

UNISYNC CORP.

ANNUAL INFORMATION FORM

For the Fiscal Year Ended

September 30, 2019

Dated: December 20, 2019

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ANNUAL INFORMATION FORM

CERTAIN INTERPRETATION MATTERS

Unless the context requires, all references to the “Corporation” or “Unisync” means Unisync Corp. and its predecessors. Unless otherwise specified, all references to “\$” or “dollars” refer to Canadian currency.

This Annual Information Form (“AIF”) may refer to registered trademarks, trade names and service marks of companies other than the Corporation, which names and marks belong to their respective owners. Unisync and the Unisync logo are registered trademarks.

This AIF is dated December 20, 2019. Except where otherwise indicated, the information contained in this AIF is stated as of September 30, 2019.

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This AIF contains statements, which, to the extent that they are not recitations of historical fact, may constitute forward-looking information under applicable Canadian securities legislation. Such forward-looking statements or information include, but are not limited to, statements with respect to the Corporation’s plan to expand into other segments of the garment industry, to acquire established revenue producing businesses and to pursue the Department of National Defence’s Operational Clothing and Footwear Contract and new accounts in the North American airline sector along with statements regarding the expected purchases of uniforms by Alaska Airlines, in addition to statements regarding the Corporation’s future plans, objectives, performance, revenues, growth, profits, operating expenses or the Corporation’s underlying assumptions. Generally, these forward-looking statements can be identified by the use of forward-looking terminology such as “plans”, “expects”, “is expected”, “budget”, “scheduled”, “estimates”, “forecasts”, “intends”, “anticipates”, “believes” or variations of such words and phrases or statements that certain actions, events or results “may”, “would”, “could”, “might” or “will be taken”, “occur” or “be achieved” or the negative connotation thereof. Persons reading this Annual Information Form are cautioned that such statements or information are only predictions, and that the Corporation’s actual future results or performance may be materially different. Factors that could cause actual events or results to differ materially from those suggested by these forward-looking statements include, but are not limited to: competition, operational risk, litigation, a change in the timing or bidding conditions of future government contracts, customer concentration/economic dependence, working capital, potential conflicts of interest, volatility of stock price, disruptions in production, government budgetary restraint, reliance on key personnel, reliance on few suppliers, reliance on subcontractors, technological milestones, operating cost fluctuations, increases in interest rates, decreases in the value of the Canadian dollar against the U.S. dollar and other foreign currencies, access to credit, potential unknown liabilities and cybersecurity risks and including, but not limited to, other factors described in the Corporation’s reports filed on SEDAR, including its financial statements and management’s discussion and analysis for the year ended September 30, 2019. This list is not exhaustive of the factors that may affect the Corporation’s forward-looking information. These and other factors should be considered carefully, and readers should not place undue reliance on such forward-looking information. All forward-looking statements made in this Annual Information Form are qualified by this cautionary statement and there can be no assurance that actual results or developments anticipated by the Corporation will be realized. The Corporation disclaims any intention or obligation to update or revise forward-looking information, whether as a result of new information, future events or otherwise, except as required by law.

CORPORATE STRUCTURE

The Corporation

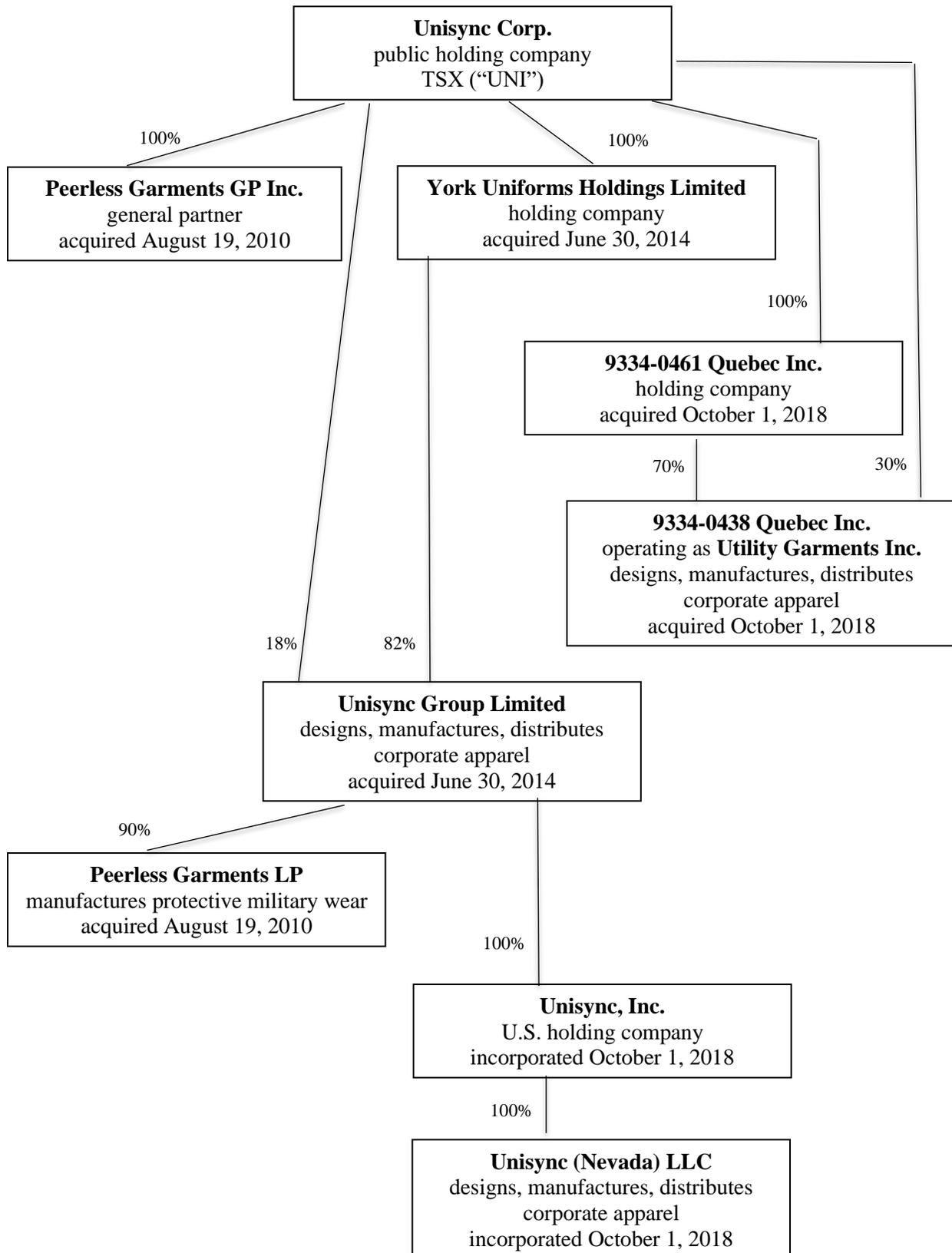
Unisync Corp. (“Unisync”, or the “Corporation”) is a corporation existing under the British Columbia *Business Corporations Act*. The Corporation was formed by the amalgamation of Chatworth Resources Inc. and ComWest Capital Corp. on November 30, 2005 under the name “ComWest Enterprise Corp.”. The Corporation changed its name to Unisync Corp. on August 1, 2014. The Corporation’s head office and principal address are located at Suite 1328, 885 West Georgia Street, Vancouver, British Columbia, Canada, V6C 3E8 and its registered office is located at 2500 – 700 West Georgia Street, Vancouver, British Columbia, Canada V7Y 1B3.

On October 19, 2009, the outstanding common shares of the Corporation were effectively consolidated on a 5:1 basis. On March 3, 2015, the outstanding common shares of the Corporation were consolidated into a single class of shares named the Class B Common Shares. On March 28, 2018 the Class B Common Shares were renamed to “Common Shares”.

Intercorporate Relationships

As at September 30, 2019, the Corporation had eight directly and indirectly wholly-owned subsidiaries, York Uniforms Holdings Limited (incorporated under the laws of The Province of Ontario), Peerless Garments GP Inc. (incorporated under the laws of The Province of Ontario), Unisync Group Limited (incorporated under the laws of The Province of Ontario), 9334-0461 Quebec Inc. (incorporated under the laws of The Province of Quebec), 9334-0438 Quebec Inc., operating as Utility Garments Inc. (incorporated under the laws of The Province of Quebec), Unisync, Inc. (incorporated under the laws of The State of Delaware) and Unisync (Nevada) LLC (incorporated under the laws of The State of Nevada). The Corporation also indirectly holds a 90% partnership interest in Peerless Garments LP (formed under the laws of The Province of Manitoba).

A diagram setting forth these intercorporate relationships is set forth below.



DESCRIPTION OF THE BUSINESS

Summary

Unisync is one of the largest broadly based independent uniform providers in Canada. Unisync is a vertically integrated enterprise with strong capabilities in garment design, domestic manufacturing and offshore outsourcing, combined with web based B2B ordering, distribution and program management systems.

Unisync operates through two business segments: Peerless Garments LP (“Peerless”) of Winnipeg, Manitoba and Unisync Group Limited (“UGL”) of Mississauga, Ontario. Peerless specializes in the production and distribution of highly technical protective garments, military operational clothing and accessories for a broad spectrum of Federal, Provincial and Municipal government departments and agencies. UGL is a leading customer-focussed provider of corporate apparel, serving a list of leading Canadian iconic brands such as Air Canada, Purolator, Shoppers Drug Mart, Sobeys and Tim Hortons.

Peerless was founded in 1941 and has been a supplier to the Canadian military since 1950. Peerless is a leader in the production of highly-technical garments which provide water-resistance, wind-proofing and warmth. Peerless is licensed to use Gore-Tex® fabrics including Wind-Stopper® and other work wear materials. It is experienced with fire resistant materials, anti-static products, chemical warfare protective materials and other specialized fabrics. Peerless has a proud history of delivering leading Canadian-made jackets, parkas and apparel for the public, government agencies and private companies from its owned 85,000 square foot office, manufacturing and warehouse facility in Winnipeg. The Peerless operation in Winnipeg is certified under ISO:9001. In addition to manufacturing products at its Winnipeg operation, Peerless outsources a portion of its production to subcontractors located in the Greater Toronto Area. Approximately 92% of Peerless’ fiscal 2019 sales were made to various departments of the Federal Government of Canada.

UGL’s predecessor companies, J.P. Hammill & Son Limited (“Hammill”) and York Uniforms Limited (“York”) began operations in Guelph, Ontario in 1929 and in Mississauga in 1980, respectively. Hammill, acquired by UGL in 2005, is UGL’s workwear brand and York, acquired by UGL in 2004, is its corporate apparel brand. UGL is headquartered in Mississauga, Ontario, where it leases a 12,000 square foot office facility occupied by its design, sales and administrative teams. UGL also leases a 101,000 square foot facility in Guelph, Ontario, that houses its warehousing, distribution and finishing operations. The Mississauga and Guelph, Ontario locations are certified under ISO:9001, ISO:14001 and OHSAS:18001. In addition to these locations, UGL leases an 800 square foot office facility in Montreal, Quebec, a 9,000 square foot customer sales and service centre in Mississauga Ontario, a 4,000 square foot distribution facility in Carleton Place, Ontario and a 13,000 square foot distribution facility in Richmond, British Columbia.

During the year ended September 30, 2019, the operations of the UGL segment were expanded to include Utility Garments Inc., (“Utility”) of St. Laurent, Quebec, acquired on October 1, 2018 for cash consideration of \$18.3 million (including the repayment of \$7.2 million of long term debt held by Utility) and the issuance of 1,272,727 common shares of Unisync to the vendors of Utility. Utility has been a leading provider of corporate uniforms in Canada since it was founded in 1935. Utility owns its 65,000 square foot manufacturing and distribution facility. On January 10, 2019, the UGL segment added the assets of the hospitality division of Red The Uniform Tailor (“RTUT”) of Lakewood, New Jersey in a \$0.8 million purchase from Galls, LLC. In April 2019, the RTUT operations were relocated to a 10,000 square foot office and distribution centre in Farmingdale, New Jersey. Coincident to the RTUT acquisition, the UGL segment furthered the expansion of its operations into the US marketplace with the lease of a 45,000 square foot sales, service and distribution facility in Henderson, Nevada effective March 2019.

The UGL segment sources its product from overseas manufacturers currently located in China and Bangladesh and from North American suppliers of finished goods. The UGL segment has over 1,000 customers with the largest, Air Canada, representing 24% of the UGL segment's fiscal 2019 sales. Over 80% of UGL's sales are made to customers under long term contracts that include inventory buyback obligations in the event of termination.

Marketing and Sales Strategy

The Corporation markets itself through its company website, representation at trade shows, participation in industry associations and advertising in trade journals.

The Peerless segment's long history of manufacturing quality Canadian made products for the Canadian military makes it a preferred supplier of choice to the Department of National Defence ("DND"). Peerless and other Corporate personnel are well known by their Federal Government department counterparts and are in regular communication with these individuals to advise on Requests For Proposals ("RFP") to ensure Peerless is well positioned to successfully bid when the RFPs are released.

The Corporation considers itself a knowledge leader and innovator in image apparel and workwear. UGL has received numerous notable awards recently, keeping it at the forefront of the industry and top-of-mind with customers. Each year, the North-American Association of Uniform Manufacturers and Distributors ("NAUMD") gives out "Image of the Year" awards for outstanding product design in major corporate apparel categories. Since joining the NAUMD in 2010, UGL has won nineteen of these awards, the most in the industry during that timeframe.

UGL's business development managers are responsible for soliciting new customers and establishing new customer contracts with the support of UGL's management team. UGL invests significant time and resources into researching and understanding the key 'must haves' for each target customer. UGL then builds a proposal around those needs, thereby positioning it as the clear supplier of choice to meet the needs of the customer. This sales method allows UGL to sell 'value,' not 'price.' Once a potential customer visits UGL's industry-leading distribution facility in Guelph, the conversion rate to signing a new customer contract is very high. After a new account has been established and a contract is signed, an account executive and an account operations manager are assigned to manage the account. UGL's customer service and online chat representatives work with the account executive and the account operations manager to support its customer base.

UGL's goal is to make the process of ordering, receiving and wearing of apparel, related accessories and duty gear, a customer friendly experience. To that end, UGL has invested significantly in recent years in developing its customer specific Electronic Storefronts ("ESF"). These ESFs provide a number of benefits, including ease of order entry, order tracking and delivery email notifications. The ESF enables customers to manage their uniform programs in a variety of ways. Customers can enable their employees to order their own uniforms and pay for them via: (i) credit card, (ii) points awarded to them by the employer, (iii) quota allotted to them by their employer, (iv) a department budget on credit terms, or (v) any combination of the previous four options. The system enables the customer to easily administer their uniform programs to: (i) add/delete eligible employees, (ii) track purchasing history, (iii) check inventory availability, (iv) track shipments, (v) modify employee data such as points or quota, and (vi) modify budget amounts for various departments or individuals.

In fiscal 2019, 93% of Unisync's sales were made to customers in Canada, with the balance to US based customers. During the 2019 fiscal year, the Corporation expanded its Canadian sales force and established a sales presence in the United States with the expectation of increasing top-line growth in both countries.

Competitive Conditions

With the globalization of the garment industry and the move to lower wage countries for production, along with a decrease in skilled sewing labour in Canada, the number of sewing facilities in Canada has decreased significantly in recent years. The remaining facilities in Canada are focused on producing highly technical garments such as that produced by Peerless or on high margin fashion items such as Canada Goose parkas. Peerless has limited competition for the Federal Government's highly technical protective garment contracts that stipulate made in Canada, but it does face strong competition from Canada Goose for capacity in the factories of its Canadian subcontractors. Peerless affords its subcontractors with a steady regular business volume and given its long relationships with these subcontractors it has been able to maintain its supply chain to meet its production needs.

UGL primarily sells to corporate accounts based in Canada. It competes for these accounts with privately owned Canadian companies like Actionwear, Logistik Unicorp, Martin & Levesque and WearWell Garments as well as with such major United States based companies like Aramark Corp. (private), Cintas Corp. (Nasdaq: CTAS), Superior Group of Companies (Nasdaq: SGC), UniFirst Corp. (NYSE: UNF) and VF Corp. (NYSE: VFC). The North American corporate apparel industry is fragmented with smaller businesses finding it increasingly difficult to compete with the sophisticated customer service, product design, procurement, and inventory management/distribution operations requirements demanded by large corporate customers. UGL has consolidated its offshore production with a small number of factories in China and Bangladesh. UGL's volume represents between 15% and 50% of its largest overseas vendors' total volume, making it a significant customer for these vendors but not dependent on any one of them. UGL is continually searching the global garment manufacturing market for high quality, lower cost solutions to respond to its customers' needs and changing economic conditions.

Research and Development Activities

Peerless' and UGL's management and design teams are continually investigating new fabrics and trims to offer to customers for their uniform products to provide greater comfort, safety and durability, and in some cases, cost savings. The Corporation will present these innovative solutions to its customers when developing samples to bid on new business or when designing new uniform components.

Intellectual Property

The uniform designs and technical packs that the Corporation creates are the exclusive property of its customers. All concepts, inventions, ideas, know how, patent rights, data, trademarks, copyrights, customer specifications which are related to, arise out of, or in connection with any and all uniform products belong to the customer.

The Hammill™ and York™ brand names and logos are trademarked in Canada. The names Best-Fit™ and Unisync™ are trademarked in Canada and the United States. Best-Fit™ is a leading-edge body measurement service that the Corporation has exclusively obtained for use in the Canadian uniform industry from Bodi-Data Inc. The service is provided by UGL to its strategic clients on their ESFs to allow their employees to conveniently obtain the best fitting uniform product offered. By offering the service, the Corporation is able to reduce returns and enhance its customer's employee satisfaction with the uniform ordering process.

Cycles

The Corporation does not experience significant seasonal industry-based economic cycles. Peerless' revenues are impacted by the timing of issuance of new government contracts and by the exercise of contract options. These new contracts and options can be affected by Government budgets, political issues

and by supply and demand. The UGL segment's revenues from its existing customer base are steady year over year. Spikes can occur with new customer wins or by the impact of large new uniform rollouts such as with the distribution of the new Air Canada uniform and the new Shoppers Drug Mart uniform that occurred in fiscal 2018 as discussed under "General Development of the Business". These new uniform rollouts can occur at any time of the year.

Employees

As of the end of fiscal year ended September 30, 2019, the Corporation employed 360 full-time personnel. Of these personnel, 147 were engaged in garment production, alteration and embroidery, 60 in distribution, 61 in sales, marketing and customer service, 21 in design, 60 in general administration and support and 11 in executive management. This compares with the following as of the fiscal year ended September 30, 2018: 259 full-time personnel. Of these personnel, 116 were engaged in garment production, alteration and embroidery, 40 in distribution, 48 in sales, marketing and customer service, 9 in design, 39 in general administration and support and 7 in executive management.

Peerless employees involved in the production of garments are organized under a collective agreement ratified on April 13, 2017 with the Workers United Canada Council Local 459. That agreement expires on December 14, 2020. As of the end of the fiscal year ended September 30, 2019, Peerless employed 89 unionized employees compared to 86 at the end of the fiscal year ended September 30, 2018. Peerless has a history of good relations with the union and its unionized employees.

Foreign Operations

Unisync's sales are to customers primarily located in Canada. For the year ended September 30, 2019, direct sales to customers located in the United States represented 7.1% of consolidated sales, up from 1.1% for the year ended September 30, 2018. It is expected that this proportion will increase in 2020 when UGL ships the bulk of the Alaska Airlines Inc. new uniform rollout that began in mid September 2019 and with a full year of operations in New Jersey as discussed under "General Development of the Business".

Unisync entered into a long-term lease of a sales, service and distribution facility in Henderson Nevada effective March 2019. The facility is used to service Alaska Airlines and as a base for supplying other new accounts in the US. In January 2019, Unisync acquired the New Jersey based assets of the hospitality division of RTUT and those operations were relocated to an office and distribution centre in Farmingdale, New Jersey.

UGL relies on subcontractors to manufacture its uniform products in China and Bangladesh.

Financing of the Business

The Corporation funds its working capital and capital expenditures requirements through internal cash generation and through its two operating loan facilities with a Canadian chartered bank. The acquisitions of Peerless, UGL, Carleton (acquired in 2015 and subsequently assumed by UGL and then dissolved in fiscal 2019), Omega (acquired in 2015 and subsequently assumed by UGL and then dissolved in fiscal 2019) and Utility were financed by any of bank term debt, vendor take back notes and the issuance of common shares or some combination thereof.

Additional information concerning Unisync's financing sources can be found under the section entitled "Liquidity" of the Corporation's Management Discussion and Analysis for the year ended September 30, 2019, which can be found on SEDAR at www.sedar.com and is incorporated herein by reference.

Subsequent to the year ended September 30, 2019, the Company received \$2 million in bank postponed shareholder advances. These bank postponed shareholder advances bear interest at 12% per annum, are subject to processing fees of 2.5% with repayment of the principal amounts of the advances and the accrued interest and processing fees due on March 15, 2020. Also subsequent to the year ended September 30, 2019, upon receipt of an Export Development Canada guarantee issued under the EDC Export Guarantee Program, a Canadian chartered bank established a US\$5 million guarantee facility until December 31, 2020 to offer guarantees of up to US\$5 million to its US bank affiliate in support of a US\$5 million operating loan facility to be provided by the US bank affiliate to Unisync (Nevada) LLC.

Risk Factors

The Corporation's business is subject to significant risks and uncertainties and past performance is no guarantee of future performance. Investors in securities of the Corporation should consider the following risk factors, in addition to the risks described in the Corporation's Management Discussion and Analysis for the year ended September 30, 2019.

Competition

Each of the Corporation's operating segments competes with a variety of other uniform providers, primarily on the basis of quality and price. Intensified competition in any of the markets in which the Corporation competes could adversely affect the Corporation's ability to conduct its operations and successfully be awarded contracts in the future.

The Corporation's success depends on its ability to retain its current customers and renew existing customer contracts. The ability to renew contracts depends on a variety of factors including quality, price, service and marketing. There can be no assurance that existing customer contracts will be renewed at the same or higher rates or that the Corporation's current customers will not utilize competitors. The failure to renew a significant number of existing contracts would have an adverse effect on the Corporation's results of operations and financial condition.

Operational Risk

The Corporation supplies uniforms to many industries that may be subject to adverse economic and business conditions that may result in reduced employment levels, workforce reductions, uncertainty regarding rehiring and shifts to offshore manufacturing. Economic or business conditions that adversely affect the Corporation's customers may cause such customers to restrict expenditures, reduce workforces or cease business operations. Any of these circumstances would have the effect of reducing the number of employees utilizing uniforms provided by the Corporation, which could adversely affect the Corporation's sales and results of operations.

Litigation

The Corporation may be subject from time to time to legal proceedings and claims arising from the conduct of its business operations, including personal injury claims, contract matters and employment claims. These claims may result in significant investigation and litigation expenses and a significant judgement against the Corporation may have a material adverse impact on the Corporation's financial performance.

Change in the timing or bidding conditions of future government contracts

The Canadian Federal Government has historically released RFP's for military operational clothing contracts by uniform product item, received bids and awarded contracts with options on a regular basis. Peerless is well positioned to meet the requirements of these RFPs given its history of making garments for

the Federal Government and its involvement in the RFP creation process. The regular release of these RFP's, awarding of contracts and the exercising of options allows Peerless to purchase the necessary raw materials, staff its production operations appropriately and schedule capacity at its subcontractors. If the timing of the process is disrupted or bidding conditions change, then Peerless may not be able to successfully procure the same volume of contracts and maintain its current level of output.

Customer Concentration/Economic Dependence

During the year ended September 30, 2019, revenue from the Canadian military and other Canadian governmental agencies accounted for 14% of total revenue (2018 – 13%) and revenue from an airline industry customer accounted for 21% of total revenue (2018 – 45%). A loss of any significant client would have a negative impact on the Corporation's revenues and could impact the Corporation's ability to attract and retain other clients.

Working Capital

The Corporation may require funding for working capital, to complete acquisitions or for other purposes in the future. Such funding may be raised through additional public or private equity or debt financings or other sources and will, if obtained by way of subsequent equity financing, result in dilution to shareholders. There is no certainty that funding will be available as and when it may be required. This would adversely affect the Corporation's growth plans.

Potential Conflicts of Interest

The directors of the Corporation will not be devoting all of their time to the affairs of the Corporation, but will be devoting such time as required to effectively manage the Corporation. Some of the directors of the Corporation are engaged in other businesses. Accordingly, conflicts of interest may arise from time to time. Any conflicts will be subject to the procedures and remedies under the *Business Corporations Act* (British Columbia) or other relevant corporate statutes.

Volatility of Stock Price

The Corporation's common shares do not necessarily trade at prices determined by the underlying value of the Corporation's business and cannot be predicted. The market price of the common shares may be subject to significant fluctuations in response to variations in quarterly operating results, illiquid trading, lack of public float and other factors. In addition, securities markets have experienced significant price and volume fluctuations from time to time in recent years that are often unrelated or disproportionately related to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Corporation's common shares.

Disruptions in Production

The unexpected interruption of any of the Corporation's supply sources or manufacturing facilities could adversely affect the Corporation's results of operations until alternative supply sources or manufacturing facilities can be secured. Unexpected events could include fires or explosions at the Corporation's facilities, natural disasters, war or terrorist activities, unplanned outages, supply disruptions and equipment or systems failures.

Government Budgetary Restraint

The Canadian Federal Government's defence spending is a component of its overall fiscal budget. Should budget constraints arise for political reasons or due to changes in the general health of the economy, the

Federal Government may decide to temporarily defer spending on defence. Any such budget cutbacks may result in the delay in the issue of RFPs, the awarding of contracts or the exercise of options on the military operational clothing manufactured by Peerless.

Reliance on key personnel

The Corporation relies on management to maintain its profitability and on the ability of its directors and officers to identify additional investments of merit. The loss of any of these personnel could have an adverse effect on the Corporation.

Reliance on few suppliers

The Corporation sources raw materials and finished goods from a limited number of third-party suppliers. These suppliers may not be able to supply the required quantities of product. If the Corporation fails to maintain its relationship with these suppliers, it may not be able to sell its products at cost-effective prices. If that were to occur, the Corporation may be unable to manufacture its products in a timely manner or its products may be manufactured only at a higher cost, and the Corporation could be prevented from delivering products to its customers in the required quantities and at profitable prices. The failure of a supplier to supply products that meet quality, quantity and cost requirements in a timely manner could impair the Corporation's ability to manufacture or deliver its products, or increase its costs.

Reliance on subcontractors

Approximately 50% of the product manufactured by Peerless is subcontracted to factories in the greater Toronto area and over 65% of the product sold by UGL is manufactured by offshore subcontractors. If any one of the larger subcontractors used by Peerless or UGL were to fail, production would be delayed until a new subcontractor was sourced and this could lead to late product deliveries that could result in financial penalties or loss of customer contracts.

Technological Milestones

The long-term success of the Corporation's operations may be limited by its ability to adapt to significant advancements in both the equipment and the technology used in its operations, such as e-commerce technologies and other developments. The rapid pace of development in this industry has been evident over the last few years and is likely to continue into the future. The Corporation can provide no assurances that it will stay abreast of technological trends.

Operating Cost Fluctuations

The Corporation's financial performance depends on the successful operation of its manufacturing and distribution facilities. The cost of operation and maintenance and the operating performance of the Corporation's facilities may be adversely affected by a variety of risk factors including unexpected maintenance and replacement expenditures, shutdowns due to the breakdown or failure of a plant's equipment, labour disputes, catastrophic events, the aging of facilities which may reduce the operating performance or increase the cost of maintenance and fluctuations in the cost of materials used in manufacturing.

Increases in Interest Rates

Interest rate fluctuations may affect the Corporation's financial results, including by increasing the interest cost of any floating-rate bank indebtedness. A significant rise in interest rates may materially increase the cost of capital.

Decreases in the Value of the Canadian Dollar against the U.S. Dollar and Other Foreign Currencies

A significant portion of the Corporation's raw material and finished goods purchases are made in U.S. dollars, but products are sold to customers in Canada in Canadian dollars. On average, Unisync incurs these raw material and finished goods purchases six to nine months before the products are sold. The Corporation may not be able adjust its prices fast enough to pass on the cost of any adverse fluctuations in the exchange rate to its customers and as a result its profit margins may be reduced.

Access to Credit

The Corporation relies on its operating cash flows and its bank credit facilities to provide sufficient working capital. However, a deterioration in the global financial markets could affect the Corporation's ability to access bank credit markets, which could adversely affect the Corporation's liquidity. In addition, under its bank credit facilities, the Corporation has made various restrictive covenants to lenders. These restrictions prohibit or limit the Corporation's ability to incur additional debt, dispose of assets or pay dividends. If the Corporation defaults under its bank credit facilities, the Corporation's lenders may be entitled to demand repayment and enforce security against the Corporation's assets.

Potential Unknown Liabilities

As part of the Corporation's past and future acquisitions, it has assumed liabilities and risks. Although the Corporation conducted due diligence, there may be liabilities or risks that the Corporation failed or was unable to discover or for which the Corporation was not indemnified. Any such liabilities, individually or in the aggregate, could have a material adverse effect on the Corporation's financial position and results of operations.

Cybersecurity

In the normal course of its activities, the Corporation relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about the Corporation, its customers and its suppliers, as well as personal information about its employees. If the Corporation were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns. This could also have an adverse impact on results and cause considerable damage to the Corporation's reputation and could potentially result in legal actions.

GENERAL DEVELOPMENT OF THE BUSINESS

The Corporation acquired 90% of the partnership units of Peerless in August 2010. Since that time, Peerless has been awarded a number of multi-million dollar contracts by Public Works and Government Services Canada to produce garments such as combat rain-suits, enhanced combat uniforms and cold weather parkas and trousers for the DND. These awards are made up of firm contract amounts with options that may be exercised by the DND within 36 to 48 months of the initial contract award date. The June 2014 acquisition of UGL was made in response to the DND's plans to outsource the procurement, warehousing and distribution of operational clothing, footwear, and personal equipment under one contract known as the Operational Clothing and Footwear Contract ("OCFC2"). The contract is expected to include provisions for the development of a direct delivery system between the contractor and the individual military member for select items; and include a services component for the improvement and development of related items. UGL's Canadian distribution capabilities were considered a necessity to combine with Peerless's domestic manufacturing experience with the DND to allow the Corporation to bid on the OCFC2. An RFP document was released by the Canadian Federal Government in 2019 for bidders on this 20-year \$1 billion contract.

Responses to the OCFC2 RFP bid are due on February 28, 2020. It is expected that the contract will be awarded by the end of the 2020 calendar year. Since its fiscal 2015 year, the Corporation has invested significant personnel time, has completed the necessary International Organization for Standardization (“ISO”) certifications and is implementing a new Enterprise Resource Planning (“ERP”) system to favourably position itself to secure this contract award. The DND’s issuance of new contracts and the exercise of options on existing contracts to Peerless has slowed with the anticipation of the awarding of work under the OCFC2.

Building upon the acquisition of UGL, Unisync acquired Carleton Uniforms Inc. of Carleton Place, Ontario in May 2015 and Omega Uniforms Systems Ltd. of Vancouver, British Columbia in June 2015 to operate under the UGL segment. Carleton is a full-service uniform provider specializing in work and dress wear for the Canadian Emergency Services sector while Omega is a western based supplier of corporate uniform programs, image apparel and custom uniforms. These companies were assumed by Unisync Group Limited in fiscal 2019 and dissolved.

During the fiscal year ended September 30, 2015, UGL signed a long-term contract with Air Canada that led to the opening of service boutiques at airport locations in Montreal, Mississauga and Vancouver to support the fitting and distribution of uniforms to Air Canada’s Canadian based employees. In the same year, while UGL began producing and distributing Air Canada’s existing uniform program, it also began working with Air Canada and its fashion designer on the development of a new uniform for Air Canada’s 30,000 domestic and international employees. In the fiscal year ended September 30, 2017, the new uniforms were produced at UGL’s subcontracted offshore factories and received at UGL’s Guelph warehouse for distribution. Fittings and distribution to Air Canada’s 5,000 pilots were completed during the fourth quarter of the 2017 fiscal year and to Air Canada’s 25,000 air and ground crew employees during the fiscal 2018 year. In April 2018, the North American Association of Uniform Manufacturers and Distributors (“NAUMD”) awarded UGL its Image of the Year Award in the “Transportation – People” category for the new designs of Air Canada’s entire Image Apparel Program and the “Best of the Best” Award for the new Air Canada Image Apparel Program in recognition of overall excellence. In June 2018 the Best Design for Corporate Clothing Award was presented to UGL for the Air Canada entire Image Apparel Program by The Professional Clothing Awards at the European uniform industry’s gala event, held in London, England. The Professional Clothing Awards recognize and reward exceptional workwear, corporate clothing and personal protective equipment providers from around the world.

Revenue from Air Canada grew from 15% of Unisync’s consolidated total in the fiscal year ended September 30, 2015 to 45% in the fiscal year ended September 30, 2018 with the rollout of new uniform kits that included two or more pieces of each uniform item per employee. Due to the time and cost involved, it is often 10 years or more before companies will undertake a re-design of their existing uniform program. As such, in Unisync’s 2019 fiscal year, Air Canada uniform purchasing was at normal “steady state” maintenance and replacement volumes so that Air Canada sales as a percentage of total sales returned to the levels experienced prior to the fourth quarter fiscal 2017 and fiscal 2018 new uniform rollout.

With the success of the Air Canada uniform program, UGL was able to secure a long-term contract with Alaska Airlines Inc. (“Alaska”) during the fourth quarter of the 2017 fiscal year. With this account, UGL did not assume the production and distribution of Alaska’s existing program but did immediately begin working with its fashion designer on the development of a new uniform program. Alaska unveiled its new custom uniforms collection in January 2018 and the rollout its new uniforms to its 19,000 uniformed employees started in late fiscal 2019. UGL is responsible for all aspects of the program including manufacturing, quality, safety, inventory planning, online ordering, customer service, and warehouse and distribution. Alaska is expected to be the Corporation’s second largest airline account. UGL’s successes with Air Canada and Alaska have led to interest from other companies in the North American airline sector and the Corporation is presently pursuing these new opportunities. In order to service Alaska Airlines and

to develop opportunities in the United States marketplace, the Corporation acquired the hospitality assets of RTUT and opened sales and distribution centers in New Jersey and Nevada during its 2019 fiscal year.

DESCRIPTION OF CAPITAL STRUCTURE

Authorized and Issued Share Capital

The Corporation's authorized share capital consists of an unlimited number of common shares and an unlimited number of Class A preferred shares issuable in series. As at September 30, 2019, the Corporation's issued share capital consisted of 17,637,525 common shares. The Corporation had options to purchase an aggregate of 1,170,000 common shares at a weighted average exercise price of \$2.41 per share.

The attributes of the Common Shares are as follows:

- a) the holders of the Common Shares are entitled to receive notice of and attend at any general meeting of the shareholders of the Corporation and are entitled to one vote for each share held;
- b) subject to the rights of Preferred Shares, the holders of the Common Shares shall be entitled to receive dividends in the discretion of the board of directors; and
- c) subject to the rights of Preferred Shares, the holders of the Common Shares shall be entitled to receive the remaining property of the Corporation upon dissolution.

The attributes of the Class A Preferred Shares are as follows:

- a) The Class A Preferred Shares may at any time and from time to time be issued in one or more series. Subject to the British Columbia *Business Corporations Act*, the Board of Directors may fix the number of Class A Preferred Shares of each series, designation, rights, privileges, restrictions and conditions attaching to the Class A Preferred Shares of each series including, without limitation, any voting rights, any right to receive dividends or the means for determining such dividends, the dates of payment, any terms and conditions of redemption or purchase, any conversion rights and any rights on the liquidation, dissolution or winding up of the Corporation.
- b) The Class A Preferred Shares of each series will rank equally with every other series and be entitled to preference over the Common Shares with respect to the payment of dividends and the distribution of assets in the event of liquidation, dissolution or winding up of the Corporation. The issuance of Class A Preferred Shares and the terms selected by the Board of Directors could decrease the amount of earnings and assets available for distribution to the holders of the Common Shares or adversely affect the rights and powers of the shareholders of the Common Shares without any further vote or action or the approval of the Common shareholders. There are no Class A preferred shares outstanding.

Stock Option Plan

The Corporation has a rolling incentive stock option plan. Under the terms of the Corporation's stock option plan, the Board of Directors may grant options to directors, officers, employees, consultants and service providers equal to 10% of issued and outstanding common shares of the Corporation from time to time on a rolling basis. The Corporation grants options based on the closing price of the Corporation's stock on the day prior to the grant date. The option plan states that the Board of Directors are the administrators of the plan and can establish vesting periods for options granted.

Shareholder Rights Plan

None.

DIVIDEND POLICY

The payment of dividends is at the sole discretion of the Corporation's board of directors.

Since the acquisition of UGL, the Corporation has suspended dividend payments due to capital requirements from acquisitions and increased business volume. At a later date, the Corporation expects to reconsider its dividend policy.

MARKET FOR SECURITIES OF THE CORPORATION

Trading Price and Volume

The Corporation's common shares are listed and posted for trading on the Toronto Stock Exchange under the symbol "UNI", following the Corporation's graduation from the TSX Venture Exchange on January 14, 2019. The table set forth below lists the average daily trading volume and price for each month for fiscal 2019.

MONTHS IN FISCAL 2019	HIGH TRADING PRICE (CDN\$)	LOW TRADING PRICE (CDN\$)	TRADING VOLUME
September 2019	\$3.56	\$3.23	45,600
August 2019	\$3.59	\$3.20	64,500
July 2019	\$3.75	\$3.14	140,400
June 2019	\$3.91	\$3.66	92,460
May 2019	\$3.91	\$3.60	256,100
April 2019	\$3.99	\$3.17	284,900
March 2019	\$3.60	\$3.00	112,900
February 2019	\$3.65	\$3.27	192,600
January 2019	\$4.07	\$3.40	87,100
December 2018	\$4.25	\$3.95	61,900
November 2018	\$4.05	\$3.70	128,900
October 2018	\$4.30	\$4.05	31,500

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

The table set forth below lists the directors and executive officers of the Corporation as at the date of this AIF, indicating their names, province or state of residence, their respective positions and offices held with the Corporation, their principal occupation for the past 5 years and their length of service to the Corporation. The additional biographical information following the table sets out each person's principal occupation within the five preceding years.

To the knowledge of the Corporation, as at the date of this AIF, the directors and executive officers as a group, beneficially owned, directly or indirectly, or exercised control or direction over 3,583,646 common shares representing approximately 20.3% of the issued and outstanding common shares.

Name and Residence	Position with the Corporation	Principal Occupation	Director / Officer Since
Bruce W. Auinger⁽¹⁾ British Columbia, Canada	Director	Retired. Former Executive Vice-President and Chief Financial Officer of Madison Venture Corporation (diversified holding company) from 1988 to 2015.	November 30, 2005
Douglas F. Good British Columbia, Canada	Director and Executive Chairman	Executive Chairman Formerly President and Chief Executive Officer of the Corporation from August 15, 2017 to April 25, 2019. Formerly Chief Executive Officer of the Corporation from 2005 to March 1, 2017.	November 30, 2005
Darryl R. Eddy⁽¹⁾ British Columbia, Canada	Director	President of Radale Inc. (private investment holding company) and managing director of Genpar Capital Inc.	June 24, 2011
C. Michael O'Brian⁽¹⁾ British Columbia, Canada	Director	President, Nairbo Investments Inc. (private investment holding company)	November 30, 2006

Name and Residence	Position with the Corporation	Principal Occupation	Director / Officer Since
Joel R. McLean British Columbia, Canada	Director	President, Pan Canadian Mortgage Group	September 23, 2014
Christian Turgeon Québec, Canada	Director	CEO and Managing Partner, BDG & Partners (private equity firm)	October 1, 2018
Matthew Graham Québec, Canada	Chief Executive Officer	Chief Executive Officer of the Corporation	April 25, 2019
Richard Smith Ontario, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation	September 23, 2014

(1) Member of the Audit Committee

Background of the Directors and Executive Officers

Bruce W. Auger is a retired business executive. He was formerly the Executive Vice President and Chief Financial Officer of Madison Venture Corporation from 1988 to 2015. He is a Chartered Professional Accountant by training, and was employed by Arthur Andersen, Chartered Accountants, for 11 years and served as a partner for 7 years. Mr. Auger obtained a BA degree in Commerce from Simon Fraser University. He has many years' experience in the accounting, financial, taxation and financing fields.

Douglas F. Good is the Executive Chairman of the Corporation. Mr. Good also holds a director's position with Cealtec Products Inc. a privately held nanotechnology company. He was a co-founder of HealthCare Capital Corp. in 1993 which became Sonus Corp. in 1998 and is currently one of the largest hearing care providers in North America.

Darryl R. Eddy is President of Radale Inc., a private investment holding company and a managing director of Genpar Capital Inc. Mr. Eddy currently serves as a Director of various private companies and several Eddy Group companies which operate in the real estate and building product distribution industries in Eastern Canada. Mr. Eddy is a retired partner of PricewaterhouseCoopers LLP and a past Managing Director of PricewaterhouseCoopers Corporate Finance Inc.

Michael O'Brian is President of Nairbo Investment Corp., a private investment holding company. Mr. O'Brian is a former director of C.M. Oliver Inc. where he held various positions including President, Chief Executive Officer and Chairman. Mr. O'Brian is actively involved in community affairs and a dedicated arts philanthropist. He is a Director of the Vancouver Art Gallery Foundation and a former Director of both the Vancouver Opera and the National Gallery of Canada Foundation, and a former member of the Board of Governors of Emily Carr University of Art + Design. He is also President of the Michael O'Brian Family Foundation, a foundation that is active in community events and primarily focused on the arts and children's issues.

Joel R. McLean is President of Pan Canadian Mortgage Group, a member of the Mortgage Investment Association of British Columbia (MIABC) and the Urban Development Institute. Mr. McLean is the Chief Executive Officer of Argillite Investments, a private investment company and a Partner in Acer Vacation

Rentals Ltd., a vacation rental management company. He also serves as Director and Secretary Treasurer of McLean Family Foundation and as a Director of McLean Capital Corporation.

Christian Turgeon is the CEO and Managing Partner of BDG & Partners, a private equity firm. Mr. Turgeon co-founded BDG & Partners and has over 20 years of experience in mergers and acquisitions and has served on the board of several Canadian and US corporations. He is also a Young Presidents' Organization, Inc. member and sits on the board of the Quebec Chapter.

Matthew Graham is the Chief Executive Officer of the Corporation. Mr. Graham previously served as President of International Logistik Unicorp and CEO and Director of Australian Defence Apparel.

Richard Smith is the Chief Financial Officer of the Corporation. Mr. Smith is a Chartered Professional Accountant and has previously served as chief financial officer with Northern Ethanol, Inc., AMJ Campbell, Inc., SMTC Corp. and Green Forest Lumber Corporation.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No directors, officers, promoters or to the knowledge of the Corporation any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation is or has been, within the ten years prior to the date of this Information Circular, the director or officer of any other issuer, that while that person was acting in that capacity, was subject to a cease trade order or similar order, or an order that denied the other issuer access to any statutory exemptions, for a period of more than 30 consecutive days, or became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or been 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 issuer.

Conflicts of Interest

In the event conflicts of interest arise at a meeting of the board of directors, a director who has such a conflict will declare the conflict and abstain from voting. In appropriate cases, the Corporation will establish a special committee of independent non-executive directors (drawn from the majority of its members who must at all times be "independent" within the meaning of National Instrument 52-110 – *Audit Committees*) to review a matter in which one or more directors, or management, may have a conflict.

Except as disclosed in this AIF, to the best of the Corporation's knowledge, there are no other known or existing or potential conflicts of interest between the Corporation and any director or officer of the Corporation, except that certain of the directors of the Corporation serve as directors and officers of other public companies and it is therefore possible that a conflict may arise between their duties as director or officer of the Corporation and their duties as a director or officer of such other companies. Where such conflicts arise, they will be addressed as indicated above.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation may be subject to a variety of claims and suits that arise from time to time in the ordinary course of business. These matters are subject to inherent uncertainties. As of September 30, 2019, the Corporation does not have any pending legal issues requiring a reserve.

The Corporation and UGL have been named as defendants in a civil claim filed in the Ontario Superior Court of Justice by a number of former employees claiming damages for termination without cause under action numbers CV-17-585013, CV-18-593170 and CV-17-586809. Management believes that these claims are without merit and the Corporation and UGL will vigorously defend the claims. The ultimate amounts payable, if any, are not determinable at this time.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as described in this AIF, no director, executive officer or any person that is the direct or indirect beneficial owner of, or who exercises control or direction over 10% of any class of the Corporation's securities, or any associate or affiliate of any of the aforementioned persons, has any material interest, direct or indirect, in any material transaction within the Corporation's three most recently completed financial years or in its current financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries. Christian Turgeon, a director of the Corporation, is the CEO and Managing Partner of BDG & Partners, of which certain affiliated funds were vendors under the Utility acquisition.

TRANSFER AGENT AND REGISTRAR

The Corporation's Registrar and Transfer Agent is Computershare Investor Services Inc. located at 510 Burrard Street, Vancouver, British Columbia, V6C 3B9.

MATERIAL CONTRACTS

The Corporation has not entered into any material contracts in the last financial year or before the last financial year that are still in effect, other than contracts entered into in the ordinary course of business.

INTERESTS OF EXPERTS

MNP LLP are the auditors of the Corporation who prepared the auditors' report and the report on Canadian generally accepted audit standards for the Corporation's consolidated financial statements for the year ended September 30, 2019. MNP LLP are independent from the Corporation in accordance with the relevant professional standards.

ADDITIONAL INFORMATION

Audit Committee Charter

The text of the Audit Committee's Charter is attached as Schedule "A" hereto.

Composition of the Audit Committee

The Corporation's Audit Committee is comprised of Bruce W. Aunger (Chairman), Darryl Eddy and Michael C. O'Brian, each of whom is a financially literate, independent director of the Corporation.

Relevant Education and Experience

The following education and experience of each Audit Committee member is relevant to the performance of his responsibilities as an Audit Committee member. The biographies below outline the financial literacy of each of the Audit Committee members.

Bruce W. Aunger is a retired business executive. He was formerly the Executive Vice President and Chief Financial Officer of Madison Venture Corporation from 1988 to 2015. He is a Chartered Professional Accountant by training, and was employed by Arthur Andersen, Chartered Accountants, for 11 years and served as a partner for 7 years. Mr. Aunger obtained a BA degree in Commerce from Simon Fraser University. He has many years' experience in the accounting, financial, taxation and financing fields.

Darryl R. Eddy is President of Radale Inc. a private investment holding company and a managing director of Genpar Capital Inc. Mr. Eddy currently serves as a Director of various private companies and several

Eddy Group companies which operate in the real estate and building product distribution industries in Eastern Canada. Mr. Eddy is a retired partner of PricewaterhouseCoopers LLP and a past Managing Director of PricewaterhouseCoopers Corporate Finance Inc.

Michael O’Brian is an independent investor and former director of C.M. Oliver Inc. where he held various positions including President, Chief Executive Officer and Chairman. Mr. O’Brian is actively involved in community affairs and a dedicated arts philanthropist. He is a Director of the Vancouver Art Gallery Foundation and a former Director of both the Vancouver Opera and the National Gallery of Canada Foundation, and a former member of the Board of Governors of Emily Carr University of Art + Design. He is also President of the Michael O’Brian Family Foundation, a foundation that is active in community events and primarily focused on the arts and children’s issues.

External Auditor Service Fees

The Audit Committee has reviewed the nature and amount of the non-audit services provided by MNP LLP to ensure auditor independence. Fees incurred by the Corporation with MNP LLP for audit and non-audit services in the last two fiscal years for audit fees are outlined in the following table.

Audit Fees:	Fiscal 2019 Fiscal 2018	\$163,000 \$159,000
Audit Related Fees:	Fiscal 2019 Fiscal 2018	\$31,250 Nil
Tax Fees:	Fiscal 2019 Fiscal 2018	\$14,000 \$14,000
All Other Fees:	Fiscal 2019 Fiscal 2018	Nil Nil

- (1) “Audit Fees” include fees necessary to perform the annual audit and quarterly reviews of the Corporation’s consolidated financial statements. Audit Fees include fees for review of tax provisions and for accounting consultations on matters reflected in the financial statements. Audit Fees also include audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- (2) “Audit-Related Fees” include services that are traditionally performed by the auditor. These audit-related services include employee benefit audits, due diligence assistance, accounting consultations on proposed transactions, internal control reviews and audit or attest services not required by legislation or regulation.
- (3) “Tax Fees” include fees for all tax services other than those included in “Audit Fees” and “Audit-Related Fees”. This category includes fees for tax compliance, tax planning and tax advice. Tax planning and tax advice includes assistance with tax audits and appeals, tax advice related to mergers and acquisitions, and requests for rulings or technical advice from tax authorities.
- (4) “All Other Fees” include all other non-audit services. This category includes fees for acquisition due diligence and forensic services.

SEDAR

Additional information concerning the Corporation may be found on SEDAR at www.sedar.com and on the Corporation's website at www.unisync.com. Additional information, including directors' and officers' remuneration and indebtedness to the Corporation, principal holders of the securities of the Corporation, options to purchase securities and interests of insiders in material transactions, is contained in the Corporation's Management Information Circular and filed on SEDAR. Additional financial information is provided in the Corporation's audited consolidated financial statements for the fiscal year ended September 30, 2019.

SCHEDULE A
AUDIT COMMITTEE CHARTER

An audit committee (the “Committee”) of the board of directors (the “Board”) of Unisync Corp. (the “Corporation”) has been established by resolution of the Board. It shall be composed of not less than three directors of the Corporation, all of whom are not officers or employees of the Corporation or any of its affiliates. One member of the Committee shall be appointed by the Board to be the Committee’s chairman, provided that the chairman shall at all time be an independent director. A majority of the members of the Committee shall satisfy the independence and qualification requirement under *Multilateral Instrument 52-110 Audit Committees* and any requirement of any stock exchange on which the shares of the Corporation are listed and posted for trading.

The Committee’s general responsibilities shall be to advise and assist the Board in fulfilling its financial responsibilities for the Corporation by monitoring all of the integrity of the Corporation’s financial statements, financial and accounting practices, internal controls, performance of internal and external auditors, independence and qualification of external auditors, business ethics, and compliance with all laws, regulations and policies that may have an impact on the consolidated financial statements of the Corporation. The Committee shall oversee these areas for the Corporation, all of its controlled subsidiaries and affiliates, and to the extent practicable, for subsidiaries and affiliates, if any, that the Corporation does not control, if any. The Committee shall be directly responsible for the appointment, replacement, compensation and oversight of the external auditor and the external auditor shall report directly to the Committee.

Concerning the External Auditor

- A. The Committee’s specific responsibilities concerning the external auditor shall be to:
1. Recommend to the Board each year both the external auditor to be nominated for the purpose of preparing or issuing an auditor’s report or performing other audit, review or attest services for the Corporation, and the compensation to be paid to the external auditor;
 2. Review, evaluate and satisfy itself as to the independence, qualifications, and performance of the Corporation’s external auditor including:
 - a) reviewing formal written statements submitted periodically by the external auditor delineating all relationships between themselves and the Corporation;
 - b) discussing with the external auditor any disclosed relationships or services that may impact their objectivity and independence;
 - c) reviewing not less than once per year the external auditor’s quality control procedures including any material issues raised by internal quality control, peer reviews, inquiries or investigations by governmental or professional authorities, and the steps to be taken to address such issues;
 - d) reviewing and evaluating the lead partner of the external auditor; and
 - e) assuring the regular rotation of the lead audit partner as may be considered either necessary or advisable.

3. Recommend to the Board the results of such evaluation of the external auditor and any action the Committee deems appropriate based on the evaluation, including considering whether, to assure continuing auditor independence, there should be a regular rotation of the audit firm itself;
4. Review and act upon reports by the external auditor including the external audit, the terms of engagement and compensation of the external auditor, and pre-approve all audit and non-audit services to be provided by the external auditor. Any such pre-approval may be delegated by the Committee to any member of the Committee;
5. Oversee the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditor regarding financial reporting;
6. Review and approve of the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditors.

Concerning the Corporation's Financial Matters

- B. The Committee's specific responsibilities concerning the Corporation's Financial Matters shall be to:
1. Monitor and review from time to time, but not less than once annually, the Corporation's:
 - a) internal financial controls and internal audit functions;
 - b) appointment and/or replacement of the chief financial officer, the senior internal auditor and any key executives involved in the Corporation's financial reporting process;
 - c) policies on risk assessment and risk management, including the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures;
 - d) compliance with securities laws, regulations and policies concerning the Corporation's financial statements, audits and public disclosure;
 - e) compliance with tax laws, regulations and policies concerning the Corporation;
 - f) expense reimbursements paid to the Chairman of the Board, the Chief Executive Officer, the chief Financial Officer and such other directors or senior officers as the committee may deem appropriate; and
 - g) charter for the Committee and perform an annual evaluation of the Committee's performance

all in consultation with the Corporation's senior internal auditor, the external auditor and such other advisors and the Committee may select.

2. Hold regularly scheduled meetings with management, the senior internal auditor, and the external auditor and keep minutes of all such meetings;
3. Review and discuss with management and the external auditor:
 - a) the Corporation's audited financial statements, interim financial statements and "Management Discussion and Analysis" before approval by the Board or public disclosure;
 - b) reports from the Corporation's internal auditor and management's response;
 - c) the types of information to be disclosed and the types of presentation to be made in connection with the Corporation's earnings press releases and financial information and guidance provided to analysts and rating agencies (if any); and
 - d) any proposed related party transactions involving the Corporation before approval by the Board or public disclosure.
4. Discuss with management and the external auditor any significant financial reporting, accounting and audit issues and judgments (including reports or analysis rendered by management or the external auditor in connection with the Corporation's financial statements) pertinent to the preparation of the Corporation's financial statements (including the quality of the Corporation's accounting principles, any audit problems or difficulties, any significant changes in the Corporation's selection or application of accounting principles, any off-balance sheet structures, and special audit steps adopted or taken in light of material control deficiencies, any major disputes between management and the external auditor);
5. Establish procedures for:
 - a) reviewing all of the Corporation's public disclosure of audited or unaudited financial information extracted or derived from the Corporation's financial statements;
 - b) receipt, retention or treatment of complaints received by the corporation regarding accounting, internal accounting controls or auditing matters, and
 - c) confidential, anonymous submission by any of the Corporation's employees of concerns regarding questionable accounting or auditing matters;and to periodically re-assess those procedures;

Advising the Board

- C. The Committee's specific responsibilities concerning advising the Board shall be to:
 1. Review and consider:
 - a) Major changes and questions of choice respecting appropriate accounting principles and auditing standards to be used in preparing and presenting the Corporation's financial statements; and

- b) Legal, accounting and regulatory matters (including initiatives) that may have a material impact on the Corporation's reporting obligations, financial statements, conflicts of interest and general business ethics;
2. Review reports from the Corporation's internal or external auditors and legal counsel (either that represent or have represented the Corporation) about any credible evidence of material violations of securities laws or material breach of duty by the Corporation, any member of the Board or any officer, employee or agent of the Corporation; and
 3. Serve as a channel of communication between the external auditor and the Board and between the senior internal auditor and the board, and report regularly to the Board on the Committee's deliberations and actions taken, and any issues that arise concerning the quality or integrity of the Corporation's financial statements, compliance with legal or regulatory requirements, performance and independence of the external auditor, or performance of the internal auditor; and
 4. The Committee has the irrevocable authority to obtain advice and assistance from outside legal, accounting or other such advisors and the Committee deems necessary, appropriate or advisable in its sole discretion, without notice to or approval from the Board. The Corporation shall provide adequate funding to the Committee, as determined by the Committee, for payment of compensation to any external auditor, compensation to any advisor, and ordinary administrative expenses that are necessary or appropriate for carrying out its duties.

The Committee shall fix its own time and place of meetings and shall prescribe its own rules and directors of the Corporation who are not members of the Committee shall attend meetings of the Committee only upon the written invitation of the Chair of the Committee.