

# HALMONT PROPERTIES CORPORATION

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51 Yonge Street, Suite 400  
Toronto, Ontario, M5E 1J1

## NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

**TAKE NOTICE** that the annual meeting (the “Meeting”) of Shareholders of **HALMONT PROPERTIES CORPORATION** (the “Corporation”) will be held at Suite 400, 51 Yonge Street, Toronto, Ontario, on **Tuesday, June 25, 2019 at 11:00 a.m.**, local time, for the following purposes:

1. to receive the Annual Report to Shareholders, containing the consolidated financial statements of the Corporation for the period ended December 31, 2018, together with the report of the auditor thereon and related management discussion and analysis;
2. to elect directors of the Corporation for the ensuing year;
3. to appoint the auditor of the Corporation for the ensuing year and to authorize the directors to fix the remuneration to be paid to the auditors;
4. to transact such other business as may properly come before the Meeting or any adjournment thereof.

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

**Shareholders who are unable to attend the Meeting in person and who wish to ensure that their shares will be voted at the Meeting are requested to complete, date and sign the enclosed form of proxy, or complete another suitable form of proxy, and deliver it by fax, by hand or by mail by 11:00 a.m. on Friday, June 21, 2019 in accordance with the instructions set out in the form of proxy and in this Management Proxy Circular.**

**A non-registered shareholder who plans to attend the Meeting must follow the instructions set out in the form of proxy or voting instruction form and in this Management Proxy Circular to ensure that such shareholder’s shares will be voted at the Meeting. If you hold your shares in a brokerage account, you are not a registered shareholder.**

BY ORDER OF THE BOARD OF DIRECTORS

*Signed by Heather Fitzpatrick.*

*Toronto, Ontario  
May 9, 2019*

Heather M. Fitzpatrick  
*President*



# HALMONT PROPERTIES CORPORATION

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## MANAGEMENT PROXY CIRCULAR

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# HALMONT PROPERTIES CORPORATION MANAGEMENT PROXY CIRCULAR

## PART I – VOTING AND PROXY INFORMATION

### SOLICITATION OF PROXIES AND MATERIALS PROVIDED

This Management Proxy Circular (the “Circular”) is furnished in connection with the solicitation by management of Halmont Properties Corporation (the “Corporation”) of proxies for use at the annual meeting of Shareholders (the “Meeting”) of the Corporation to be held on **Tuesday, June 25, 2019 at 11:00 a.m.** Toronto time and at all adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting (“Notice”).

### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are representatives of management of the Corporation. **Each shareholder has the right to appoint a person to attend and act for and on behalf of such shareholder at the meeting other than the persons named in the enclosed form of proxy.** To exercise this right, a shareholder shall strike out the names of the persons named in the form of proxy and insert the name of the person to be appointed in the blank space provided or complete another proper form of proxy.

To be valid, the completed proxy must be deposited with TSX Trust Company before 11:00 a.m. on **Friday, June 21, 2019** or, if the meeting is adjourned, 48 hours (excluding Saturdays and holidays) before any adjournment of the meeting, in one of the following ways: by mail or by hand: Attention: Proxy Department, TSX Trust Company, 100 Adelaide Street West, Suite 301, Toronto, ON M5H 4H1 or by fax at 416-361-0470.

Only registered holders of Class A Common shares of the Corporation, or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases, Class A Common shares of the Corporation beneficially owned by a holder (a “Non-Registered Holder”) are registered either: (a) in the name of an intermediary (an “Intermediary”) that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans; or (b) in the name of a clearing agency (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of National Instrument 54-101 entitled “Communication with Beneficial Owners of Securities of a Reporting Issuer” of the Canadian Securities Administrators, the Corporation has distributed copies of the accompanying Notice, this Circular and the Annual Report (which includes management’s discussion and analysis) (collectively, the “Meeting Materials”) to the clearing agencies and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- i) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder, but which is otherwise not completed. The Non-Registered Holder need not sign the proxy. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the proxy and deposit it with TSX Trust Company at the address noted above; or
- ii) more typically, be given a proxy which is not signed by the Intermediary, and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company,

will constitute voting instructions (often called a “voting instruction form”) which the Intermediary must follow. Typically, the Non-Registered Holder will also be given a page of instructions, which contains a removable label containing a bar code and other information. In order for the proxy to validly constitute a proxy authorization form, the Non-Registered Holder must remove the label from the instructions and affix it to the proxy, properly complete and sign the proxy and submit it to the Intermediary or its service company in accordance with the instructions of the Intermediary or the service company.

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder who receives either proxy wish to attend and vote at the meeting in person, the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the Non-Registered Holder’s name in the blank space provided. In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries, including those regarding when and where the proxy authorization form is to be delivered.

**Non-registered holders should follow the instructions on the forms they receive and contact their Intermediaries promptly if they need assistance.**

A registered shareholder may revoke a proxy by instrument in writing executed by the shareholder or by his attorney authorized in writing and deposited either at the head office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which time the proxy is to be used or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

A Non-Registered Holder may revoke a proxy authorization form (voting instructions) or a waiver of the right to receive meeting materials and to vote given to an Intermediary at any time by written notice to the Intermediary, except that an Intermediary is not required to act on a revocation of a proxy authorization form (voting instructions) or of a waiver of the right to receive materials and to vote that is not received by the Intermediary at least seven days prior to the Meeting.

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

No person who has been a director or an officer of the Corporation at any time since the Corporation was incorporated, or any associate or affiliate of any of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

#### **VOTING OF SHARES REPRESENTED BY MANAGEMENT PROXIES**

Shares represented by any proxy in the form enclosed herewith will be voted or withheld from voting on any ballot that may be called for in accordance with the instructions given by the shareholder and, if the shareholder specifies a choice for or against any matter to be acted upon, the shares will be voted accordingly. **If a choice is not so specified, it is intended that the person(s) designated by management in the accompanying proxy will vote the shares represented by the proxy in favour of the nominees for directors and for the reappointment of the auditors.** The proxy accompanying the Circular confers discretionary authority upon the named proxy holder with respect to amendments or variations to the matters identified in the notice of meeting and with respect to any other matters, which may properly come before the Meeting. As of the date of the Circular, the management of the Corporation knows of no such amendment or variation or matters to come before the Meeting other than those referred to in the accompanying notice of meeting.

## VOTING SHARES AND PRINCIPAL HOLDERS

As at December 31, 2018 and date hereof, the Corporation had 83,940,000 Class A Common shares outstanding.

Each Class A Common share entitles the holder of record as of the close of business on **Monday, May 21, 2019** to vote on all matters to come before the Meeting, or any adjournment thereof, except to the extent that a person has transferred any such shares after that date and the transferee of such shares (i) establishes that they own such shares, and (ii) makes a written demand to be added to the shareholders list, both at least 10 days before the date of the Meeting, to the Secretary of the Corporation at the Corporation's registered office, in which case the transferee would be entitled to vote such shares.

Any matter that is submitted in a vote of shareholders at the Meeting shall be determined by a majority of votes cast, either upon a show of hands or upon a ballot. In case of an equality of votes, the Chairman of the Meeting shall be entitled to a second or casting vote.

To the knowledge of the directors and officers of the Corporation, no person(s) beneficially owns, directly or indirectly, or exercises control or direction over more than 10% of the issued and outstanding Class A Common shares of the Corporation.

## PART II – BUSINESS OF THE MEETING

### ANNUAL REPORT AND FINANCIAL STATEMENTS

The annual financial statements of the Corporation for the period ended December 31, 2018 are included in the Corporation's Annual Report, which is being mailed with this Circular to the Corporation's registered shareholders and to those non-registered shareholders who have so requested. The December 31, 2018 Annual Report will be placed before the shareholders at the meeting.

### ELECTION OF DIRECTORS

At present, the Articles of the Corporation provide that the number of directors of the Corporation shall consist of a minimum of three (3) and a maximum of fifteen (15), with the number of directors from time to time to be determined by resolution of the directors or the shareholders of the Corporation. The number of directors had been fixed at six (6) by the shareholders of the Corporation at the 2014 Annual Meeting. The term of office of each of the current directors will end at the conclusion of the Meeting. Unless the director's office is earlier vacated, each director elected will hold office until the conclusion of the next annual meeting of the Corporation, or if no director is then elected, until a successor is elected or appointed in accordance with the *Business Corporations Act* (Ontario) and the By-laws of the Corporation.

**It is proposed that the persons listed below be nominated for election as directors at the Meeting. Unless a holder of Class A Common shares has specified in the enclosed form of proxy that the shares represented by such proxy are to be withheld from voting for any of the persons listed below, the persons designated in the enclosed form of proxy intend to vote for the election of the nominees listed below to the Board.**

Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons designated in the enclosed form of proxy reserve the right to vote for other nominees in their discretion.

The following table sets out the names of management's six (6) nominees for election as directors, all major offices and positions with the Corporation now held by them, and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment, the period of time during which each has been a director of the Corporation and the number of shares of the Corporation beneficially owned by each, directly or indirectly, or over which each has exercised control or direction, as at the date of this Circular. The Board recommends that the six (6) directors' nominees be elected at the meeting to serve as directors for the Corporation until next annual meeting of shareholders or until their successors are elected and appointed.

<b>Name, Position Held with the Corporation and Municipality of Residence</b>	<b>Principal Occupation, Business or Employment for the Past Five Years</b>	<b>Director Since</b>	<b>Number of Common Shares Beneficially Owned or Controlled</b>
<b>David W. Kerr</b> Toronto, Ontario <i>Chairman</i>	Corporate Director Strathfield Consultants Ltd.	February 2009	7,450,000
<b>Heather Fitzpatrick, CPA <sup>(1)</sup></b> Toronto, Ontario <i>President</i>	Officer of the Corporation	November 2014	6,000,000
<b>M. Diane Horton</b> Toronto, Ontario	President Rockton Properties Corporation	February 2007	7,450,000
<b>Claude A. Doughty</b> Huntsville, Ontario	Corporate Director Claudex Inc.	May 2017	–
<b>Randal L. Froebelius, P. Eng. <sup>(2)</sup></b> Toronto, Ontario <i>Property Manager</i>	President Equity ICI Real Estate Services Inc.	April 2019	–
<b>Timothy Price <sup>(3)</sup></b> Toronto, Ontario	Corporate Director Duncree Holdings Inc.	April 2018	7,030,000

(1) Ms. Fitzpatrick is a director of CHC Student Housing Corp. Ms. Fitzpatrick's shareholdings represent shares to be acquired on conversion of a \$1,000,000 subordinated capital note and indirect proportionate interests in shares held through private investment companies.

(2) Mr. Froebelius is a director of Equity ICI Real Estate Services Inc., BOMA International and Northern Centre for Advanced Technologies.

(3) Mr. Price is a director of Brookfield Asset Management Inc. and Fairfax Financial Holding Ltd., and Chairman of The Royal Conservatory of Music.

The Board of Directors does not have an Executive Committee. The Board has an Audit & Corporate Governance Committee, whose current members are Ms. Diane Horton and Messrs. David Kerr and Timothy Price.

### **Compensation of Directors**

There were no arrangements, standard or otherwise, pursuant to which directors were compensated by the Corporation or its subsidiaries for their services in their capacity as directors, or for committee participation, involvement in special assignments for services as consultants or experts during the most recently completed fiscal year or subsequent year, up to and including the date hereof except for a \$10,000 management fee paid in March 2019 to Claude Doughty, a co-investor in the Corporation's residential property project. For the fiscal year ended December 31, 2018, there was no compensation paid to directors.

### **Indebtedness of Directors and Executive Officers**

As of the date hereof, no individual who is, or at any time during the most recently completed fiscal period of the Corporation ended December 31, 2018, was, a director or executive officer of the Corporation, no individual proposed as a nominee for election as a director of the Corporation and no associates or any such director, officer or proposed nominee, has been indebted to the Corporation or any of its subsidiaries, nor has any such individual's indebtedness to another entity at any time since the

beginning of the most recently completed financial year been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation (or any of its subsidiaries) in connection with the purchase of securities of the Corporation, other than a \$1,000,000 Executive Share Purchase Loan listed in the following Statement of Executive Compensation.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Paid to Executive Officers

No salary, bonus or other cash compensation was paid or payable by the Corporation for services rendered during its fiscal years ended December 31, 2018, December 31, 2017 and December 30, 2016 to the Corporation's Chief Executive Officer and each of the Corporation's other named executive officers (as defined under applicable law) who served as executive officers as at December 31, 2018 and/or during the fiscal year ended December 31, 2018. The following Executive instead agreed to be compensated in the year ended December 31, 2018 through an Executive Purchase Loan, thereby aligning her financial interests with those of the Corporation's shareholders:

<b>Executive Share Purchase Loans</b>			
<b>Name of Officer and Principal Position</b>	<b>Loan Amount</b>	<b>Securities Acquired</b>	<b>Number of Common Shares Receivable on Conversion</b>
Heather Fitzpatrick <i>President</i>	\$1,000,000	Subordinated Convertible Capital Notes	2,000,000

### Employment Arrangements with Executive Officers

Randal Froebelius was appointed as Property Manager of the Corporation in October 2018. Mr. Froebelius does not have a written employment contract with the Corporation, nor does the Corporation have any contractual severance obligations to Mr. Froebelius.

Ines Zaloshnja was appointed as Controller of the Corporation in October 2018. Ms. Zaloshnja does not have a written employment contract with the Corporation, nor does the Corporation have any contractual severance obligations to Ms. Zaloshnja.

Heather Fitzpatrick was appointed as President of the Corporation in November 2015. Ms. Fitzpatrick does not have a written employment contract with the Corporation, nor does the Corporation have any contractual severance obligations to Ms. Fitzpatrick.

Anthony Rubin was appointed as Secretary and Treasurer of the Corporation in February 2007. Mr. Rubin does not have a written employment contract with the Corporation, nor does the Corporation have any contractual severance obligations to Mr. Rubin.

### Interest of Insiders in Material Transactions

No insider or proposed nominee for election as a director of the Corporation and no associate or affiliate of the foregoing persons has or has had any material interest, direct or indirect, in any transaction in the prior three fiscal years of the Corporation that has materially affected or will materially affect the Corporation.

## APPOINTMENT OF EXTERNAL AUDITORS

On recommendation of the Audit Committee, the Board proposes the appointment of Deloitte LLP as the external auditors of the Corporation. Deloitte LLP is independent of the Corporation in accordance with the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

During 2018, Deloitte LLP performed only audit services for the Corporation. Audit services include services that would normally be provided by the external auditor in connection with statutory and regulatory filings or engagements, including fees for services to perform an audit or review in accordance with International Financial Reporting Standards. This category also includes services that generally only the external auditor reasonably can provide, including comfort letters, statutory audits, attest services, consents and assistance with the review of certain documents filed with securities regulatory authorities.

**Unless a holder of Class A Common shares has specified in the enclosed form of proxy that the shares represented by such proxy are to be withheld from voting in the appointment of the external auditors, on any ballot that may be called for in the appointment of auditors, the management representatives designated in the enclosed form of proxy intend to vote the Class A Common shares in respect of which they are appointed proxy in favour of the appointment of Deloitte LLP, an Independent Registered Public Accounting Firm, as external auditors of the Corporation to hold office until the next Annual Meeting of Shareholders, and authorizing the directors to set the remuneration to be paid to the external auditors.**

## PART III – STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Board of Directors (“the board”) considers that good corporate governance is essential to the efficient and effective operation of the Corporation. They also believe that a system of corporate governance should reflect a Corporation’s particular situation and circumstances, having as its objective the best interests of the Corporation and enhancement of value for all shareholders. The board is of the view that the Corporation’s corporate governance policies and practices, outlined below, are appropriate and are consistent with the guidelines for corporate governance adopted by Canadian Securities Administration (“CSA”) and the TSX.

### MANDATE OF THE BOARD

The Corporation’s board supervises the management of the business and affairs of the Corporation directly and through its committees. In so doing, the board endeavours to act always in the best interests of the Corporation. In carrying out its responsibilities, the board appoints the senior executives of the Corporation and meets with them on a regular basis to receive and consider reports on the Corporation’s affairs. Along with those matters which must by law be approved by the Corporation’s board, key strategic decisions are also submitted by management to the board for approval.

In addition to approving specific corporate actions, the board reviews and approves reports issued to shareholders, including annual and interim financial statements, as well as materials prepared for shareholders’ meetings. The board also approves the Corporation’s overall business strategies and annual business plans.

The Board of Directors Charter is set out in Appendix A of this Circular.

The Corporation’s Board meets at least once in each quarter, with additional meetings held when appropriate. During the period ended December 31, 2018, there were four meetings. Four regular meetings are scheduled for the year ended December 31, 2019. Meeting frequency may change depending on the opportunities or risks facing the Corporation.

### APPOINTMENT OF DIRECTORS

The Corporation believes that the directors comprising independent directors and directors drawn from senior management leads to a healthy exchange in board deliberations and results in objective, well-balanced and informed discussion and decision making.

The Corporation believes that well-informed directors are essential for the effective performance of a board. New directors are supplied with comprehensive information about the Corporation. Directors are provided an opportunity to meet individually in work sessions with senior management to obtain further insight into the operations of the Corporation and its subsidiaries and are involved on a regular basis in discussions with management. Individual directors are also free to consult with members of senior management whenever so required and to engage outside advisers with board authorization.

Director compensation is reviewed annually by the board, either directly or through its Audit & Corporate Governance Committee. At present, no compensation is provided by the Corporation to its directors.

### **COMPOSITION OF THE BOARD**

The Corporation's board currently consists of six (6) members. The Corporation considers this to be an appropriate number to ensure an effective and efficient board.

The Corporation considers that four (4) of its six (6) directors, Diane Horton, David Kerr, Claude Doughty and Timothy Price, constituting 67% of the total number of directors, are independent directors in that they are free from any interests in or relationships with the Corporation, other than as shareholders. The Corporation considers that the other two (2) of its six (6) directors, Heather Fitzpatrick and Randal Froebelius, constituting 33% of the board, are non-independent directors (the "related directors"). Heather Fitzpatrick is President of the Corporation and Randal Froebelius is Property Manager of the Corporation.

The Corporation believes that the composition of the Board fairly represents the investment in the Corporation by its various shareholders.

### **COMMITTEE OF THE BOARD**

The Corporation's board has one standing committee: The Audit & Corporate Governance Committee (the "Committee"). Special committees may also be formed from time to time as required to review particular matters or transactions. The following is a brief description of the mandate of the committee and its composition.

#### ***Audit & Corporate Governance Committee***

The Committee is composed of three independent directors, Diane Horton, David Kerr and Timothy Price, constituting a majority of the Committee.

The board considers that two members of the Committee are financially literate. David Kerr and Timothy Price have extensive experience as a senior corporate executives and members of corporate boards and audit committees.

The responsibilities of the Committee are set out in a written charter, which is reviewed and approved annually by the board. The Committee's Charter is reproduced in full in Appendix B of this Circular.

Four (4) meetings of the Committee were held during the period ended December 31, 2018. Four (4) regular meetings are scheduled for the year ending December 31, 2019.

### **RELATIONSHIP WITH MANAGEMENT**

The board has an independent Chairman; David Kerr. Heather Fitzpatrick, a related director, is the President of the Corporation. Each year, the board discusses the Corporation's strategic initiatives and business plans with management. The board's annual approval of the business plan constitutes the mandate for management to conduct the affairs of the Corporation, with material deviations being reported and considered as appropriate by the board.

The position descriptions of the Chairman of the board and the Corporation's President are reviewed annually by the board of directors, either directly or through its Audit & Corporate Governance Committee.

The Corporation believes that the information provided by management to the board and its committees is critical to their effectiveness. In addition to the reports presented to the board at its meetings, the board is also kept informed by management of important corporate developments on a regular basis. The directors periodically assess the quality, completeness and timeliness of this information, with particular emphasis on identifying the principal risks facing the Corporation and the initiatives being taken to manage these risks.

The independent members of the board are also free to meet independently of management on any matter and have the authority to call meetings of the board at any time.

## **PART IV – OTHER INFORMATION**

### **EXECUTIVE COMPENSATION**

An Executive Share Purchase Plan was introduced in 2017 to provide executives with loans to acquire directly or indirectly shares of the Corporation and thereby align their interests with respect of the Corporation's other shareholders. No other compensation was paid or is payable by the Corporation to any of the officers of the Corporation. The board of directors performs the functions of a compensation committee when applicable.

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

At no time since the commencement of the most recently completed financial year have any of the directors, officers of the Corporation or other insiders of the Corporation, any proposed director of the Corporation, or any of their associates or affiliates, to the knowledge of the Corporation, had any interest in any transaction to which the Corporation was a party, or in any proposed transaction which has materially affected, or would materially affect, the Corporation.

### **MANAGEMENT CONTRACTS**

The Corporation has not entered into an agreement or arrangement under which the management functions are performed by a person or Corporation other than by the senior officers of the Corporation.

### **ADDITIONAL INFORMATION**

The Corporation's Annual Report for the period ended December 31, 2018 with the report to shareholders including management's discussion and analysis and additional copies of this Circular have been filed on SEDAR at [www.sedar.com](http://www.sedar.com) and may be obtained from the Secretary of the Corporation at Suite 400 – 51 Yonge St., Toronto, Ontario, M5E 1J1.

### **BOARD APPROVAL**

The contents of this Circular and its distribution to shareholders have been approved by the board of directors of the Corporation.

**CERTIFICATE**

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

BY ORDER OF THE BOARD OF DIRECTORS

*Signed by Heather Fitzpatrick*

*Toronto, Ontario  
May 9, 2019*

Heather M. Fitzpatrick  
*President*

## APPENDIX “A”

### BOARD OF DIRECTORS CHARTER

#### 1. ROLE OF THE BOARD

The role of the Board of Directors (the “board”) of Halmont Properties Corporation (the “Corporation”) is to oversee, directly and through its committees, the business and affairs of the Corporation, which are conducted by its officers and employees under the direction of the President. In doing so, the Board acts at all times with a view to the best interests of the Corporation and its shareholders.

The board is elected by the Corporation’s shareholders to oversee management, with the objective of advancing the best interests of the shareholders and by enhancing shareholder value in a manner that recognizes the concerns of other stakeholders in the Corporation, including its employees, suppliers, customers and the communities in which it operates.

#### 2. AUTHORITY AND RESPONSIBILITY

The board meets regularly to review reports by management on the Corporation’s performance. In addition to the general supervision of management, the board performs the following functions:

- (a) Strategic planning – overseeing the strategic planning process within the Corporation and, at least annually, reviewing, approving and monitoring the strategic plan for the Corporation including fundamental financial and business strategies and objectives;
- (b) Risk assessment – assessing the major risks facing the Corporation and reviewing, approving and monitoring the manner of managing those risks;
- (c) Senior executive officers – overseeing the selection, evaluation and compensation of senior management and monitoring succession planning;
- (d) Communications and disclosure policy – adopting a communications and disclosure policy for the Corporation, including ensuring the timeliness and integrity of communications to shareholders and establishing suitable mechanisms to receive stakeholder views;
- (e) Corporate governance – developing the Corporation’s approach to corporate governance, including developing a set of corporate governance principles and guidelines applicable to the Corporation;
- (f) Internal controls – reviewing and monitoring the controls and procedures within the Corporation to maintain its integrity including its disclosure controls and procedures, and its internal controls and procedures for financial reporting and compliance; and
- (g) Maintaining integrity – on an ongoing basis, satisfying itself as to the integrity of the Corporation’s officers and that a culture of integrity exists in their dealings with the Corporation’s tenants, business partners and the financial community.

### 3. BOARD AND PROCEDURES

- (a) Size of board and selection process – The directors of the Corporation are elected each year by the shareholders at the annual meeting of shareholders. The board proposes a slate of nominees to the shareholders for election. Any shareholder may propose a nominee for election to the board either by means of a shareholder proposal upon compliance with the requirements prescribed by the *Business Corporations Act* (Ontario) or at the annual meeting.
- (b) Qualifications – Directors should have the highest personal and professional ethics and values and be committed to advancing the best interest of the shareholders of the Corporation. They should possess skills and competencies in areas that are relevant to the Corporation’s activities. At least 50% of the directors will be independent directors based on the rules and guidelines of applicable stock exchanges and securities regulatory authorities.
- (c) Director orientation – The Corporation’s management team and the Corporation’s Chairman is responsible for providing an orientation and education program for new directors.
- (d) Meetings – The board has at least four scheduled meetings a year. The board is responsible for its agenda. Prior to each board meeting, the President discusses agenda items for the meeting with the Chairman of the Board. Materials for each meeting are distributed to the directors in advance of the meetings. At the conclusion of each regularly scheduled meeting, the independent directors meet without management and related directors present.
- (e) Committees – The board has established one standing committee to assist it in discharging its responsibilities: The Audit & Corporate Governance Committee. Special committees are established from time to time to assist the board in connection with specific matters. The Chair of each committee reports to the board following meetings of the committee. The terms of reference of each standing committee are reviewed annually by the board.
- (f) Evaluation – The board directly or through its Audit & Corporate Governance Committee performs an annual evaluation of the effectiveness of the board as a whole, the committees of the board and the contributions of individual directors. In addition, each committee assesses its performance annually.
- (g) Access to independent advisors – The board and any committee may at any time retain outside financial, legal or other advisors at the expense of the Corporation. Any director may, subject to the approval of the Chairman of the Board, retain an outside advisor at the expense of the Corporation.

## APPENDIX “B”

### AUDIT & CORPORATE GOVERNANCE COMMITTEE CHARTER

#### 1. MANDATE

The Audit & Corporate Governance Committee (the “Committee”) of the Board of Directors (the “board”) of Halmont Properties Corporation (the “Corporation”) assists the board in fulfilling its financial oversight responsibilities. The Committee will review and consider in consultation with the auditors the financial reporting process, the system of internal control and the audit process. In performing its duties, the committee will maintain effective working relationships with the board, management, and the external auditors. To effectively perform his or her role, each committee member must obtain an understanding of the principal responsibilities of committee membership as well as the Corporation’s business, operations and risks.

#### 2. COMPOSITION

The board will appoint from among their membership an Audit & Corporate Governance Committee after each Annual General Meeting of the shareholders of the Corporation. The Committee will consist of a minimum of three directors.

##### *Independence*

A majority of the members of the Committee must be independent directors.

##### *Expertise of Committee Members*

A majority of the members of the Committee must be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the committee. At least one member of the committee must have accounting or related financial management expertise. The board shall interpret the qualifications of financial literacy and financial management expertise in its business judgment and shall conclude whether a director meets these qualifications.

#### 3. MEETINGS

The Committee shall meet in accordance with a schedule established each year by the board, and at other times that the Committee may determine. The Committee shall meet at least annually with the Corporation’s Chief Financial Officer and external auditors in separate executive sessions.

#### 4. ROLES AND RESPONSIBILITIES

The Committee shall fulfill the following roles and discharge the following responsibilities:

##### 4.1 *External Audit*

The Committee shall be directly responsible for overseeing the work of the external auditors in preparing or issuing the auditor’s report, including the resolution of disagreements between management and the external auditors regarding financial reporting and audit scope or procedures. In carrying out this duty, the Committee shall:

- (a) recommend to the board the external auditor to be nominated by the shareholders for the purpose of preparing or issuing an auditor’s report or performing other audit, review, or attest services for the Corporation;
- (b) review (by discussion and enquiry) the external auditor’s proposed audit scope and approach;
- (c) review the performance of the external auditors and recommend to the board the appointment or discharge of the external auditors;
- (d) review and recommend to the board the compensation to be paid to the external auditors; and

- (e) review and confirm the independence of the external auditors by reviewing the non-audit services provided and the external auditors' assertion of their independence in accordance with professional standards.

#### 4.2 *Internal Control*

The Committee shall consider whether adequate controls are in place over annual and interim financial reporting as well as controls over assets, transactions and the creation of obligations, commitments and liabilities of the Corporation. In carrying out this duty, the Committee shall:

- (a) evaluate the adequacy and effectiveness of management's system of internal controls over the accounting and financial reporting system within the Corporation; and
- (b) ensure that the external auditors discuss with the Committee any event or matter which suggests the possibility of fraud, illegal acts or deficiencies in internal controls.

#### *Financial Reporting*

The Committee shall review the financial statements and financial information prior to its release to the public. In carrying out this duty, the Committee shall:

##### *General*

- (a) review significant accounting and financial reporting issues, especially complex, unusual and related party transactions; and
- (b) review and ensure that the accounting principles selected by management in preparing financial statements are appropriate.

##### *Annual Financial Statements*

- (c) review the draft annual financial statement and provide a recommendation to the board with respect to the approval of the financial statements;
- (d) meet with management and the external auditors to review the financial statements and the results of the audit, including any difficulties encountered; and
- (e) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Interim Financial Statements*

- (f) review and approve the interim financial statements prior to their release to the public; and
- (g) review management's discussion & analysis respecting the annual reporting period prior to its release to the public.

##### *Release of Financial Information*

- (h) where reasonably possible, review and approve all public disclosure, including news releases, containing financial information, prior to its release to the public.

#### 4.3 *Non-Audit Services*

All non-audit services (being services other than services rendered for the audit and review of the financial statements or services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements) which are proposed to be provided by the external auditors to the Corporation or any subsidiary of the Corporation shall be subject to the prior approval of the Committee.

#### *Delegation of Authority*

- (a) The Committee may delegate to one or more independent members of the Committee the authority to approve non-audit services, provided any non-audit services approved in this manner must be presented to the Committee at its next scheduled meeting.

#### *De-Minimis Non-Audit Services*

- (b) The Committee may satisfy the requirement for the pre-approval of non-audit services if:
  - (i) the aggregate amount of all non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiaries to the external auditor during the fiscal year in which the services are provided; or
  - (ii) the services are brought to the attention of the Committee and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

#### *Pre-Approval Policies and Procedures*

- (c) The Committee may also satisfy the requirement for the pre-approval of non-audit services, if:
  - (i) the pre-approval policies and procedures are detailed as to the particular service;
  - (ii) the Committee is informed of each non-audit service; and
  - (iii) the procedures do not include delegation of the Committee's responsibilities to management.

#### 4.4 *Other Responsibilities*

The Committee shall:

- (a) establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters;
- (b) establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (c) ensure that significant findings and recommendations made by management and external auditors are received and discussed on a timely basis;
- (d) review the policies and procedures in effect for considering officers' expenses and perquisites;
- (e) perform other oversight functions as requested by the board; and
- (f) review and update this Charter and receive approval of changes to this Charter from the board.

#### 4.5 *Reporting Responsibilities*

The Committee shall regularly update the board about committee activities and make appropriate recommendations.

### 5. **RESOURCES AND AUTHORITY OF THE AUDIT & CORPORATE GOVERNANCE COMMITTEE**

The Committee shall have the resources and the authority appropriate to discharge its responsibilities, including the authority to:

- (a) engage independent counsel and other advisors as it determines necessary to carry out its duties;
- (b) set and pay the compensation for any advisors employed by the Committee; and
- (c) communicate directly with the internal and external auditors.

## 6. GUIDANCE – ROLES AND RESPONSIBILITIES

The following guidance is intended to provide the Committee members with additional guidance on fulfillment of their roles and responsibilities on the committee:

### 6.1 *Internal Control*

- (a) evaluate whether management is setting the goal of high standards by communicating the importance of internal control and ensuring that all individuals possess an understanding of their roles and responsibilities;
- (b) focus on the extent to which external auditors review computer systems and applications, the security of such systems and applications, and the contingency plan for processing financial information in the event of an IT systems breakdown; and
- (c) gain an understanding of whether internal control recommendations made by external auditors have been implemented by management.

### 6.2 *Financial Reporting*

#### *General*

- (a) review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and understand their impact on the financial statements;
- (b) ask management and the external auditors about significant risks and exposures and the plans to minimize such risks; and
- (c) understand industry best practices and the Corporation's adoption of them.

#### *Annual Financial Statements*

- (d) review the annual financial statements and determine whether they are complete and consistent with the information known to committee members, and assess whether the financial statements reflect appropriated accounting principles in light of the jurisdictions in which the Corporation reports or trades its shares;
- (e) pay attention to complex and/or unusual transactions such as restructuring charges and derivative disclosures;
- (f) focus on judgmental areas such as those involving valuation of assets and liabilities, including, for example, the accounting for and disclosure of loan losses; warranty, professional liability; litigation reserves; and other commitments and contingencies;
- (g) consider management's handling of proposed audit adjustments identified by the external auditors; and
- (h) ensure that the external auditors communicate all required matters to the committee.

#### *Interim Financial Statements*

- (i) be briefed on how management develops and summarizes interim financial information, the extent to which the external auditors review interim financial information;
- (j) meet with management and the auditors, either telephonically or in person, to review the interim financial statements; and
- (k) to gain insight into the fairness of the interim statements and disclosures, obtain explanations from management on whether:
  - (i) actual financial results for the quarter or interim period varied significantly from budgeted or projected results;

- (ii) changes in financial ratios and relationships of various balance sheet and operating statement figures in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
- (iii) generally accepted accounting principles have been consistently applied;
- (iv) there are any actual or proposed changes in accounting or financial reporting practices;
- (v) there are any significant of unusual events or transactions;
- (vi) the Corporation's financial and operating controls are functioning effectively;
- (vii) the Corporation has complied with the terms of loan agreements, security indentures or other financial position or results dependent agreement; and
- (viii) the interim financial statements contain adequate and appropriate disclosures.

### 6.3 *Compliance with Laws and Regulations*

- (a) periodically obtain updates from management regarding compliance with this policy and industry "best practices";
- (b) be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (c) review the findings of any examinations by securities regulatory authorities and stock exchanges.

### 6.4 *Other Responsibilities*

- (a) review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements.



HALMONT PROPERTIES CORPORATION

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