & Design	July 16, 2027
TMA277,070	438774	February 25, 1983	Valley Comfort Systems Inc.	BLAZE KING STOVE	February 25, 2028
TMA737,617	1265739	April 7, 2009	Valley Comfort Systems Inc.	LES ROI DES FLAMMES	April 7, 2024
TMA801,120	1433645	June 29, 2011	Valley Comfort Systems Inc.	EL REY DE LLAMAS Translation: The King of Flames	June 29, 2026
TMA828,166	1515363	July 16, 2012	Valley Comfort Systems Inc.	BLAZE KING	July 16, 2027
TMA880,228	1617905	June 16, 2014	Valley Comfort Systems Inc.	BLAZE KING & Design	June 16, 2029
TMA427,947	725346	May 27, 1994	Valley Comfort Systems Inc.	PEGASUS	May 27, 2024
TMA543,831	1029072	April 17, 2001	Valley Comfort Systems Inc.	VALLEY COMFORT & Design	April 17, 2031

### United States Trademark Registrations

Registration Number	Application Number	Registration Date	Current Owner	Trade-mark	Renewal Date
4,079,316	-	January 3, 2012	Valley Comfort Systems Inc.	BLAZE KING	January 3, 2022
2,587,692	-	July 2, 2002	Valley Comfort Systems Inc.	BLAZE KING	July 2, 2022
1,142,055	-	December 2, 1980	Valley Comfort Systems Inc.	BLAZE KING	December 2, 2020
4,627,081	-	October 28, 2014	Valley Comfort Systems Inc.	BLAZE KING	October 18, 2024

### Cycles

Blaze King's business is cyclical in that its sales trend upwards and downwards based on the strengths and weaknesses of the Canadian and American housing markets. The business is also seasonal, as historically, the months of February through June are the weakest sales months as spring and summer lead to fewer sales of heating appliances. This trend is not unique to Blaze King in the hearth industry.

Historically, the months of July through January are the strongest sales months, particularly in the western United States and western Canada. Historically, as the year moves into September and October, orders become more prevalent from northwestern and northeastern United States. The final orders of the season from dealers and distributors begin coming in late October and November from California and other parts of south-western United States, as winter conditions are being experienced in those parts of North America. It is a continual challenge for Blaze King to ensure inventory levels are monitored to match the demand patterns of a seasonal business that services many different climates.

### ***Economic Dependence***

The business of Blaze King is not substantially dependent on any one particular customer or contract.

### ***Changes to Contracts***

No aspect of Blaze King's business is anticipated to be affected in the current financial year by renegotiation or termination of any contract.

### ***Environmental Protection***

Blaze King is committed to developing pollution-reducing hearth products. In order for Blaze King to maintain and grow sales, it is required to continually develop and modify its designs to meet the specific requirements of its customers and prospective customers. Blaze King is also subject to separate regulatory approval processes related to commercialization of its hearth products in the United States and Canada.

In the United States, the EPA regulates wood heater particulate emissions. All wood burning stoves and fireplace inserts offered for sale in the United States must be certified by the EPA in accordance with Title 40 of the Code of Federal Regulations under the United States Clean Air Act.

In British Columbia, New Brunswick, Newfoundland and Labrador, Nova Scotia, Ontario and Quebec, it is a requirement for all wood burning stoves and fireplace inserts offered for sale to be certified under the following regulations:

- (a) the EPA's Standards of Performance for New Residential Wood Heaters, under the United States Clean Air Act; or
- (b) the CSA's Performance Testing of Solid Fuel Burning Heating Appliances.

Alberta, Saskatchewan, Manitoba, Prince Edward Island, North West Territories, Yukon and Nunavut do not currently require any environmental certification.

Blaze King currently has all certifications and approvals necessary to sell its products in the jurisdictions in which they are currently sold. In terms of marketing, Blaze King expects that any developments in environmental protection requirements and new emissions standards would favour its low emission catalytic stove products.

### ***Employees***

Blaze King has 64 employees based in Penticton, British Columbia and 16 employees in Walla Walla, Washington, for a total of 80 employees.

### ***Foreign Operations***

Blaze King does not currently rely to any significant extent upon sales of its products in jurisdictions outside of North America.

### ***Lending***

Blaze King does not undertake any lending operations.

### ***Social or Environmental Policies***

Blaze King has not implemented any social or environmental policies that are material to their operations.

## **Description of the Business of Slimline**

### ***Summary***

Slimline carries on an agricultural sprayer and industrial evaporator design, manufacturing and distribution business based in Penticton, British Columbia.

Slimline and predecessor companies have been manufacturing and selling air blast sprayers since 1948. The air blast sprayers are used primarily in the agricultural industry to apply treatments to crops such as apples, cherries, grapes, almonds, walnuts, oranges and peaches. Slimline sells these sprayers under the name "Turbo Mist" which includes a heavy-duty series, a standard series, a cherry blower, a multi-row air blast sprayer and a Rotomister sprayer used to combat insect infestations.

Slimline also designs, manufactures and sells EcoMister evaporator systems primarily used in the mining, oil and gas, and waste management industries. Slimline's EcoMister evaporator division has been in operation since 1996. It produces an environmental and economical, patented, state of the art solution that meets specific customer needs in the elimination of wastewater. Target markets include mining, oil and gas, solid waste, power generation, municipal wastewater and food processing operations.

Slimline's sprayers and evaporators utilize common patented technology as well as pumps and turbines. In addition to its two main product lines, Slimline manufactures custom products and sells various sprayer, evaporator, and other industrial parts.

The sales mix for Slimline's products in fiscal 2018 was 57% sprayers, 23% parts, 17% evaporators and 3% custom work.

The sales mix for Slimline's products in fiscal 2017 was 52% sprayers, 20% parts, 20% evaporators and 2% custom work.

The primary markets served by Slimline are the agricultural, mining, oil and gas, and waste management industries.

### ***Marketing Strategies***

Slimline has dealer agreements with dealers across Canada and the United States to sell its sprayers. The focus of Slimline previously was selling sprayers in the Pacific Northwest. Slimline's new management has focused on serving the existing base in the Pacific Northwest while also focusing on aggressive expansion through a number of markets in North America, such as California, Florida, Georgia, South Carolina and New York, and targeting large grower operations. Initially the expansion will be targeted in California and Florida where there are significant opportunities in tree nut farms, wineries, stone fruits and citrus fruits. Slimline will continue to develop its current new technology to maximize its opportunities in several of these markets, such as multi row sprayers for the specific fruit varieties.

Historically, the marketing approach for evaporators was based on the availability to promote the product at trade shows and resulted in Slimline responding to requests for proposals and quotes rather than promoting the product in the marketplace. Management has developed and is implementing a new go-to-market strategy and building on previous success in the oil and gas, mining, solid and wastewater, food and beverage, power generation and chemical processing industries. The initial focus will be centered on North America, but Slimline anticipates adding resources to meet the needs of the global application and customer base for the product.

Parts sales are driven through Slimline's dealership network, online orders, past evaporator installations and walk-in traffic.

## ***Research and Development***

Several projects varying in degree of scope are currently being undertaken by the Slimline engineering team. These projects are focusing on overall product improvement, cost reductions and improved performance of existing products. New agricultural product development has become a focus and is being driven by market requirements from our key customer groups; of particular interest are multi-row sprayers and boom sprayers. Slimline is participating and working with several universities and government agencies on educational programs for growers, spraying techniques and overall efficiencies of managing drift and chemical applications. On the evaporator side of the business, Slimline is developing an enhanced dust suppression system for markets such as mining, quarries and construction sites.

## ***Production and Services***

Slimline designs and manufactures agricultural sprayers and industrial evaporators for several different industries and geographies. The majority of the products produced by Slimline work off of a common platform but are customizable based on the end user's application. Products are customized by the end user on a regular basis through communication with Slimline's sales and engineering teams. New and/or upgraded drawings are produced for each customization which are signed off by the customer before Slimline produces a finished product.

The Slimline manufacturing process is all-encompassing as the frames, tanks, turbines and other ancillary parts are all designed and manufactured in-house allowing for consistent high-quality workmanship and reducing the need for outside suppliers. The various component parts are manufactured to the highest standards in the industry which leads to the longevity of the products in service and the overall reputation of the brand. Component parts sourced from outside sources are typically off the shelf high-quality items such as pumps and motors. Both pumps and motors are considered long lead items and are ordered and warehoused accordingly.

Slimline enjoys long standing relationships with the majority of its suppliers due to the quality of product, service and delivery. Traditionally Slimline does not experience any shortages of materials from suppliers and have not been faced with supply chain issues. Annual supplier reviews are undertaken to ensure a good working relationship, to manage expectations, and to evaluate costs. Secondary suppliers are established and evaluated on a regular basis.

Slimline's manufacturing site in Penticton, British Columbia is leased from the former owner of Slimline. This site has a lease in place until May 31, 2023. The lease is in good standing and the relationship with the landlord is good.

## ***Specialized Skill and Knowledge***

Slimline agricultural products are designed and manufactured to the highest standards in the industry using technology developed over the past 50 years. Slimline continues to lead the market in education and training; Slimline is involved with the various grower associations, government agencies and universities and provides "Train the Trainer" services. Application and spraying methods are a focus of the ongoing commitment to help the industry develop best practices.

The same can be said relative to the evaporator products sold by Slimline. Slimline's expertise and knowledge pertaining to the proper plume and drift control is recognized throughout the industry. Slimline evaporators are known for being environmentally friendly, cost effective, and provide the most ecofriendly solution when dealing with wastewater.

## ***Competitive Conditions***

Slimline has two primary product lines: agricultural sprayers and industrial evaporators. The agriculture equipment market is in its maturity and the dealership groups are consolidating into larger corporate groups across its customer base. This consolidation provides an opportunity to direct sales to a larger

dealership group and offer incentives on that basis, rather than standalones. Conversely, the industrial evaporator market is currently in its infancy with fewer market participants. Slimline's main competitors include:

### *Sprayers*

- (a) Rears Manufacturing is a privately held corporation that was founded in 1949 and based in Oregon, which produces sprayers and field equipment for agricultural applications.
- (b) Durand-Wayland is a privately held corporation that was founded in 1954 and based in Georgia, which manufactures packinghouse equipment and sprayers.
- (c) Nelson Hardie is a privately held corporation that was founded in 1968 and based in California, which manufactures sprayers, cabs for low profile tractors and orchard pruning equipment.
- (d) Air-O-Fan is a privately held corporation that was founded in 1945 and based in California, which manufactures orchard sprayers, vineyard sprayers, herbicide sprayers, PTO sprayers and engine sprayers.
- (e) Progressive Ag Inc. is a privately held corporation based in California that manufactures sprayers.
- (f) D&M Manufacturing is a privately held corporation based in California that has manufactured sprayers and berm blowers for over 25 years.
- (g) Cima SpA is a corporation that was founded in 1974 and based in Italy, which produces low volume pneumatic sprayers and dusters.

### *Evaporators*

- (a) Resource West is a privately held corporation based in Colorado that produces industrial evaporators.
- (b) SMI Evaporative Solutions is a privately held corporation based in Michigan that produces mechanical industrial evaporators.
- (c) Minetek is a corporation based in Australia that produces, among other things, water evaporations systems.

### ***New Products***

Technological developments as well as a general market consolidation in agriculture have been influential in driving changes in the farm sector. Innovations in animal and crop genetics, chemicals, equipment, and farm organization have enabled continuing output growth without adding much to inputs. As a result, even as the amount of land and labor used in farming declined, total farm output more than doubled between 1948 and 2015. As the agriculture industry continues to focus on crop diversification, efficiency and productivity, producers will continue to embrace revolutionary strategies for producing food, increasing productivity, and making sustainability a priority. The major advancement in spray application technology over the next few years will be in the area of matching the sprayer characteristics to the target canopy. This will be accomplished by using a system of sensors that detect the height, shape, and density of the tree and adjust the sprayer, air jet(s), spray droplet size, and spray application rate to match the target tree. Slimline is working to adapt to these changing conditions in the industry and will continue to develop its technology to maximize its opportunities in current and new markets, such as multi-row sprayers for specific fruit varieties.

## Components

Slimline has never had difficulty sourcing the raw materials, component parts or finished products necessary to produce its products. See “Production and Services” above.

## Intangible Properties

Slimline’s evaporator design was patented in February 2001 under patent number: Evaporator US 6190498 B1.

Slimline has also secured trademarks to protect its brand names in Canada and the United States. The following is a list of all current trademarks and registrations in Canada and the United States:

### Canadian Trademark Registrations

Registration Number	Application Number	Registration Date	Current Owner	Trade-mark	Renewal Date
UCA30915	201305	November 26, 1948	Slimline	TURBO-MIST	November 26, 2023
	1922577	Pending	Slimline	TURBOMISTER	
	1911866	Pending	Slimline	ECO MISTER	
	1911867	Pending	Slimline	ECO MISTER	
				EVAPORATOR & Design	
1904581	Pending	Slimline	GEAR UP THROTTLE DOWN		
1904583	Pending	Slimline	GEAR UP THROTTLE DOWN & Design		

### United States Trademark Registrations

Registration Number	Application Number	Registration Date	Current Owner	Trade-mark	Renewal Date
0620809	71683306	February 7, 1956	Slimline	TURBO-MIST	April 2, 2026
	88164562	Pending	Slimline	ECO MISTER	
	88166013	Pending	Slimline	TURBO-MISTER	

## Cycles

Slimline’s agricultural sprayer business is seasonal. Historically, the months of July through November are the weakest sales months as agricultural sprayers and related agricultural parts are typically purchased ahead of the growing seasons in North America. This trend is not unique to Slimline in selling products to the North American agricultural industry. Slimline is exploring opportunities to expand sales outside of the Northern hemisphere, which would partially mitigate the effect of seasonality on its North American sales.

Slimline’s evaporator business is not seasonal, however, timing of sales can be influenced by budgetary cycles of its current and potential customers. Given that the evaporator market is currently in its infancy, this can result in sales fluctuations throughout the year.

### ***Economic Dependence***

The business of Slimline is not substantially dependent on any one particular customer or contract.

### ***Changes to Contracts***

No aspect of Slimline's business is anticipated to be affected in the current financial year by renegotiation or termination of any contract.

### ***Environmental Protection***

In terms of its agricultural products, through both product development and customer education, Slimline has an ongoing commitment to help the industry develop best practices with respect to application and spraying methods. Slimline works with grower associations, government agencies and universities in this regard.

Slimline's industrial evaporator products enable clients to address environmental concerns such as the separation of contaminants from wastewater. The evaporators are environmentally friendly products that can dispose of wastewater for multiple industries including: mining, oil and gas, textiles, chemical processing, food and beverage processing, waste management and power generation. Slimline will support its customers in working with applicable regulatory agencies and in developing the expertise and knowledge pertaining to the proper plume and drift control of the evaporator, thereby providing the most ecofriendly solution for dealing with wastewater.

### ***Employees***

Slimline currently has 27 employees in its facility in Penticton, British Columbia.

### ***Foreign Operations***

Slimline does not currently rely to any significant extent upon sales of its products in jurisdictions outside of North America.

### ***Lending***

Slimline does not undertake any lending operations.

### ***Social or Environmental Policies***

Slimline has not implemented any social or environmental policies that are material to their operations.

## **Description of the Business of Unicast**

### ***Summary***

The business of Unicast is producing and distributing wear parts and valves for the mining, aggregate and cement industries. Wear parts are parts for machinery that tend to wear out quickly when crushing rock, which is done extensively in these industries.

In general, the wear parts that Unicast produces are used by customers to replace parts produced by OEMs. Management of Unicast believes that its replacement wear parts and valves generally last longer than parts produced by OEMs, which is one of the main reasons why customers choose Unicast's parts rather than parts from OEMs.

One of Unicast's most important products is a TiC insert in a manganese alloy that allows the manganese to harden before extensive wear occurs. This significantly improves wear parts that may be affected by extensive impacting and extensive sliding. These TiC inserts have been shown by one of Unicast's largest clients to increase the wear life of OEM parts by up to 8.5 times. Unicast's offers a TiC insert product line in a number of wear parts, including impactors/blow bars, jaw crusher plates, hammers, breaker blocks and bowl and mantles.

Although Unicast has shipped its products all over the world, the majority of Unicast's sales are in North America: 61% of total sales are to the United States and 21% are to Canada. Unicast competes in two major areas of the wear parts industry: (i) mining and aggregate wear parts; and (ii) wear parts and valves for the cement industry.

Unicast currently supplies wear parts and valves to all four of the multi-national cement companies operating in the United States, as well as smaller regional customers.

Unicast supplies several mining operations in the western hemisphere with wear parts for their crushing and operational needs. The Teck Happy Valley copper mine, the New Gold New Afton gold mine, and the Jerritt Canyon Gold gold mine are three examples of North American mines that Unicast services with its wear parts. Unicast also supplies wear parts to three gold mining operations in Nicaragua, operated by a Canadian gold mining and exploration company.

Steel tariffs introduced in Q3 2018, on Chinese steel products entering the United States, negatively impacted gross margins for Unicast in the second half of 2018. Unicast is looking at options to source some products from foundries in other countries, however, until it is able to secure suppliers outside of China, the above noted steel tariffs will continue to negatively impact gross margin in 2019.

The market for wear parts in North and Latin America is extremely large. According to Sandvik, a Swedish multi-national corporation that specializes in building and maintaining entire mining solutions for mining companies (and one of Unicast's competitors), the annual wear parts industry, including the mining and cement industries, is worth approximately US\$20 billion per annum on a global basis. As at the date hereof, in Canada there are over 200 active mining operations and in the US there are over 330 active mining operations. As all of these mining operations use wear parts, the market for Unicast's products is extremely large and, accordingly, there is a lot of room for Unicast to increase its market share.

Unicast's product sales mix in 2018 consisted of TiC products (14% of sales), Apron Feeder Pans (13% of sales), Valves (12% of sales), Impactors (10% of sales), Mill Grinding (11% of sales), and Hammermills (7% of sales). The remaining 33% of sales were made up of products comprising less than 5% of sales.

Unicast's product sales mix in 2017 consisted of TiC products (17% of sales), Apron Feeder Pans (16% of sales), Hammermills (11% of sales), Mill Grinding (9% of sales), Valves (8% of sales), Impactors (5% of sales). The remaining 34% of sales were made up of products comprising less than 5% of sales.

The majority of Unicast's products are shipped from its facility in Kelowna, British Columbia to dealers and customers globally. Certain products are shipped directly from the foundry to customers, based on geographic proximity.

In 2018, Unicast sold 61% of the products they produce into the United States, 21% of their products into Canada, 14% of their products into Latin America, and 4% into Asia and Australia.

In 2017, Unicast sold 55% of the products they produce into the United States, 23% of their products into Canada, 19% of their products into Latin America, and 3% into Asia.

Unicast sells their products in a variety of different business sectors. In 2018, 42% of the products they sold were in the cement sector, 28% were sold to the mining sector, 21% were sold to the dealer sector, 4% was sold to the aggregate sector, and 5% were sold to other sectors.

In 2017, 47% of the products they sold were in the cement sector, 17% were sold to the mining sector, 24% were sold to the dealer sector, 7% was sold to the aggregate sector, and 5% were sold to other sectors.

### ***Marketing Strategies***

Management of Unicast aims to increase its market share throughout North America and South America by concentrating on increasing its sales to the mining and cement industries. In 2018, Unicast continued to look at new market opportunities in Australia, South America and the Middle East. Unicast will continue to support and service the aggregates industries but will focus on attracting and targeting the mining and cement industries for sustained growth. In particular, Unicast will target sales to the mining and cement industries in Central and South America. Unicast has recently increased its sales force in a number of locations to provide for better geographical coverage in an attempt to increase its sales by both retailers and individual Unicast representatives.

### ***Research and Development***

All of Unicast's products are tested and quality inspected by its internal quality control engineering department. Unicast's products are tested and inspected for quality at its own facility in Kelowna, British Columbia and at the University of British Columbia's labs in Kelowna, British Columbia.

Unicast is focused on manufacturing engineered product solutions with prompt delivery at a competitive price for the cement, aggregates and mining industries with the longest practicable wear life. Management of Unicast believes that its wear parts are some of the longest-lasting and cost-efficient in the market. Management believes that these attributes have helped build the Unicast brand and reputation, which drives sales through dealer and customer loyalty.

### ***Production and Services***

Unicast designs and produces high quality wear parts for the cement, mining and aggregate industries. Unicast's account managers work with its engineers in Kelowna, British Columbia to specify and design various wear parts which are then manufactured by third party foundries.

All of Unicast's wear parts are designed and manufactured in a similar fashion, as follows:

- (a) account managers meet with customers at their facilities to discuss the parts that need to be replaced;
- (b) drawings and or scans of the required parts are collected from the customer on location in consultation with the account manager;
- (c) the drawings are then sent to Unicast's inside sales group for processing and quoting;
- (d) Unicast's inside sales group works with Unicast's engineering group to ensure the measurements and specifications match the customer's requirements;
- (e) Unicast's inside sales group then produces a quote that is presented to the customer;
- (f) once a purchase order is received, Unicast's engineering and procurement department fills the order with a specific foundry that can satisfy the specific requirements of that purchase order;
- (g) the wear parts are produced and inspected at our supplier foundries for quality control prior to shipping;
- (h) the wear parts are shipped by the foundry to Unicast's facilities in Kelowna, British Columbia;

- (i) a second quality inspection is done in Kelowna, British Columbia by Unicast's local engineers. Once approved the product is shipped to the customer for final delivery with the invoice; and
- (j) Unicast's account managers follow up with the customer to ensure that the fit of the wear part was precise and the wear part is performing to their expectations.

Unicast utilizes over 25 supplier foundries located in China, India, Canada and the USA to meet the specific needs of its customers. Unicast chooses the foundry to produce a particular product based on a number of factors, including: (i) the alloy required to be produced for such product; (ii) the expertise of that foundry in producing that particular product; and (iii) the ability of such foundry to meet the design requirements of the product. Unicast has a list of preferred suppliers that are used to produce specific products.

No major failures with any supplier were experienced in the last year, although our suppliers in China have been impacted by the pollution controls and inspections implemented by the Chinese government. Consistent with many companies that utilize factories in China, emissions inspections and shutdowns have resulted in late deliveries to customers. We continue to manage supplier risk through the use of secondary vendors to meet demand with sufficient time to prevent any major delays.

Unicast does have periodic quality and delivery issues with its suppliers. However, due to the long-term relationship that Unicast has with most of its suppliers, most issues are able to be resolved quickly.

### ***Specialized Skill and Knowledge***

Unicast's relationships with its supplier foundries are a special skill and knowledge that is of great benefit to it. Unicast's relationships with over 25 foundries enables it to choose the optimal foundry to produce the wear products required by its customers. Unicast is always vetting out new foundries and new technology on a regular basis.

Unicast has an experienced sales team of four that travel extensively to meet with customers regarding their wear part requirements and to ensure that customers are up to date regarding Unicast's product offerings. Unicast's sales team also meets with customers to inspect and measure wear parts to ensure that they are performing as required by the customer.

Unicast has an engineering team comprised of three people. Unicast's engineering team is constantly looking for better wear life properties and compositions to provide Unicast with better and more effective products to sell to its customers.

### ***Competitive Conditions***

Unicast's competitors generally fall into two categories: (a) OEMs of wear parts; and (b) "aftermarket" manufacturers of wear parts. Unicast's main competitors in each of the foregoing categories are described below:

#### ***OEMs***

- (a) Magotteaux is a producer of wear parts for a variety of industries. Magotteaux has one of the widest ranges of products, services and systems for the aggregates, mining, cement, coal power station, quarry and recycling industries. Magotteaux is headquartered in Vaux-Sous-Chevremont, Belgium.
- (b) FLSmidth & Co. is a supplier of equipment and services to the cement and mining industries. FLSmidth & Co. supplies everything from single machinery to complete cement plants and mineral processing facilities including services before, during and after the construction. FLSmidth is headquartered in Copenhagen, Denmark.

- (c) Terex Minerals Processing Systems is a company that produces modular plants, portable plants, crushers, screens, apron belt feeders and pan feeders. Terex is headquartered in Cedar Rapids, Iowa.
- (d) Metso is an international minerals processing and flow control technology and services supplier company for the mining, aggregates and oil and gas industries. Metso is headquartered in Helsinki, Finland.
- (e) Sandvik is a high-technology company specializing in tools and tooling systems for metal cutting, mining, construction equipment and products in stainless steel and alloys. Sandvik is headquartered in Sandviken, Sweden.

#### *Aftermarket*

- (a) Columbia Steel produces wear parts for the mining, aggregate and cement industries. Columbia is headquartered in Portland, Oregon.
- (b) Boundary Equipment is a manufacturer of products for mining, material handling and smelting. They specialize in aftermarket mining replacement parts. Boundary is headquartered in Edmonton, Alberta.
- (c) Cast Steel Products LP is a worldwide supplier of cast, forged and fabricated wear, abrasion and heat resistant products for mining and mineral processing, oil sands, oil and gas, steel, aluminum, cement, power and railway industries as well as the ground engaging and heavy equipment, smelting and crushing application sectors. Cast Steel Products LP is headquartered in Edmonton, Alberta.
- (d) Spokane Industries is a precision casting company which serves the medical, industrial and manufacturing industries. Spokane Industries is headquartered in Spokane Valley, Washington.

Unicast remains a very small player in both the cement and mining wear parts industries, especially when compared to large multi-national OEMs like Sandvik, Magotteaux, Metso and Sandvik. Both of the cement and the mining wear parts industries are extremely competitive. However, management of Unicast believes that it possesses a number of competitive advantages over its competitors, including:

- (a) enhanced wear life for certain of its wear parts, including blow bars, TiC hammers and diverter valves;
- (b) innovative proprietary designs for its wear parts and valves;
- (c) quick turnaround and quick response times to customer needs;
- (d) well motivated management team and employees;
- (e) innovative financing and ordering programs; and
- (f) extensive distribution network with very good access to products.

#### ***New Products***

Unicast is currently developing and testing two new metallurgical products that will be incorporated in various product lines. The products are currently undergoing field testing with select customers, with results expected by late 2019. Unicast is constantly making adjustments to the metallurgical properties in its various products, including its TiC blow bars, hammers, high chrome blow bars and crusher parts that use TiC inserts.

## ***Components***

Unicast sources the majority of its wear products from China, where its supplier foundries are located, and has been doing so for approximately nineteen years. Remaining production is from foundries based in India, USA and Canada. Suppliers arrange for all components required for the production of Unicast's products themselves. See "*Production and Services*" above. There are no additional components required by Unicast for its business.

Unicast has never had any significant issues sourcing its wear parts. In the event that Unicast encounters an issue with a particular supplier, Unicast is generally able to replace such supplier with another supplier without any material disruption to its business.

## ***Intangible Properties***

There are no intangible properties that are significant to the business of Unicast, and no current patents in place.

## ***Cycles***

Unicast has a diverse and global market for its products. For this reason, Unicast's business is not seasonal or cyclical to any extent.

## ***Economic Dependence***

Unicast has over 1,400 customers globally and is not dependent on any one customer. Unicast also has approximately 25 supplier foundries for its wear parts and is not dependent on any one supplier. See "Foreign Operations" below.

## ***Changes to Contracts***

No aspect of Unicast's business is anticipated to be significantly affected in the current financial year by renegotiation or termination of any contract.

## ***Environmental Protection***

The production of Unicast's products is undertaken by third-party supplier foundries in China, which are responsible for complying with their own applicable environmental laws and requirements. Environmental protection requirements do not impact Unicast's own operations in any significant manner.

## ***Employees***

Unicast currently has 18 people at its facility in Kelowna, British Columbia. Unicast also has non-exclusive sales agency agreements with representatives in the USA (1), Africa (1), Latin America (6) and Asia (1).

## ***Foreign Operations***

Unicast sells approximately 22% of its products to customers in Latin America, Australia, Africa and Asia. Unicast is not dependent upon these foreign operations to any significant extent. Unicast is dependent upon its supplier foundries in China, historically representing substantially all of the manufactured product. As noted above, Unicast has experienced various manufacturing and shipping delays due to the government pollution shutdowns. Unicast management continues to look to ways to mitigate risk and manage exposure by actively looking for manufacturing partnerships in multiple geographies, including suppliers located in India, Canada and the USA. At the end of 2017, management implemented a new monthly scorecard approach to grade foundries on specific criteria to ensure that Unicast continues to only use suppliers that meet customer quality and delivery specifications. See "Components" above.

## ***Lending***

Unicast does not undertake any lending operations.

## **Social or Environmental Policies**

Unicast has not implemented any social or environmental policies that are material to their operations.

## **Description of the Business of Hawk**

### ***Summary***

Hawk operates a full-service machine shop, offering professional manufacturing, machine work, assembly, and testing for a variety of industries in the North American market. Hawk's production facility is based in Linden, Alberta.

Hawk was founded in 1998. Hawk's position in the computer numerical control (CNC) machining/fabrication market is as a complete turnkey solution for customized machining products. Hawk's main customer focus is a supplier for value-add CNC machining, specializing in down-hole tools. Hawk routinely executes purchase orders requiring mass production capability, assembly, and testing of machined products. Hawk has implemented quality assurance standards that are appropriate for its customers and the industry in which the business of Hawk operates. Hawk is ISO 9001:2015 designated.

Hawk's machining capability enables it to manufacture products for many industry sectors. For approximately the past 10 years, the primary markets served by Hawk are the oil field, gas field, gas compression, frack, automotive, electrical power distribution and agricultural equipment and machinery markets. The financial performance of the business of Hawk in recent years was substantially the result of business conducted with its one primary customer. Hawk has an objective of diversifying its customer base and expanding its business to other industry sectors beyond the oil and gas industry.

The sales mix for Hawk's products in fiscal 2018 was 81% frac tools, 14% oil tools, 4% ground rods and 1% other.

The sales mix for Hawk's products in fiscal 2017 was 83% frac tools, 13% oil tools, 3% ground rods and 1% other.

### ***Marketing Strategies***

As of the date hereof, Hawk has focused on servicing its main customer, which is a producer of multi-stage frac sleeves for the oil and gas industry. In 2016, Hawk management was offered the option of becoming a "turn-key" operation, in which they would assume a much bigger percentage of their main customer's Canadian production, provided they could meet that customer's rigorous quality standards. This "turn-key" relationship means that Hawk operates as a quasi-division of their main customer, with all production being shipped directly to the end-user, the customer's clientele, instead of going to the main customer's facility for inspection. This position of trust was earned over a decade-long relationship with Hawk's main customer's management.

Hawk is now positioned as a premium quality CNC shop, specializing in down-hole fracking tools. Hawk's geographical position is also key as it is close to many oil and gas fields, including Duvernay, Muskwa Shale and Alberta Oil Sands, which are currently responsible for approximately \$250 million in fracking sales per annum. With its reputation and market position, its ability to branch out to service other customers in the down-hole fracking tool market is very strong.

The next step in Hawk's marketing plan is to formalize the business development process and its go-to-market approach. The success to date is based on servicing its main customer, and its ability to scale up production capacity at its current manufacturing facility. In the past, Hawk has responded to requests for proposals and quotes coming through word of mouth or its website, rather than promoting the product to the marketplace with a sales team. The business provided by the main customer has in the past kept the Hawk facilities operating at or near full capacity.

### ***Research and Development***

All of Hawk's products are tested and inspected by its internal quality control department, which includes two full-time inspectors. Hawk's operators and machinists are also responsible for "first off" and "in-process" inspections. Hawk's products are tested and inspected for quality at its own facility in Linden, Alberta. Due to Hawk's commitment to quality, it has been able to keep its quality levels at a .002% historic failure rate.

Hawk performs R&D services on its premises for customers as requested, including machining and testing of new product designs.

### ***Production and Services***

Hawk does its own manufacturing, for the production of samples for R&D purposes and for the fulfillment of client orders, in its production facility located in Linden, Alberta.

All products produced by Hawk are processed in a similar fashion:

- (a) Product is ordered, or research and development service is requested, by the customer;
- (b) Raw material is machined according to customer specifications;
- (c) Machined parts are assembled and tested;
- (d) Quality Control inspection is completed;
- (e) Product is shipped to the customer.

Periodically, Hawk experiences quality and/or delivery issues with suppliers, but with most of its vendor relationships being long-term, it has been able to resolve such issues expediently.

Hawk's manufacturing site located in Linden, Alberta is leased from a company owned by the former owner, and current president, of Hawk, Duane Klassen. This site has a lease in place until June 28, 2023.

### ***Specialized Skill and Knowledge***

Management of Hawk confirms that its quality assurance process meets the strict requirements of ISO 9001:2015. Quality assurance procedures are documented in Hawk's quality management system (QMS). Certification of Hawk's internal quality assurance manual and procedures is done by Quasar Management System, who performs a surveillance audit every year and a major audit every three years. Hawk product quality documentation is provided to Hawk's customers when requested. Additionally, Hawk has put in place a Certification of Recognition (COR) safety program. As a requirement of COR, Hawk must perform a yearly internal audit yearly and an external audit every three years.

Hawk currently has eight red seal journeymen machinists, seven employees who are in the apprenticeship program, 23 CNC operators, 12 skilled assembly workers and two quality control inspectors.

### **Competitive Conditions**

Most of Hawk's orders come from its main customer, other than custom orders and ground-rod products for power utility companies, therefore most of the work Hawk performs is for the Western Canadian oil and gas market. Hawk has also started to do work for other subsidiaries of the Corporation, including Blaze King and Unicast. This trend toward diversifying Hawk's product and customer base is expected to continue as further opportunities are explored across Western Canada for its products and services.

The industry Hawk operates in is very competitive, and Hawk's main competitors have been identified as follows:

- a) Natayo Manufacturing is based out of Calgary, Alberta. Natayo does not compete with Hawk's frac-line products, however they do compete in the fabrication of a certain other oil tools. In addition, Natayo does not have assembly or torque machine capabilities. Natayo is not considered a head to head competitor.
- b) BRC Engineering is also based out of Calgary, Alberta. BRC also builds oil tools for the fracking industry. BRC is not viewed as a significant risk, at the present time, to Hawk profitability, market share or its customer base.
- c) ALM Aerolift Machine is located in Houston, Texas. Management believes this company to be Hawk's primary competition. ALM Aerolift produces similar frac line products and is estimated to be comparable to Hawk in terms of facility capacity and size of organization.
- d) Precimax Ltd. is located in Edmonton, Alberta. Precimax manufactures and machines precision components for the oil and gas and nanotechnology industries. They have been in business since 1976. They do not appear to be a direct competitor to Hawk at this time.

### **New Products**

Hawk builds according to its customer specifications and performs research and development as requested by its customers. Therefore, Hawk is currently not developing any new proprietary products.

### **Components**

Hawk has never had any difficulty in sourcing the raw materials, component parts or finished products necessary to produce its products. In the event that Hawk encounters an issue with a particular supplier, Hawk is generally able to source materials from different suppliers without any material disruption to its business. For more details, see "*Production and Services*" above.

### **Intangible Properties**

There are no intangible properties that are material to the business of Hawk, and no current patents in place.

### **Cycles**

Due to Hawk's dependence on its main customer whose main business is supplying down-hole tools to oil and gas sector clients, Hawk's business is cyclical. As such, Hawk's sales trend upwards and downwards based on the price of oil and gas. The price of oil in Canada dictates the amount of capital spending by oil and gas producing companies, and traditionally, when the price of oil is higher, capital spending is also higher.

Hawk's business is also seasonal. Historically, the months of April through June are Hawk's weakest sales months as spring "break-up" leads to a slow-down in drilling, when Canadian drilling locations

become impassable during the spring thaw. The strongest sales months of the year are July through to March. This trend is not unique to Hawk in the oil and gas industry.

### ***Economic Dependence***

Hawk is dependent on one major customer who supplies the majority of work for their business.

### ***Changes to Contracts***

No aspect of Hawk's business is anticipated to be significantly affected in the current financial year by renegotiation or termination of any contract.

### ***Environmental Protection***

Hawk's policy is to contain all spent liquids in drums and steel collection basins that are vacuumed out regularly into protected drums. The drums are regularly emptied by an environmentally certified disposal company. This company provides Hawk with documents attesting proper disposal of such waste.

### ***Employees***

Hawk currently has 67 employees in its facility in Linden, Alberta.

### ***Foreign Operations***

Hawk does not currently rely to any significant extent upon sales of its products in jurisdictions outside of North America.

### ***Lending***

Hawk does not undertake any lending operations.

### ***Social or Environmental Policies***

Hawk has not implemented any social or environmental policies that are material to their operations.

## **RISK FACTORS**

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The Corporation and its Subsidiaries are subject to a number of risks. These risks relate to the organizational structure of the Corporation and to the operations of the Subsidiary entities. The risks and uncertainties described below are all of the significant risks that management of the Corporation is aware of and believe to be material to the business and results of operations of the Corporation. When reviewing forward-looking statements and other information contained in this annual information form, investors and others should carefully consider these factors, as well as other uncertainties, potential events and industry and company-specific factors that may adversely affect future results of the Corporation. The Corporation and its Subsidiaries operate in a very competitive and rapidly changing environment. New risk factors emerge from time-to-time and it is not possible for management of the Corporation to predict all risk factors or the impact of such factors on the business of the Corporation. The Corporation assumes no obligation to update or revise these risk factors or other information contained in this annual information form to reflect new events or circumstances, except as may be required by law. References in this "Risk Factors" section to the Corporation include references to its Subsidiaries, as applicable.

The most significant risks are categorized by their source and described as follows:

External	Operational	Financial	Human Capital
<ul style="list-style-type: none"> <li>General Economic Conditions</li> </ul>	<ul style="list-style-type: none"> <li>Risk Related to Acquisitions</li> </ul>	<ul style="list-style-type: none"> <li>Availability of Future Financing</li> </ul>	<ul style="list-style-type: none"> <li>Reliance on Management and Key Personnel</li> </ul>
<ul style="list-style-type: none"> <li>Competition</li> </ul>	<ul style="list-style-type: none"> <li>Dependence on Customers, Distributors and Strategic Relationships</li> </ul>	<ul style="list-style-type: none"> <li>Interest Rates and Debt Financing</li> </ul>	<ul style="list-style-type: none"> <li>Employees and Labour Relations</li> </ul>
<ul style="list-style-type: none"> <li>Government Regulation</li> </ul>	<ul style="list-style-type: none"> <li>Supply and Cost of Raw Materials and Purchased Parts</li> </ul>	<ul style="list-style-type: none"> <li>Income Tax Matters</li> </ul>	<ul style="list-style-type: none"> <li>Conflicts of Interest</li> </ul>
<ul style="list-style-type: none"> <li>Environmental Regulation</li> </ul>	<ul style="list-style-type: none"> <li>Operational Performance and Growth</li> </ul>	<ul style="list-style-type: none"> <li>Foreign Exchange</li> </ul>	
<ul style="list-style-type: none"> <li>Access to Capital</li> </ul>	<ul style="list-style-type: none"> <li>Implementation of the Growth Strategy</li> </ul>	<ul style="list-style-type: none"> <li>Dividends</li> </ul>	
<ul style="list-style-type: none"> <li>Market Trends and Innovation</li> </ul>	<ul style="list-style-type: none"> <li>Product Liability and Warranty Claims</li> </ul>	<ul style="list-style-type: none"> <li>Trading Volatility of Common Shares</li> </ul>	
<ul style="list-style-type: none"> <li>Climate Risk</li> </ul>	<ul style="list-style-type: none"> <li>Litigation</li> </ul>	<ul style="list-style-type: none"> <li>Dilution Risk</li> </ul>	
<ul style="list-style-type: none"> <li>General Uninsured Losses</li> </ul>	<ul style="list-style-type: none"> <li>Reliance on Technology and Intellectual Property Risks</li> </ul>		

**External Risks:**

**General Economic Conditions**

The general global economic environment can impact the business and financial performance of the Corporation. The demand for the Corporation's products depends on the conditions of the respective industries in which they operate, which are influenced by numerous factors over which the Corporation has no control, including oil and natural gas and other commodity prices, the weather and climate, macro-economic and geopolitical factors, regulatory and other economic conditions. A prolonged or more significant downturn in any economy where the Corporation operates could negatively impact the demand for the Corporation's products.

The level of activity in the Canadian crude oil and natural gas industry can be volatile. The volatility of crude oil and natural gas prices accounts for much of the cyclical nature of the oilfield services business. A downturn in oil and natural gas prices has a direct impact on activities of certain customers of the Corporation, particularly the customers of Hawk. Generally, there is a higher demand for Hawk's products when oil and gas prices are high.

### Competition

New competition or increased competition could have a significant impact on the Corporation's business, results from operations, and financial conditions.

The industries in which the Corporation and its Subsidiaries operate are highly competitive and each of the Corporation's Subsidiaries competes with a substantial number of companies, some of which have greater technical and financial resources. There can be no assurance that such competitors will not substantially increase the resources devoted to the development and marketing of products and services that compete with those of the Corporation and its Subsidiaries or that new or existing competitors will not enter the various markets in which each of the Corporation's Subsidiaries is active or that each of the Corporation's Subsidiaries wishes to enter. In certain aspects of its business, the Corporation's Subsidiaries also compete with a number of small and medium-sized companies, which, like the Corporation's Subsidiaries, have certain competitive advantages such as low overhead costs and specialized regional strengths.

There can be no assurance that competitors will not develop new and unknown technologies with which the Corporation's Subsidiaries may have difficulty competing. As well, without remaining cost competitive, there is also a risk that the Corporation and its Subsidiaries may lose business to their respective competitors.

### Government Regulation

Certain of the industries in which the Corporation's Subsidiaries operate are subject to, and significantly impacted by, governmental regulation. For example, the wood burning stove market in which Blaze King operates is highly regulated in North America and these regulations are subject to frequent change. There can be no assurance that the Corporation's business will not be adversely affected in the event of additional regulation in any of the industries or jurisdictions where the Corporation's Subsidiaries operate or sell their respective products.

The Corporation and its Subsidiaries regularly engage in business transactions with US-based suppliers and customers. On November 30, 2018, Canada, the United States and Mexico signed the new United States – Canada – Mexico Agreement ("USCMA") to replace the North American Free Trade Agreement (NAFTA). The three countries are in the process of ratifying USCMA. The ratification of USCMA is highly uncertain and the failure to ratify USCMA could negatively impact the operations of the Corporation.

Current international, multinational and/or bilateral trade agreements and tariffs in effect from time to time can significantly impact the Corporation and each of its Subsidiaries' businesses and financial performance. Such trade agreements and tariffs can impact the demand, cost, and production of the Corporation and its Subsidiaries' products. Trade disputes between countries or among multiple countries can disrupt global and local supply chains, distort commodity pricing, impair the ability of the Corporation and its Subsidiaries to make long-term investment decisions, create volatility in relative foreign exchange rates and contribute to stock market volatility. For example, tariffs introduced by the United States in 2018, which remain in place as at the date of this annual information form, have a direct impact on the business and financial performance of the Corporation and its Subsidiaries, and in particular, Unicast. The continuation or increase of existing tariffs, the implementation of new tariffs, and/or the existence or escalation of trade disputes from time to time could have an adverse effect on the financial results and profitability of the Corporation and its Subsidiaries.

### Environmental Regulation

The past and present operation by the Corporation and its Subsidiaries of manufacturing facilities and ownership and/or occupation of real property are subject to extensive and changing federal, provincial, state and local environmental laws and regulations, including those relating to discharges in air, water and land, the handling and disposal of solid and hazardous waste and the remediation of contamination associated with releases of hazardous substances. Compliance with environmental regulations has not had a material effect on the capital expenditures, earnings or competitive position of the Corporation and its Subsidiaries to date; however, compliance with current laws or more stringent laws or regulations which may be imposed on the Corporation and its Subsidiaries in the future, stricter interpretation of

existing laws or discoveries of contamination at the leased business locations of the Corporation and its Subsidiaries which occurred prior to the Corporation and its Subsidiaries' lease of such sites or the advent of environmental regulation may require the Corporation and its Subsidiaries to incur additional expenditures in the future, some of which may be material.

#### Access to Capital

One of the objectives of the Corporation is to continue to acquire additional companies or interests therein in order to expand and diversify the Corporation's investments. The ability to execute this objective is dependent on the Corporation's ability to raise funds in the capital markets. If the capital markets' desire for income producing investments, such as the Common Shares, were to significantly decrease, the Corporation would have difficulty in executing its acquisition objectives. The Corporation's current level of leverage is considered reasonable, which gives the Corporation the ability to undertake acquisitions, up to a given size, in the short-term without being dependent on the capital markets.

#### Market Trends and Innovation

The Corporation and each of its Subsidiaries' market positions are dependent on their ability to effectively anticipate consumer habits and expectations and develop new or modified products in a timely fashion to satisfy these expectations. If the Corporation and its Subsidiaries are not able to develop new products that are attractive to customers, the Corporation and its Subsidiaries risk losing those customers to competitors.

#### Climate Risk

The Corporation and its Subsidiaries' results of operations could be impacted by fluctuations from weather and natural disasters. Severe weather conditions and natural disaster conditions can significantly disrupt service by impeding the movement of goods or consumer demand, which could have an adverse effect on the Corporation's Subsidiaries' businesses, results of operations and financial condition. In addition, increases in frequency, severity or duration of severe weather events, including changes in the global climate, could result in increases in raw materials costs, freight costs and delivery delays, any of which would increase the potential for loss of revenue and higher costs. For example, Blaze King is impacted by the length and severity of the winter season, which drives customer demand for heating appliances as well as alternative sources of fuels. Additionally, the Corporation and its Subsidiaries' results are impacted by seasonality factors primarily driven by weather patterns in North America and worldwide, including the impact on heating and planting and harvesting seasons, as well as the timing of ground freeze and thaw in Western Canada and the effect thereof on the oil and gas industry. For example, the impact of weather conditions and patterns on the agriculture sector in North America and worldwide, has a direct impact on activities of the customers of Slimline.

#### General Uninsured Losses

Each of the Subsidiaries carries comprehensive general liability, fire, flood and extended coverage insurance with policy specifications, limits and deductibles customarily carried for similar businesses. There are, however, certain types of risks, generally of a catastrophic nature, such as wars or environmental contamination, which are either uninsurable or not insurable on an economically viable basis. Should an uninsured or underinsured loss occur, anticipated profits and cash flows could be negatively impacted.

#### **Operational Risks:**

##### Risk Related to Acquisitions

With respect to acquired companies, there can be no assurance that the operating performance and financial results of those companies after they have been acquired by the Corporation will reflect the past operating performance or financial results of such companies.

In addition, while the Corporation seeks to identify and exploit potential synergies among its various Subsidiaries, there can be no assurance that the Corporation will successfully identify potential synergies or exploit such synergies for the benefit of the Corporation and its Subsidiaries.

#### Dependence on Customers, Distributors and Strategic Relationships

The Corporation's business may be subject to customer concentration risk in that the financial performance is based substantially on business carried out with a main customer or a small group of customers. For example, Hawk's business is subject to customer concentration risk in that the financial performance of Hawk during recent financial periods was substantially the result of business conducted with a main customer. There can be no assurance that this customer will continue to conduct business with Hawk in a similar amount and on similar terms to the business conducted with Hawk prior to the completion of the acquisition of Hawk. In the event that Hawk's main customer's business prospects deteriorate, or in the event that Hawk's main customer reduces the amount of business that it conducts with Hawk, or does not conduct business with Hawk on similar terms, there would be a material adverse effect on the financial performance of Hawk. Although Hawk has the objective of diversifying its customer base and the industries that it serves, there can be no assurance that Hawk will achieve such objective. The other Subsidiaries of the Corporation have a fairly broad customer base and do not solely depend on any one customer or group of customers.

Additionally, the future revenue growth of the Corporation and its Subsidiaries will depend in large part upon its ability to successfully establish and maintain a network of suppliers and distributors for its Subsidiaries as well as its ability to enter into strategic alliances. The Corporation and its Subsidiaries may not be able to successfully manage such relationships. If the Corporation and its Subsidiaries are unable to attract such distributors and strategic partners, they may not be able to generate sufficient revenues to maintain profitability.

#### Supply and Cost of Raw Materials and Purchased Parts

The Corporation and its Subsidiaries rely on a stable and consistent supply of materials and finished goods in carrying out its operations. Each of the Subsidiaries of the Corporation secure supplies of raw materials and finished goods from various suppliers on an ongoing basis at negotiated prices (including, Chinese and/or other foreign suppliers). An interruption in the availability of these raw materials or finished goods, trade barriers inflicted on the countries where these suppliers are located, geopolitical factors in certain parts of the world, other factors not within the control of the Corporation or its Subsidiaries or otherwise, or significant increases in the prices paid by the Corporation's Subsidiaries for them, could have a material effect on the Corporation and its Subsidiaries' business.

The pricing of certain commodities used to produce the certain of the Corporation's Subsidiaries' products, such as steel, titanium carbide and manganese, are still largely driven by overall market conditions and increases in the cost of these components could increase the Corporation's Subsidiaries' manufacturing costs.

#### Operational Performance and Growth

The Corporation's principal source of funds is cash generated from its Subsidiaries: it is expected that funds from these sources will provide it with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels, including meeting certain financial ratios with our lender. In the event that additional capital and operating expenditures, dependent on increased cash flow or additional financing, arise in the future, lack of those funds could limit or delay the future growth of the Subsidiaries and their cash flow. Furthermore, underperformance of a Subsidiary could have an adverse effect by also limiting or delaying future growth cash flow, while also potentially impacting the amount of cash available for dividends to the shareholders.

#### Implementation of the Growth Strategy

Historically high valuation multiples have dominated the acquisition market. Corporation management expects that this will likely continue in the near term given the availability of inexpensive capital and the willingness of financial institutions to extend significant leverage. Given the current environment it continues to be imperative for the Corporation to maintain its acquisition discipline and not enter into transactions at multiples that exceed our model. The Corporation's management continues to focus on strategic acquisitions and organic growth. The Corporation may not effectively select acquisition candidates or successfully negotiate or finance such acquisitions. There can be no assurance the acquisitions will be completed on acceptable terms or that the newly acquired companies will be

successfully integrated into the Corporation's operations. Additionally, the Corporation and its Subsidiaries may experience increased production costs or problems, difficulty in obtaining financing and increased cost of borrowing as a result of such acquisitions. With the Corporation's intention to expand the sales focus into new geographic areas there may be exposure to political and economic risks not currently experienced in current geographic sales areas.

The Corporation remains well positioned and well capitalized to move quickly when investment opportunities are identified. The Corporation intends to continue acquiring operating companies and investing organically provided the investments meet its strict criteria and can enhance shareholder value.

#### Product Liability and Warranty Claims

The Corporation's Subsidiaries may be subject to potential product liabilities connected with its operations, including liabilities and expenses associated with product defects. The Corporation's Subsidiaries may be subject to personal injury claims for injuries resulting from use of its products.

A malfunction or the inadequate design of the Corporation and its Subsidiaries' products could result in product liability or other tort claims. Accidents involving the Corporation and its Subsidiaries' products could lead to personal injury or physical damage. Any liability for damages resulting from malfunctions could be substantial and could materially adversely affect the Corporation and its Subsidiaries' businesses and results of operations. In addition, a well-publicized actual or perceived problem could adversely affect the market's perception of the Corporation and its Subsidiaries' products. This could result in a decline in demand for the Corporation and its Subsidiaries' products, which would materially adversely affect the Corporation and its Subsidiaries' financial conditions and results of operations.

Although each of the Corporation's Subsidiaries will maintain product liability insurance, there can be no assurance that such insurance will continue to be available on commercially reasonable terms and that it will be sufficient to cover all claims.

#### Litigation

The Corporation and its Subsidiaries may be subject to litigation from time to time and such litigation has the potential to negatively impact the business and/or financial performance of the Corporation. In January 2017, the insurance company for Valley Comfort and Blaze King Canada (collectively, the "insured companies") received a claim by Constance Weller et al. in the amount of \$11 million, plus aggregate punitive, aggravated or exemplary damages of \$10 million, against the insured companies and other third parties in relation to bodily injury and property damages filed against the insured companies in the Ontario Superior Court of Justice. The insurance company has acknowledged that the insurance policy requires it to pay claims that the insured companies are legally obligated to pay as compensatory damages in an amount of up to \$10 million. Compensatory damages do not include punitive, aggravated or exemplary damages. Accordingly, the insured companies have retained legal counsel to represent them for the punitive damages claim (which is not covered by the insurance policy) and compensatory damages in excess of the \$10 million policy limit. Based upon discussions with legal counsel and the circumstances underlying the plaintiff's claim, the Corporation and the insured companies will continue to vigorously defend the claim and are of the view that the likelihood of punitive damages being awarded against them in any amount, and the likelihood of compensatory damages being awarded against the insured companies in any amount, or in an amount exceeding \$10 million, is low. The plaintiffs in such lawsuit have named a number of defendants (in addition to the insured companies) against whom damages are sought, including propane providers, a propane service company, a propane technician and the manufacturer of a valve within one of Valley Comfort's fireplaces.

#### Reliance on Technology and Intellectual Property Risks

The Corporation and its Subsidiaries will depend upon improvements in technology to meet customer demands in respect of performance and cost, and to explore additional business opportunities. There can be no assurance that the Corporation and its Subsidiaries will be successful in its efforts in this regard or that it will have the resources available to meet this demand. The commercial advantage of the Corporation and its Subsidiaries will depend to an extent on the intellectual property and proprietary technology of the Corporation and its Subsidiaries.

The Corporation and its Subsidiaries currently rely on intellectual property rights and other contractual or proprietary rights, including (without limitation) copyright, trade secrets, confidential procedures, contractual provisions, licenses and patents, to protect its proprietary technology. The Corporation and its Subsidiaries may have to engage in litigation in order to protect its patents or other intellectual property rights, or to determine the validity or scope of the proprietary rights of others. This type of litigation can be expensive and time consuming, regardless of whether or not the Corporation and its Subsidiaries is successful. The Corporation and its Subsidiaries may seek patents or other similar protections in respect of particular technology; however, there can be no assurance that any future patent applications will actually result in issued patents, or that, even if patents are issued, they will be of sufficient scope or strength to provide meaningful protection or any commercial advantage to the Corporation and its Subsidiaries. Moreover, the process of seeking patent protection can itself be long and expensive. In the meantime, competitors may develop technologies that are similar or superior to the technology of the Corporation and its Subsidiaries or design around the patents owned by the Corporation and its Subsidiaries', thereby adversely affecting the Corporation and its Subsidiaries' competitive advantage in one or more of its businesses.

### ***Financial Risks:***

#### ***Availability of Future Financing***

In order to execute its business plan, the Corporation and its Subsidiaries may require a combination of additional debt and equity financing to support ongoing operations, to undertake capital expenditures or to undertake acquisitions or other business combination transactions. There can be no assurance that additional financing will be available to the Corporation and its Subsidiaries when needed or on terms acceptable to the Corporation and its Subsidiaries. The Corporation and its Subsidiaries' inability to raise financing to support ongoing operations or to fund capital expenditures or acquisitions could limit the Corporation and its Subsidiaries' growth and may have a material adverse effect upon the Corporation and its Subsidiaries.

#### ***Interest Rates and Debt Financing***

The Corporation has significant debt service obligations pursuant to the financing agreements relating to its long-term debt. The degree to which the Corporation is leveraged could have important consequences to the Corporation and/or its shareholders, including:

- the ability of the Corporation to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited;
- a substantial portion of cash flow from operations of the Corporation are, and will be, dedicated to servicing its indebtedness, thereby reducing funds available for future operations;
- certain borrowings of the Corporation are, or will be, at variable rates of interest, which will expose the Corporation to future fluctuations of interest rates; and
- the Corporation may be more vulnerable to economic downturns and may be limited in its ability to withstand competitive pressure.

The ability of the Corporation to make scheduled payments of the principal of or interest on, or to refinance, their respective indebtedness will depend on future operating performance and cash flow, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control. There can be no assurance that the Corporation will be able to refinance its long-term debt on maturity on terms similar to existing terms, or at all.

The debt financing agreements relating to the Corporation's long-term debt contain restrictive covenants that limit the discretion of management with respect to certain business matters. These covenants may place significant restrictions on, among other things, the ability of the Corporation to incur additional indebtedness, to create liens or other encumbrances, to pay dividends, to redeem equity or debt or make certain other payments, investments, capital expenditures, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. The financing agreements also contain a

number of financial covenants that require the Corporation to meet certain financial ratios and financial condition tests. A failure to comply with the obligations and covenants under the financing agreements relating to the credit facility could result in an event of default under such agreements, as the case may be, which, if not cured or waived, could permit acceleration of indebtedness. If the indebtedness under such agreements were to be accelerated, there can be no assurance that the assets of the Corporation and its Subsidiaries would be sufficient to repay that indebtedness in full.

#### Income Tax Matters

The businesses and operations of the Corporation and its Subsidiaries are complex and the computation of income taxes payable involves many complex factors including the Corporation and its Subsidiaries' interpretation of relevant tax legislation and regulations. While management believes that the provision for income tax is adequate and in accordance with IFRS and applicable legislation and regulations, tax filing positions are subject to review and adjustment by taxation authorities who may challenge the Corporation and its Subsidiaries' interpretation of the applicable tax legislation and regulations. If any challenge to the Corporation and its Subsidiaries' tax filing positions were to succeed, it could result in a reassessment of taxes or otherwise have a material adverse effect on the Corporation and its Subsidiaries' tax positions. Furthermore, federal or provincial or foreign tax legislation may be amended, or its interpretation changed (whether by legislative or judicial action or decision), retroactively or for the future, which could adversely affect the Corporation and its Subsidiaries' tax positions.

#### Foreign Exchange

A significant portion of the Corporation's Subsidiaries products will be sold in markets outside of Canada, while most of its operating expenses and capital expenditures are denominated in Canadian dollars. Additionally, a significant amount of the raw materials and finished goods used by the Corporation's Subsidiaries in their respective businesses are denominated in foreign currency since they are mainly sourced from outside of Canada. As a result, the Corporation and its Subsidiaries will be exposed to fluctuations in the foreign exchange rates between the Canadian dollar and the currency in which a particular purchase or sale is transacted, which may result in foreign exchange losses that could affect earnings. The Corporation and its Subsidiaries do not currently manage this exposure through the use of derivative contracts.

#### Dividends

Although the Corporation intends to continue to declare and pay monthly dividends on Common Shares, there can be no assurance that dividends will continue in the future at the same frequency and in the same amounts, or at all. The actual amount of dividends declared and paid by the Corporation in respect of the Common Shares will depend upon numerous factors, including profitability, fluctuations in working capital, and the sustainability of margins and capital expenditures of the Corporation and its Subsidiaries.

#### Trading Volatility of Common Shares

Management of the Corporation cannot predict at what price its Common Shares will trade and there can be no assurance that an active trading market for the Common Shares will be sustained. The market price of the Common Shares could be subject to significant fluctuations in response to variations in financial results, general trends in the industry and other factors, including extreme price and volume fluctuations which have been experienced by the securities markets from time to time.

#### Dilution Risk

The authorized share capital of the Corporation is comprised of an unlimited number of Common Shares. The Corporation may issue additional Common Shares, or securities which are convertible, exchangeable or exercisable into Common Shares, for consideration and on those terms and conditions as are established by the Corporation without the approval of Shareholders. The Corporation intends to pursue further acquisitions which will likely require the issuance of additional Common Shares.

## **Human Capital Risk:**

### Reliance on Management and Key Personnel

The success of the Corporation is dependent on a number of key senior employees both at the Corporation's head-office level and at the Subsidiary level. The loss of any one of these key employees may impair the Corporation's ability to operate at its optimum level of performance and could have an adverse effect on the Corporation's business, results from operations and financial condition. There can be no assurance that the Corporation will be able to retain its existing senior management, attract additional qualified executives or adequately fill new senior management positions or vacancies created by expansion or turnover at either the head office level or Subsidiary level.

### Employees and Labour Relations

The success of the Subsidiaries is dependent in large part upon their ability to attract and retain key management and employees. Recruiting and maintaining personnel in the industries in which the Subsidiaries are involved is highly competitive and it cannot be guaranteed that these entities will be able to attract and retain the qualified personnel needed for their businesses. A failure to attract or retain qualified personnel could have an adverse effect on the Corporation's businesses, results from operations and financial condition.

### Conflicts of Interest

The Corporation may be subject to various conflicts of interest due to the fact that its Directors and management are or may be engaged in a wide range of other business activities. The Corporation may become involved in transactions that conflict with the interests of these other business activities. The Directors and management of the Corporation and associates or affiliates may from time to time deal with persons, firms, institutions or organizations with which the Corporation may be dealing, or which may be seeking investments similar to those desired by the Corporation. The interests of these persons could conflict with those of the Corporation. In addition, from time to time, these persons may be competing with the Corporation for available investment opportunities. Any such conflicts will be resolved in accordance with the provisions of the BCBCA relating to conflicts of interest. Additionally, the Corporation has a Code of Business Conduct and Ethics that provides guidance to Directors, officers and employees on how to deal with potential conflicts of interest.

## **DIVIDEND POLICY AND HISTORY**

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As at the date of this annual information form, the current practice of the Corporation is to pay dividends in the amount of \$0.03 per Common Share per month (\$0.36 per Common Share on an annualized basis). The dividend policy of the Corporation is that the Board has the discretion to determine if and when dividends are declared and the amount that is paid to Shareholders through any such dividends of the Corporation. The Corporation's ability to pay dividends and the actual amount of such dividends will be dependent upon, among other things, the financial performance of the Corporation and its Subsidiaries, its debt covenants and obligations, its ability to meet solvency tests under applicable corporate law its ability to refinance debt obligations on similar terms and at similar interest rates, its working capital requirements, its future tax obligations and its future capital requirements.

The Corporation's dividends are traditionally declared monthly with an end of month record date and then are distributed to Shareholders in the middle of the following month.

### **Dividend History**

On May 12, 2015, the Corporation announced that it had adopted a monthly dividend policy pursuant to which it would initially declare and pay monthly dividends in the amount of \$0.02 per Common Share (\$0.24 per Common Share on an annualized basis). The Corporation paid its first cash dividend on June 15, 2015.

On August 26, 2015, the Corporation announced an increase of its monthly dividend to \$0.025 per Common Share (\$0.30 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid on October 15, 2015 to Shareholders of record as at September 30, 2015.

On February 22, 2017, the Corporation announced an increase of its monthly dividend to \$0.030 per month (\$0.36 per Common Share on an annualized basis). The increased dividend took effect with the dividend paid on April 14, 2017 to Shareholders of record as at March 31, 2017.

The table below sets forth the cash dividends declared by the Corporation in the financial years ended December 31, 2018, 2017 and 2016. In each case, the dividends declared below were paid in the middle of the following month.

Month	2018		2017		2016	
	Per share	Amount	Per share	Amount	Per share	Amount
January	\$ 0.030	\$ 185,951	\$ 0.025	\$ 151,668	\$ 0.025	\$ 93,764
February	0.030	185,951	0.025	152,531	0.025	93,765
March	0.030	186,506	0.030	184,082	0.025	94,335
April	0.030	186,530	0.030	184,082	0.025	94,335
May	0.030	195,274	0.030	184,082	0.025	94,335
June	0.030	312,461	0.030	184,082	0.025	150,138
July	0.030	328,642	0.030	184,113	0.025	150,138
August	0.030	329,122	0.030	184,113	0.025	151,212
September	0.030	329,362	0.030	184,265	0.025	151,211
October	0.030	329,989	0.030	184,265	0.025	151,211
November	0.030	329,989	0.030	184,662	0.025	151,212
December	0.030	330,752	0.030	185,231	0.025	151,412
	\$ 0.360	\$ 3,230,529	\$ 0.350	\$ 2,147,176	\$ 0.300	\$ 1,527,068

## DRIP

On December 10, 2018, the Corporation announced the adoption of the DRIP effective for the regular monthly dividend payable on January 15, 2019 to Shareholders of record on December 31, 2018.

The DRIP provides eligible Shareholders of the Corporation with the opportunity to reinvest the dividends they receive on Common Shares in additional Common Shares at a 3% discount to the volume weighted average closing trading price of the Common Shares on the TSXV for five trading days preceding the dividend payment of the Common Shares and without incurring brokerage fees or commissions.

The DRIP also permits eligible Shareholders of the Corporation to purchase new Common Shares by way of an additional cash payment. The purchase price for the cash payment option is the average closing trading price of the Common Shares on the TSXV for preceding 5 trading days and without brokerage fees or commissions. The minimum permitted monthly optional cash purchase under the cash purchase option is \$100, and not participant may make optional cash purchases in excess of \$10,000 in one financial year. The aggregate number of Common Shares purchased pursuant to the cash payment option during any financial year is subject to a maximum of 2% of the total number of issued and outstanding Common Shares at the commencement of such financial year.

## **DESCRIPTION OF CAPITAL STRUCTURE**

### **Common Shares**

The Corporation is authorized to issue an unlimited number of Common Shares without par value. The holders of Common Shares are entitled to dividends if, as and when declared by the Directors, to cast one vote per Common Share at meetings of the holders of Common Shares and, upon liquidation, to receive such assets of the Corporation as are distributable to the holders of Common Shares.

The Common Shares do not have:

- (a) any pre-emptive rights;
- (b) any conversions or exchange rights;
- (c) any redemption, retraction, purchase for cancellation or surrender provisions;
- (d) any sinking or purchase fund provisions;
- (e) any provisions permitting or restricting the issuance of additional securities and any other material restrictions; or
- (f) any provisions requiring a holder to contribute additional capital.

As at December 31, 2018, there were 11,025,057 Common Shares issued of which 146,666 Shares are subject to certain escrow provisions and, as a result of those escrow provisions, are not considered to be outstanding for accounting purposes.

The Corporation has adopted the DRIP, which results in additional Common Shares being issued to participating eligible Shareholders on a monthly basis in accordance with the terms thereof. See *"Dividend Policy and History – DRIP"*.

### **Stock Option Plan**

As at December 31, 2018, the Stock Option Plan was in effect. It was replaced by the Equity Incentive Plan on July 24, 2019.

The purpose of the Stock Option Plan was to attract and motivate Directors, senior officers, employees, management company employees, consultants and others providing services to the Corporation and its Subsidiaries, and thereby advance the Corporation's interests, by affording such persons with an opportunity to acquire an equity interest in the Corporation, through the issuance of stock options.

The Stock Option Plan was a "rolling" stock option plan permitting the grant of incentive stock options to purchase up to the number of Common Shares that is equal to 10% of the issued Common Shares at the time of the stock option grant. The Stock Option Plan was accepted for filing by the Exchange in connection with the Corporation's initial public offering. As a "rolling" stock option plan, the Stock Option Plan is required to be re-approved by the Shareholders each year at the Corporation's annual general meeting and filed with the Exchange.

The Stock Option Plan authorizes the Board to grant stock options to optionees on the following terms:

- (a) the aggregate number of Common Shares which may be issued pursuant to options granted under the Stock Option Plan, unless otherwise approved by Shareholders, may not exceed that number which is equal to 10% of the Common Shares issued and outstanding at the time of the grant;

- (b) the number of Common Shares subject to each option will be determined by the Board, provided that the aggregate number of Common Shares reserved for issuance pursuant to options granted to:
  - (i) insiders may not exceed 10% of the issued Common Shares;
  - (ii) any one individual may not exceed 5% of the issued Common Shares (unless the Corporation has obtained disinterested Shareholder approval);
  - (iii) any one consultant during any 12-month period may not exceed 2% of the issued Common Shares; and
  - (iv) all persons employed to provide investor relations activities (as a group) may not exceed 2% of the issued Common Shares during any 12-month period;

in each case calculated as at the date of grant of the option, including all other Common Shares under options to such person at that time;

- (c) the exercise price of an option may not be set at less than the minimum price permitted by the Exchange (which contemplates up to a prescribed discount to the market price at the time of grant);
- (d) options may be exercisable for a period of up to ten years from the date of grant;
- (e) the options are non-assignable and non-transferable. The options can only be exercised by the optionee as long as the optionee remains an eligible optionee pursuant to the Stock Option Plan or within a period of not more than 90 days after ceasing to be an eligible optionee (30 days in the case of a person engaged in investor relations activities) or, if the optionee dies, within one year from the date of the optionee's death;
- (f) options granted to consultants engaged to perform investor relations activities must be subject to a vesting requirement, whereby such options will vest over a period of not less than 12 months, with a maximum of 25% vesting in any 3-month period; and
- (g) on the occurrence of a takeover bid, issuer bid or going private transaction, the Board will have the right to accelerate the date on which any option becomes exercisable.

The foregoing is only a summary of the salient features of the Stock Option Plan, and is qualified in its entirety by reference to the actual terms and conditions of the Stock Option Plan.

Notice of options granted under the Stock Option Plan must be given to the Exchange on a monthly basis. Any amendments to the Stock Option Plan must also be approved by the Exchange and, if necessary, by the Shareholders prior to becoming effective.

As at December 31, 2018, there were 813,500 stock options issued and outstanding under the Stock Option Plan.

### **Employee Share Purchase Plan**

The purpose of the ESPP is to advance the interests of the Corporation and its Subsidiaries by facilitating and encouraging employees of the Corporation and its Subsidiaries to purchase Common Shares and accordingly, have a direct interest in the Corporation's success.

The material terms under which employees may purchase Common Shares under the ESPP are as follows:

- (a) only persons who are permanent full-time employees of the Corporation or its affiliates who have completed six full calendar months of service and who reside in Canada are eligible to participate in the ESPP. For greater clarity, Consultants and Investor Relations Consultants (as those terms are defined by the Exchange) are not eligible to participate in the ESPP;
- (b) the Corporation will issue the Common Shares to those employees who are participating in the ESPP once a year (the “**Purchase Date**”) at a price per Common Share determined by calculating the weighted average trading price of the Common Shares on the Exchange for the 5 days immediately preceding the Purchase Date;
- (c) the maximum number of Common Shares issuable under the ESPP is 50,000 Common Shares (subject to adjustment in the event of changes affecting the Corporation’s capital structure), provided that in the aggregate, the Corporation is restricted from offering Common Shares pursuant to both its Stock Option Plan and its ESPP, which will result in the issuance of Common Shares exceeding 10% of the Corporation’s issued Common Shares from time to time;
- (d) no one employee may acquire Common Shares pursuant to the ESPP which exceed more than 1% of the issued and outstanding Common Shares in any 12-month period and the insiders of the Corporation, as a group, may not acquire Common Shares pursuant to the ESPP which exceed, collectively and in the aggregate, more than 2% of the issued and outstanding Common Shares in any 12-month period;
- (e) employees may only designate up to 5% of their salary (in increments of 1%), on an annual basis, to contribute to the ESPP;
- (f) subject to an 18-month vesting period calculated from the Purchase Date, an employee participating in the ESPP will receive the right to receive additional Common Shares consisting of 33 1/3% of the number of Common Shares purchased by such employee on the Purchase Date (the “**Additional Shares**”) and, at the irrevocable election of such participating employee designated at the time of enrollment in the ESPP, either (i) the aggregate value of the dividends that would have been payable on such Additional Shares had they been issued on the Purchase Date (the “**Phantom Dividends**”); or (ii) that number of Common Shares that can be purchased with the value of the Phantom Dividends, which such Common Shares being purchased in the open market through the facilities of the Exchange within 60 days after expiry of the vesting period by an administrative agent appointed under the ESPP, with all incidental fees and expenses being paid by the Corporation;
- (g) the Common Shares purchased pursuant to the ESPP may be paid for in cash or by way of a loan facility provided by the Corporation for such purpose, to be repaid by payroll deductions and supported by a promissory note; and
- (h) the rights granted to employees who elect to participate in the ESPP are not transferrable and no right or interest in any Common Shares which are subject to the vesting provisions of the ESPP may be transferred without the consent of the ESPP administrators.

### **Common Share Purchase Warrants**

The Corporation has issued warrants to purchase Common Shares to agents in connection with its prior private placements and its 2018 Equity Financing. As at December 31, 2018, there were 241,951 Common Share purchase warrants of the Corporation issued and outstanding.

## Credit Facilities

The Corporation utilizes debt financing in the ordinary course of its business (including for acquisitions of target companies) and from time to time has entered into commitment letters and/or credit agreements providing for credit facilities as follows:

- (a) A Credit Facility with the Corporation's former senior lender from December 2014 to June 2017, which included:
  - (i) a line of credit in the amount of \$2,000,000 bearing interest at a rate per annum of 0.75% above the lender's prime rate of interest; and
  - (ii) a term loan of up to \$3,500,000 at an annual interest rate of 1.5% above the lender's prime rate of interest;
- (b) A Credit Facility with Scotiabank from June 2017 to August 2019 (including pursuant to various amendments made in May 2018, March 2019 and June 2019), which included:
  - (i) a revolving term loan in the amount of \$5,000,000 for working capital and general corporate purposes;
  - (ii) a non-revolving term loan, initially in the amount of \$13,862,503 (the amount owing thereof at December 31, 2018 was \$12,846,621);
  - (iii) a credit card facility with a limit of up to \$300,000; and
  - (iv) a revolving term loan in the amount of \$1,000,000 to finance equipment purchases (the amount owing thereof at December 31, 2018 was \$213,259).
- (c) A Credit Facility with Scotiabank and Roynat Inc. from August 2019 to the date hereof, which includes:
  - (i) a \$10,000,000 revolving term loan with a three-year term bearing annual interest at the senior lender's prime rate plus 1% or bankers' acceptances plus 2.5%, and standby fees of 0.25% on the unused portion of such revolving term loan;
  - (ii) a \$21,200,000 term loan with a three-year term, bearing interest at a fixed rate of 8.0% per annum with no required principal payments for the three-year term; and
  - (iii) a credit card facility with a limit of up to \$300,000.

The current Credit Facility provides for security by way of a general security agreement over the assets of the Corporation and its Subsidiaries, and is subject to customary terms, conditions, covenants and other provisions, including both financial and negative covenants. The financial covenants consisted of: (i) a maximum total funded debt to EBITDA ratio of 3.0:1 on a trailing 12-month basis; and (ii) a minimum fixed charge coverage ratio of 1:1:1 on a trailing 12-month basis.

## **MARKET FOR SECURITIES**

The Common Shares are listed for trading on the Exchange under the symbol “DE”. The following is a summary of the price ranges and volumes traded on the Exchange, as applicable, from January 1, 2018 to December 31, 2018.

	High	Low	Volume
Jan-2018	\$4.36	\$4.00	77,300
Feb-2018	\$4.30	\$3.90	39,873
Mar-2018	\$4.34	\$4.07	111,693
Apr-2018	\$4.25	\$3.85	130,297
May-2018	\$4.00	\$3.80	191,294
Jun-2018	\$4.35	\$3.84	170,293
Jul-2018	\$4.24	\$4.00	140,848
Aug-2018	\$4.35	\$4.10	193,409
Sep-2018	\$4.42	\$4.12	117,146
Oct-2018	\$4.42	\$4.26	111,255
Nov-2018	\$4.44	\$4.41	135,030
Dec-2018	\$4.30	\$3.28	182,858

## **PRIOR SALES**

During the year ended December 31, 2018, the Corporation did not issue any securities that were not listed or quoted on an exchange or marketplace.

## **ESCROWED SECURITIES AND SECURITIES SUBJECT TO A CONTRACTUAL RESTRICTION ON TRANSFER**

The following table sets forth the number of Common Shares held, to the knowledge of the Corporation, in escrow or that are subject to a contractual restriction on transfer as at December 31, 2018.

Designation of Class	Number of Securities Held in Escrow or that are Subject to a Contractual Restriction on Transfer <sup>(1)(2)(3)</sup>	Percentage of Class as at December 31, 2018
Common Shares	1,144,881	10.4%

An additional 316,539 Common Shares that were issued by the Corporation to the Northside Vendors on August 16, 2019 are subject to escrow. For more details, see “*Recent Developments – Acquisition of Northside*”.

### **Notes:**

- (1) An aggregate of 366,664 Common Shares issued by the Corporation to the Unicast Vendors were subject to an escrow agreement dated June 23, 2016. The escrow agent was Computershare Trust Company of Canada. The Common Shares held pursuant to this escrow agreement were held in escrow and released over a period of three years from the closing of the transaction on June 23, 2016. As at December 31, 2018, 183,332 Common Shares remained in escrow, which were released on June 23, 2019. Accordingly, as of the date hereof, all Common Shares held in escrow pursuant to the escrow agreement have been released.

- (2) An aggregate of 283,157 Common Shares issued by the Corporation to the Slimline Vendors were subject to an escrow agreement dated May 31, 2018. The escrow agent is Farris, Vaughan, Wills & Murphy LLP. The Common Shares held pursuant to this escrow agreement are being held in escrow and shall be released over a period of three years from the closing of the transaction on May 31, 2018.
- (3) An aggregate of 678,392 Common Shares issued by the Corporation to the Hawk Vendors were subject to an escrow agreement dated June 28, 2018. The escrow agent is Odyssey Trust Company. The Common Shares held pursuant to this escrow agreement are being held in escrow and shall be released over a period of three years from the closing of the transaction on June 28, 2018.

## DIRECTORS AND OFFICERS

The Directors and officers of the Corporation are set forth in the below. The term of office of each Director will expire at the next annual meeting of Shareholders.

Name and Municipality of Residence	Position held with the Corporation	Director of the Issuer since	Principal Occupation for the Preceding Five Years
James Paterson Kelowna, BC	Director, Chairman & CEO	October 2, 2012	Chief Executive Officer of the Corporation since inception. Partner, Barrister & Solicitor with Pushor Mitchell LLP, a law firm, since January 2003.
David Redekop West Kelowna, BC	Director and CCDO	December 6, 2012	Chief Corporate Development Officer of the Corporation since October 2018. Chief Financial Officer of the Corporation from December 2012 to September 2018.
G. Terence Edwards <sup>(4)</sup> Kelowna, BC	Director, Secretary and COO	December 6, 2012	Chief Operating Officer of the Corporation since December 2012. Chief Operating Officer of Pushor, Mitchell LLP, a law firm, from January 2005 to September 2017.
Michael Conway <sup>(1)</sup> <sup>(2)</sup> West Kelowna, BC	Director	December 6, 2012	President of Stratcon Ventures Inc., a management consulting firm, since July 2017. President & CEO, Finance Executives International Canada, a senior financial executives association, from September 2007 to June 2017.
Timothy Pirie <sup>(1)(3)(4)</sup> Kelowna, BC	Director (Lead Director)	December 6, 2012	President of Prospect Energy Services Ltd. since 2002.
M. Bruce Campbell <sup>(1)(2)(3)</sup> Kelowna, BC	Director	December 6, 2012	President and Portfolio Manager of StoneCastle Investment Management, an investment fund manager, since September 2008.
Warren Matheos <sup>(3)</sup> Calgary, AB	Director	December 6, 2012	Senior Business Development Manager – Western Canada at Temple Lifestyle Ltd., a brand developing company, since May 2017; Senior Key Account at PepsiCo Canada from September 2016 to April 2017; Regional Director West at Heineken Canada from October 2013 to January 2016;
Robert Louie <sup>(1)(2)</sup> West Kelowna, BC	Director	April 25, 2013	Proprietor of Indigenous World Winery since 2012; Proprietor Indigenous World Distillery & Spirits since 2013; Chief of the Westbank First Nation, a self-governing First Nation, from 2002 to 2016.
Peter Jeffrey <sup>(1)(4)</sup> Kelowna, BC	Director	November 13, 2013	President of PD&J Associates, a consulting business, since February 2013.
Rick Torriero Kelowna, BC	CFO	NA	Chief Financial Officer of the Corporation since October 2018. Vice President, Finance of Savanna Energy Services Corp. from April 2015 to June 2018. Director, Finance and Accounting of Savanna Energy Services Corp. from August 2011 to April 2015.

### Notes:

- (1) Independent Director.  
(2) Member of the Audit Committee.  
(3) Member of the Governance and Compensation Committee.  
(4) Member of the Risk Committee.

### Aggregate Ownership of Securities

As of the date of this annual information form, the current Directors and officers of the Corporation beneficially own, or exercise control and direction over, directly or indirectly an aggregate of 1,324,231 Common Shares (approximately 11.6% of the outstanding Common Shares).

## **Corporate Cease Trade Orders or Bankruptcies**

For the purposes of this section, “**Order**” means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or
- (c) an order that denied the relevant company access to any exemption under securities legislation;

that was in effect for a period of more than 30 consecutive days.

No current Director or officer of the Corporation, or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, is, or has been within the past ten years, a director, trustee or executive officer of any issuer that:

- (a) was subject to an Order that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer;
- (b) was subject to an Order that was issued after the Director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted in an event that occurred while that person was acting in the capacity as a director, chief executive officer or chief financial officer; or
- (c) within one year of that person ceasing to act in the capacity as a Director or executive officer of the issuer, became bankrupt or made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

## **Penalties or Sanctions**

No current Director or officer of the Corporation, or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into any settlement agreement with a securities regulatory authority, or any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

## **Individual Bankruptcies**

No current Director or officer of the Corporation, or Shareholder who holds a sufficient number of securities of the Corporation to materially affect control of the Corporation, is or has, within the ten years preceding the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of that individual.

## **Conflicts of Interest**

To the best of the knowledge of the Corporation, there are currently no known existing conflicts of interest between the Corporation or a Subsidiary and any Director or officer of the Corporation or a Subsidiary.

There may be potential conflicts of interest to which some or all of the Directors, officers, and insiders of the Corporation become subject in connection with the operations of the Corporation and situations may arise from time to time where some or all of the Directors, officers and insiders of the Corporation will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the BCBCA.

## **PROMOTERS**

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### ***Engagement of Adelaide***

On January 16, 2019, the Corporation announced that it had engaged Adelaide Capital Markets Inc. to provide investor relations services for the Corporation, including:

- (i) meeting and communicating with corporate analysts, institutional and professional investors, and retail brokers for the purpose of encouraging or promoting investment in the Corporation;
- (ii) advising the Corporation with respect to its communication materials, including the Corporation's press releases and its website;
- (iii) advising the Corporation generally with respect to its corporate development and the advancement of its interests; and
- (iv) assisting the Corporation with preparation for meetings and presentations with investors.

The initial term of the agreement was for three months of 2019 at a cost of \$8,000 per month. This agreement has proceeded on a month to month basis since the expiration of the initial term on March 31, 2019. No fees were paid for the months of July and August 2019.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

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Other than as set forth below, management of the Corporation is not aware of any material legal proceedings or regulatory actions to which the Corporation or its Subsidiaries is a party or of which any of their respective property is subject.

In January 2017, the Corporation announced that it had been made aware of a notice of motion filed with the Ontario Superior Court by Constance Weller, Gerald Weller, Adrienne Latimour and Tara Pengally, the plaintiffs in a civil claim (the "**Claim**") requesting an order granting the plaintiffs leave to amend their statement of claim to, among other things, add two of the Corporation's Subsidiaries, Valley Comfort and Blaze King Canada as defendants to the Claim.

Under the Claim, the four individual plaintiffs seek aggregate damages against the defendants of: \$11,000,000, plus aggregate punitive, aggravated or exemplary damages of \$10,000,000 and \$200,000 in damages pursuant to the *Family Law Act* (Ontario) and prejudgment interest, costs and such other relief as the court deems just.

Management of the Corporation believes that the Claim against the named Subsidiaries is without merit and, in the event that court grants the motion allowing the statement of claim to be amended, each of the named Subsidiaries will vigorously defend itself against the Claim.

In the event that the requested motion is granted and damages are ultimately awarded against the named Subsidiaries, management of the Corporation believes damages of up to \$10,000,000 would be insured, which is the limit on the insurance policy. The named Subsidiaries have notified their insurance company of the notice of motion.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

No Director or executive officer of the Corporation or any person or company that beneficially owns or controls or directs, directly or indirectly, more than 10% of the Common Shares, or an associate or affiliate of the forgoing, has any material interest, direct or indirect, in any transaction within the three recently completed financial years or during the current financial year that has materially affected, or is reasonably expected to materially affect the Corporation.

### **Key Management Compensation**

The Corporation identifies its key management personnel as being those personnel having the authority and responsibility for planning, directing, and controlling the Corporation. Salaries and benefits, bonuses and share-based payments are included in compensation expenses.

Compensation awarded to key management for the financial years ended December 31, 2018, 2017 and 2016 are as follows:

	<b>December 31, 2018</b>		December 31, 2017		December 31, 2016
Salaries and benefits	\$ 290,610	\$	167,515	\$	150,672
Share-based payments	<b>216,970</b>		-		892,746
	<b>\$ 507,580</b>	\$	167,515	\$	1,043,418

### **Hawk Lease**

Hawk's production facility located in Linden, Alberta is leased from a company owned by the former owner and current President of Hawk, Duane Klassen. This site has a lease in place until June 28, 2023.

## **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The auditors of the Corporation are PricewaterhouseCoopers LLP, Vancouver, British Columbia.

The registrar and transfer agent for the Common Shares is Computershare Trust Company of Canada at its principal offices in Vancouver, British Columbia.

## **MATERIAL CONTRACTS**

The following is a summary of the material contracts of the Corporation, other than contracts entered into in the ordinary course of business:

- (a) the ESPP;
- (b) the Stock Option Plan;
- (c) the DRIP; and
- (d) the Credit Facility.

Copies of these material contracts are available for inspection at the head office of the Corporation at #201, 1674 Bertram Street Kelowna, British Columbia V1Y 9G4, upon reasonable notice, and on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INTERESTS OF EXPERTS**

PricewaterhouseCoopers LLP, the auditors of the Corporation, has advised the Corporation that it is independent of the Corporation within the meaning of the Rules of Professional Conduct of the Institute of Chartered Professional Accountants of British Columbia.

## **ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including Directors' and officers' remuneration and indebtedness, principal holders of the securities of the Corporation and securities authorized for issuance under compensation plans is contained in the management information circular of the Corporation dated June 19, 2019. Additional financial information is provided in the Corporation's financial statements and management discussion and analysis for the financial year ended December 31, 2018.