



**THE WESTAIM CORPORATION**

**NOTICE OF ANNUAL AND SPECIAL MEETING  
TO BE HELD ON MAY 15, 2015  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 13, 2015**



## THE WESTAIM CORPORATION

### NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual and special meeting of shareholders (the “**Meeting**”) of The Westaim Corporation (the “**Corporation**”) will be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, Inverness Room, 27<sup>th</sup> Floor, on Friday, May 15, 2015 at 10:00 a.m. (Toronto time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2014 together with the auditors’ report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by the management of the Corporation;
- (c) re-appoint Deloitte LLP, Chartered Professional Accountants, as auditors of the Corporation and authorize the audit committee of the board of directors of the Corporation (the “**Board**”) to fix the auditors’ remuneration and terms of engagement;
- (d) consider and, if deemed appropriate, pass a resolution confirming and approving the 10% rolling incentive stock option plan of the Corporation, as required by the TSX Venture Exchange (the “**TSXV**”) on an annual basis;
- (e) consider and, if deemed appropriate, pass a resolution approving a change of business of the Corporation from an “industrial issuer” to an “investment issuer” pursuant to the policies of the TSXV;
- (f) consider and, if deemed appropriate, pass a resolution ratifying the general by-law of the Corporation which was amended and restated to add share ownership and transfer restrictions designed to enable the Corporation to comply with the requirements of the applicable insurance regulatory authorities; and
- (g) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

This Notice of Meeting is accompanied by a management information circular and a form of proxy (the “**Proxy Instrument**”).

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof is April 10, 2015 (the “**Record Date**”). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment(s) thereof.

**A shareholder of the Corporation may attend the Meeting in person or may be represented by proxy. Registered shareholders of the Corporation who are unable to attend the Meeting or any**

**adjournment(s) thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment(s) thereof.**

To be effective, the enclosed Proxy Instrument must be returned to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment(s) thereof, in default of which it may be treated as invalid.

**If you are a non-registered beneficial shareholder, a voting information form (also known as a VIF), instead of a form of proxy, may be enclosed. You must follow the instructions provided by your intermediary in order to vote your common shares.**

**DATED** at Toronto, Ontario this 13<sup>th</sup> day of April, 2015.

BY ORDER OF THE BOARD

(signed) "*J. Cameron MacDonald*"

J. Cameron MacDonald  
Director, President and Chief Executive Officer

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**THE WESTAIM CORPORATION**  
**(“Westaim” or the “Corporation”)**

**MANAGEMENT INFORMATION CIRCULAR**

This management information circular (the “**Information Circular**”) is dated April 13, 2015 and is furnished in connection with the solicitation of proxies by and on behalf of the management of the Corporation (“**Management**”) for use at the annual and special meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, Sun Life Financial Tower, Inverness Room, 27<sup>th</sup> Floor, Toronto, Ontario on Friday, May 15, 2015 at 10:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular.

**PARTICULARS OF MATTERS TO BE ACTED UPON**

**1.      *Financial Statements***

The audited financial statements of the Corporation for the fiscal year ended December 31, 2014, together with the report of the auditors thereon, will be presented to the Shareholders at the Meeting.

**2.      *Election of Directors***

The articles of the Corporation (the “**Articles**”) require a minimum of three and a maximum of fifteen directors of the Corporation. On November 14, 2014, the Corporation’s board of directors (the “**Board**”), pursuant to the right granted under the Articles and the *Business Corporations Act* (Alberta) (the “**ABCA**”), appointed Stephen R. Cole to the Board. As a result, there are currently six directors of the Corporation. Accordingly, the number of directors to be elected at the Meeting is six. The present term of office of each current director of the Corporation will expire at the Meeting.

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below, each to serve as a director of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until his successor is duly elected or appointed, unless he resigns, is removed or becomes disqualified in accordance with the Corporation’s by-laws or the ABCA. The persons named in the accompanying form of proxy (the “**Proxy Instrument**”) intend to vote for the election of such persons at the Meeting, unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director of the Corporation.

The following table and the notes thereto set out the name of each person proposed by Management to be nominated for election as a director of the Corporation at the Meeting, the period during which he has been a director of the Corporation, his principal occupation within the five preceding years, all offices of the Corporation now held by such person, and his shareholdings, which includes the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised.

Name of Proposed Nominee, Province and Country of Residence	Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed <sup>(1)</sup>
Stephen R. Cole <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2014	Since May 2013, Mr. Cole has been President of Seeonee Inc. ( <i>a financial advisory services company</i> ). Prior to May 2013, Mr. Cole was Managing Director of Duff & Phelps Canada Limited ( <i>a financial advisory services company</i> ). Duff & Phelps Canada Limited acquired Cole & Partners ( <i>a financial advisory services company</i> ) on June 15, 2010. Mr. Cole was a partner at Cole & Partners for more than thirty-five years prior to the acquisition.	Director	60,000
Ian W. Delaney <sup>(5)</sup> Ontario, Canada	Director since 1996	Mr. Delaney's principal occupation is serving as the Chairman of the Board. He is the former Chairman of Sherritt International Corporation (" <b>Sherritt</b> ") ( <i>a diversified resource company involved in the production of nickel, cobalt, oil and electricity, and the development of coal as an energy resource</i> ). Mr. Delaney also served as director (1995-2013) and Non-Executive Chairman (2009-2013) of Sherritt, and was Sherritt's President and Chief Executive Officer (2009-2011), Executive Chairman (2004-2008) and Chairman (1995-2004).	Director and Chairman of the Board	6,045,457
John W. Gildner <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2009	Mr. Gildner is an independent businessman. From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. (an investment bank) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chairman of the Audit Committee	57,967
J. Cameron MacDonald Ontario, Canada	Director since 2008	From approximately December 1, 2000 to December 8, 2012, Mr. MacDonald was the President and Chief Executive Officer of Goodwood Inc. (" <b>Goodwood</b> "). Since April 3, 2009, his principal occupation has been as President and Chief Executive Officer of the Corporation.	Director, President and Chief Executive Officer	3,122,258
Peter H. Puccetti Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood. Since December 18, 2012, he has also acted as the Chief Executive Officer of Goodwood.	Director	682,259
Bruce V. Walter <sup>(6)</sup> Ontario, Canada	Proposed Director  Director from 1997 to 2012	Mr. Walter is currently Chairman of Nunavut Iron Ore, Inc. ( <i>a resource company</i> ) and serves as Vice Chair of Centerra Gold Inc. ( <i>a gold mining company</i> ). From 2002 until 2007, Mr. Walter was a director and officer of Dynatec Corporation ( <i>a mining company</i> ), initially as Vice-Chairman and from 2005 as President and CEO.	Proposed Director	88,970

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation ("**Common Shares**") owned, controlled or directed, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders or furnished by each of the proposed directors of the Corporation individually.
- (2) Member of the nominating and corporate governance committee of the Board (the "**Corporate Governance Committee**").
- (3) Member of the human resources and compensation committee of the Board (the "**HR and Compensation Committee**").
- (4) Member of the audit committee of the Board (the "**Audit Committee**").
- (5) Mr. Delaney was the Chairman of the Corporate Governance Committee until November 14, 2014. A new Chairman of such committee is expected to be appointed following the Meeting.
- (6) Proposed member of the Corporate Governance Committee, HR and Compensation Committee and Audit Committee.

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE CORPORATION, PROXY INSTRUMENTS IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders will be asked to vote in favour of, or withhold from voting, separately for each nominee. If with respect to any particular nominee, the number of Common Shares withheld exceeds the number of Common Shares voted in favour of the nominee, following the Meeting the nominee is required to submit his resignation to the Corporate Governance Committee. The Corporate Governance Committee shall then make a recommendation to the Board with respect to whether or not to accept the resignation. After reviewing the matter and not later than 90 days following the Meeting, the Board will accept or reject the resignation and will advise Shareholders of its decision by press release. The nominee will not participate in the discussions respecting the decision to accept or reject the resignation. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Corporation, no proposed director is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemptions under Canadian securities legislation that was in effect for a period of more than 30 consecutive days (an “**order**”), that was issued while the proposed director was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of the Corporation, other than as set out below, no proposed director:

- (a) is, as at the date of this Information Circular, or has been within the ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (b) has, within the ten years before the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

Mr. Delaney was a director of OPTI Canada Inc. (“**OPTI**”) when it commenced proceedings for creditor protection under the Companies’ Creditors Arrangement Act (Canada) (“**CCA**”) on July 13, 2011. Ernst & Young Inc. was appointed as monitor of OPTI. On November 28, 2011, OPTI announced that it had closed a transaction whereby a subsidiary of CNOOC Limited acquired all of the outstanding securities of OPTI pursuant to a plan of arrangement under the CCA and the *Canada Business Corporations Act*.



To the knowledge of the Corporation, no proposed director has been subject to:

- (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **3. Appointment of Auditors**

Shareholders will be requested to re-appoint Deloitte LLP, Chartered Professional Accountants, as auditors of the Corporation to hold office until the next annual meeting of Shareholders, and to authorize the Audit Committee to fix the auditors' remuneration and the terms of their engagement. Deloitte LLP, Chartered Professional Accountants, was first appointed auditors of the Corporation on May 7, 1996.

### **4. Annual Approval of Option Plan**

In accordance with the policies of the TSX Venture Exchange (the "TSXV"), an issuer that has a rolling stock option plan must have its shareholders approve the plan on an annual basis. The incentive stock option plan of the Corporation (the "Option Plan") was adopted by the Board on May 14, 2014 and was approved by the Shareholders at the annual and special meeting of Shareholders which took place on June 19, 2014 (the "2014 Meeting"). No changes have been made to the Option Plan since the 2014 Meeting, and no stock options (the "Options") have been issued pursuant to the Option Plan to date. The Option Plan provides that the aggregate number of Common Shares reserved for issuance upon the exercise of all Options granted under such plan (together with all Common Shares issuable pursuant to each other equity compensation plan of the Corporation, including the amended and restated long-term equity incentive plan of the Corporation (the "Incentive Plan" and together with the Option Plan, the "Plans")) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (on a non-diluted basis). As such, Shareholders will be asked at the Meeting to consider and, if deemed advisable, confirm and approve the Option Plan.

See "Security Based Compensation Arrangements – Summary of Terms and Conditions of the Option Plan" for further details concerning the Option Plan. The information related to the Option Plan in this Information Circular is intended as a summary only and is qualified in its entirety by reference to the Option Plan which is attached as Appendix "C" to the management information circular of the Corporation dated May 14, 2014 prepared in connection with the 2014 Meeting.

### **Option Plan Resolution**

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the "Option Plan Resolution") confirming and approving the Option Plan.

**In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Option Plan Resolution.** The Option Plan Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

## 5. *Approval of Change in Listing Category*

### **History of the Prior Business**

Westaim was established in 1996 with a view to produce and market products for global applications based on its advanced industrial materials expertise. At the time of its initial public offering, it had a portfolio of development stage new business opportunities which included: coking-resistant coatings, electroluminescent flat panel displays (through its subsidiary, iFire Technology Ltd. “**iFire**”), biomedical coatings (through its subsidiary NUCRYST Pharmaceuticals Corp. (“**Nucryst**”), electronic ceramics and structural ceramics.

On May 29, 2002, Westaim announced its intention to close or sell non-core assets to increase the focus of its management and financial resources on its two emerging businesses, iFire and Nucryst.

In April 2007, Westaim announced that it was undertaking a review of its business strategy and in the second quarter of 2007, it announced a significant reduction in staff and in research and development spending at iFire.

In the fourth quarter of 2007, Westaim announced that it would actively seek a buyer for the iFire business and assets and would discontinue further development of iFire’s thick film dielectric electroluminescent technology for application in the flat panel television market.

On October 17, 2008, Westaim announced a purchase and sale agreement for the sale of iFire’s equipment, patents and intellectual property. The sale of the iFire equipment was completed later in the fourth quarter of 2008 and the sale of the patents and intellectual property was completed in the first quarter of 2009.

On November 10, 2009, Nucryst entered into an asset purchase agreement under which it agreed to sell all of its operations and assets. The sale transaction was completed on December 22, 2009.

Immediately following the completion of the Nucryst asset sale, Westaim had no active business.

### **Change in Management and Business Focus**

On April 3, 2009, Westaim announced that it planned to pursue strategic investment opportunities designed to maximize the value of its strong balance sheet and non-cash resources. The change in investment focus was made in conjunction with changes to Management which included the appointment of J. Cameron MacDonald as President and Chief Executive Officer of Westaim.

On January 25, 2010, Westaim announced that it had agreed to purchase all of the issued and outstanding shares of JEVCO Insurance Company (“**Jevco**”) from its parent company, Kingsway Financial Services Inc., (the “**Jevco Acquisition**”) and had arranged equity financing of \$275 million for the purpose of completing such acquisition. The Jevco Acquisition was completed on March 29, 2010.

On May 2, 2012, Westaim announced that it had entered into an agreement with Intact Financial Corporation (“**Intact**”) pursuant to which it agreed to sell all of the issued and outstanding shares in the capital of Jevco to a wholly-owned subsidiary of Intact for \$530 million in cash (the “**Jevco Sale Transaction**”). The Jevco Sale Transaction was completed on September 4, 2012.

On September 28, 2012, Westaim effected a cash distribution by way of a return of capital on the Common Shares of \$37.50 per Common Share (the “**Cash Distribution**”). The Cash Distribution represented substantially all of the net proceeds realized from the Jevco Sale Transaction.

Following the Jevco Sale Acquisition, Westaim no longer met the continued listing requirements of the Toronto Stock Exchange (the “**TSX**”) as it had no active business. On January 9, 2013, following applications made by the Corporation, the Common Shares commenced trading on the TSXV (the “**TSXV Listing Date**”) and were delisted from the TSX. As Westaim had no active business at the time, based on its prior ownership of Jevco, it was listed on the TSXV as an “industrial issuer” with a focus on insurance. This meant that, should Westaim propose to make an investment or acquisition outside of the insurance sector, such investment or acquisition would represent a “Change of Business” under the policies of the TSXV which, among other things, would require that Westaim obtain shareholder approval for such Change of Business.

Management spent much of the first half of 2013 identifying and investigating potential acquisition opportunities principally in the insurance sector. However, none of such opportunities met Management’s investment parameters. Accordingly, Management determined to: (i) widen the focus of its search to include opportunities outside of the insurance sector; and (ii) adopt a formal investment policy. On September 25, 2013, the Board approved an investment policy for the Corporation, which policy was amended on August 14, 2014 and on April 13, 2015 (the “**Business Acquisition and Investment Policy**”).

#### **Houston International Insurance Group, Ltd.**

On March 12, 2014, the Corporation announced that Westaim HIIG Limited Partnership (the “**Partnership**”), an Ontario limited partnership established by Westaim, had agreed to acquire a significant equity interest in Houston International Insurance Group, Ltd. (“**HIIG**”), an international specialty insurance company headquartered in Houston, Texas.

On July 31, 2014, the Partnership completed the acquisition (the “**Initial HIIG Acquisition**”) of approximately 70.8% of the issued and outstanding shares of common stock of HIIG (the “**HIIG Shares**”) for an aggregate purchase price of approximately US\$138.7 million. In connection with the Initial HIIG Acquisition, Westaim raised approximately \$150 million through several private placement transactions.

On January 14, 2015, the Partnership raised US\$70 million through the sale of additional Class A Units of the Partnership (the “**Additional Offering**”). The proceeds from this offering were used to acquire additional HIIG Shares (the “**Subsequent HIIG Acquisition**”) in order to fund (i) the purchase by HIIG, through HIIG Underwriters Agency, Inc., of all of the assets of the underwriting business operating as “Elite Underwriting Services”, a division of U.S. based Elite Brokerage Services, Inc., (ii) an additional capital contribution to HIIG’s subsidiary insurance companies and (iii) for general corporate purposes.

In connection with the Additional Offering, the Corporation subscribed for additional Class A Units of the Partnership for an aggregate subscription amount of approximately US\$50.6 million. As a result, following the completion of the Additional Offering and the Subsequent HIIG Acquisition, the Corporation now owns approximately 58.5% of the issued and outstanding Class A Units of the Partnership and the Partnership now owns approximately 75.7% of the issued and outstanding HIIG Shares.

## **Summary of Westaim's Investment Objective and Philosophy**

### Overview

Westaim is a Canadian investment company seeking to partner with strong, successful and aligned management teams by providing capital and strategic expertise to businesses with a focus primarily on the financial services industry. Westaim invests directly and indirectly through acquisitions, joint ventures and other arrangements, with the objective of providing Shareholders with capital appreciation and real wealth preservation. Westaim's strategy is to pursue investment opportunities to grow Shareholder value over the long term.

The senior Management team and Board have extensive experience in sourcing, executing and financing businesses, and providing strategic advice to businesses in order to help them grow. Accordingly, Westaim expects to provide its portfolio companies with advisory services including, but not limited to, advice on capital allocation, financing strategy, performance measurement and merger and acquisition support. As part of its financing strategy, Westaim also intends to partner with like-minded providers of third party capital to help supplement Westaim's own capital when completing acquisitions. The fees from managing this capital are expected to provide cash flow to the Corporation to support its operations, and augment the return for Shareholders.

### Investment Objective

Westaim's investment objective is to maximize the intrinsic value of its businesses on a per share basis over the long-term. The senior Management team has extensive experience in financial services, with particular expertise within the investment, property and casualty insurance, and asset management industries. Westaim takes an owners approach to its investments, and seeks to provide Shareholders and third-party capital providers with exposure to unique investment opportunities that can generate superior risk adjusted returns within the financial services industry.

### Investment Philosophy

Westaim intends to seek to accomplish this objective by adhering to the following philosophy:

*Taking a long-term approach:* The Corporation seeks to share a long-term horizon with Shareholder partners, the management teams of its portfolio businesses and its strategic third party capital providers. A long-term approach allows Westaim to allocate capital patiently, often times sacrificing short-term gains for long-term performance.

*Focusing on cash flow and returns on invested capital:* The Corporation evaluates its investments by focusing on cash generation and returns on invested capital rather than on accounting profit. This focus allows Westaim to focus on the economic potential of the particular business and maximizing its intrinsic value.

*Investing Opportunistically:* The Corporation seeks to remain opportunistic and nimble in the evaluation of strategic investment opportunities. The flexibility provided by being opportunistic allows the Corporation to react quickly and take advantage of opportunities to deploy capital into businesses that have the potential to offer above average returns, combined with a healthy margin of safety.

*Maintaining financial strength:* Westaim seeks to maintain a conservative capital structure and strong balance sheet. As a result, Westaim will at times carry substantial cash balances as it searches for

investment opportunities. This conservatism is expected to ensure that the Corporation has sufficient cash resources to react quickly to opportunities as and when they arise.

### **Business Acquisition and Investment Policy**

A copy of the Business Acquisition and Investment Policy is attached as Appendix “A” hereto. A summary of the Business Acquisition and Investment Policy appears below which summary is qualified in its entirety by the full provisions of the Investment Policy.

#### Investment Objective

Westaim’s investment objective is to maximize the growth of its intrinsic business value on a per share basis over the long-term. Westaim intends to seek to accomplish this objective through:

- Utilizing value investing principles and the expertise and experience of Management to opportunistically acquire all or part of high quality businesses that it understands, will generate superior returns on invested capital, and will have long-term prospects for growth;
- Providing acquired businesses with strategic, financial and capital allocation related advice and support to help accelerate their growth;
- Acquiring debt and equity securities of both public and private companies on an opportunistic basis; and
- Maintaining a conservative balance sheet that is expected to allow Westaim to withstand adversity and capitalize on opportunities when they arise.

#### Business Acquisition and Investment Strategy

To achieve its objectives, the following guidelines will be considered for Westaim’s investment strategy:

- Westaim may invest in both public and non-public businesses and assets that have the potential for superior investment returns.
- Availability and quality of operating management with whom to partner will be a critical consideration of the attractiveness of an investment opportunity.
- Westaim intends to invest opportunistically in debt, equity and derivative securities, with a preference for equity and equity-related securities.
- While the Corporation will consider the liquidity of a particular investment in its evaluation, this will not be an immediate requirement, and will be a secondary consideration to the quality of the business, and the attractiveness of the investment opportunity.
- Over time, the Corporation intends to assemble a concentrated portfolio of businesses where its expertise and experience can be utilized to maximize returns on invested capital to the benefit of Shareholders.
- Pending an investment, consistent with its long-term strategy, the Corporation expects to invest its surplus cash in interest bearing demand or deposit obligations or Government of Canada short-term debt obligations, other short-term investment grade debt obligations, or public equity

securities as the Corporation may determine in accordance with limitations and guidelines established by the Board from time to time.

### Implementation

In reaching an investment decision regarding a particular investment, the Corporation expects to consider, amongst others, the following factors:

- Availability and quality of operating management, and the ability to align management's interest with those of the Shareholders;
- The ability of Management to use their expertise to help grow the business organically and through prudent acquisitions;
- The financial condition and financial performance of the investee company; and
- The size of the investment, its price and valuation, and the Corporation's ability to efficiently finance its purchase.

### Conflicts of Interest

Prior to making an investment, all members of senior Management and the Board shall be obligated to disclose any interest in the potential investment. In the event that a conflict is determined to exist, the person having the conflicted interest shall abstain from making further decisions concerning the investment.

### Monitoring

The investment activities of Westaim will be monitored by senior Management, and by the Board through regular reporting. Investments will be monitored, evaluated and communicated to Management and the Board on a fair value basis in accordance with the Corporation's status as an investment company.

### Financing

Westaim expects to raise capital from time to time through the public offering of its securities, by private placement, or through the incurrence of debt obligations. The Corporation is expected to maintain a conservative balance sheet to provide the flexibility to make opportunistic investments as they arise.

### Dividends

Westaim does not expect to declare dividends in the near future, as it intends to reinvest cash flows and/or proceeds of investment sales in new opportunities in accordance with its strategy.

### **TSXV Approval**

The Corporation has applied to the TSXV to be designated as an "investment issuer" rather than an "industrial issuer" (the "**TSXV COB Approval**"). The Corporation believes that such a change would more accurately reflect Westaim's business focus and approach and would enable the Corporation to make investments and/or acquisitions outside of the insurance sector without first obtaining shareholder approval (unless otherwise required by the policies of the TSXV). Under the policies of the TSXV, the change from an industrial issuer to an investment issuer represents a "Change of Business" within the

meaning of the TSXV policies. The TSXV COB Approval will be subject to the Corporation fulfilling all of the requirements of the TSXV, which are expected to include the obligation for Westaim to make at least one additional investment within twelve months of the issuance of final approval by the TSXV for the Change of Business.

### **Change of Business Resolution**

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Change of Business Resolution**”) approving the Change of Business of the Corporation from an “industrial issuer” to an “investment issuer”.

In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Change of Business Resolution. **The Change of Business Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.**

### **6. Ratification of Amended and Restated General By-Law of the Corporation**

On November 14, 2014, the Board amended and restated the general by-law of the Corporation (the “**Amended and Restated By-Law**”) to add share ownership and transfer restrictions designed to enable the Corporation to comply with the requirements of the applicable insurance regulatory authorities.

The Amended and Restated By-Law became effective upon its approval by the Board. However, pursuant to the provisions of the ABCA, the Amended and Restated By-Law will cease to be effective unless ratified by a resolution adopted by a simple majority of the votes cast by Shareholders at the Meeting. The full text of the Amended and Restated By-Law is set forth in Appendix “B” to this Information Circular.

The insurance laws of each of Texas and Oklahoma prohibit any person from acquiring control of a domestic insurance company or any entity that controls such insurance company unless that person has filed a notification containing specified information with that state’s Commissioner of Insurance (the “**Commissioner**”) and has obtained the Commissioner’s prior approval (the “**Control Restrictions**”). Under applicable Texas and Oklahoma statutes, the acquisition of 10% or more of the voting securities (or securities convertible into voting securities) of an insurance company or an entity that controls an insurance company is presumptively considered an acquisition of control of the insurance company, although such presumption may be rebutted. Accordingly, any person or entity that acquires, directly or indirectly, 10% or more of the voting securities of the Corporation (or securities convertible into voting securities) without the requisite prior approvals will be in violation of these laws and may be subject to injunctive action requiring the disposition or seizure of those securities or prohibiting the voting of those securities, or to other actions that may be taken by the applicable state insurance regulators.

In view of the foregoing restrictions, the Board approved the Amended and Restated By-Law to enable the Corporation to enforce compliance with the Control Restrictions.

The Amended and Restated By-Law contains the following provisions:

- The Corporation may require a proposed subscriber or transferee of shares to submit a declaration with respect to the holding of shares of the Corporation and any other matter that the directors consider relevant to determine if the registration of the subscription or transfer would result in a violation of the Control Restrictions.

- The Corporation also may require a declaration at any time if proxies are solicited from shareholders or when, in the opinion of the directors, the acquisition, ownership, holding or control of shares by any person could violate the Control Restrictions.
- The Corporation has the power to refuse to issue or record a transfer and to prevent a shareholder from exercising the voting rights, of any share of any class if:
  - (a) such person (i) owns, holds or controls, directly or indirectly, or (ii) following the issue or recording of the transfer, the shareholder would own, hold or control, directly or indirectly, a “significant voting interest” in the Corporation, unless the required approvals from all relevant insurance regulatory authorities have been obtained; or
  - (b) the person requesting the issue or recording of the transfer refuses to sign and deliver a declaration (or provide other information reasonably necessary to assist the directors in making a determination that the Control Restrictions have not been contravened) with respect to his, her or its ownership, holding or control of shares of the Corporation.

For these purposes, a “significant voting interest” in the context of the Corporation means the holding, directly or indirectly, of voting securities of the Corporation carrying 10% or more of the votes carried by all voting securities of the Corporation.

The restrictions relating to the transfer and the issue of shares of the Corporation do not generally apply to the transfer and the issue of securities of the Corporation in favour of a securities broker while such securities broker is performing no more than a function that is usual and customary for a securities broker.

The foregoing provisions will cease to apply if and for so long as the Control Restrictions are no longer applicable to the Corporation.

### **Amended and Restated By-Law Resolution**

At the Meeting, Shareholders will be asked to consider, and, if deemed appropriate, approve, with or without variation, a resolution (the “**Amended and Restated By-Law Resolution**”) ratifying the adoption of the Amended and Restated By-Law by the Board.

**In the absence of contrary instructions, the Management nominees named as proxyholders in the enclosed Proxy Instrument intend to vote FOR the Amended and Restated By-Law Resolution.** The Amended and Restated By-Law Resolution must be approved by the affirmative vote of at least a majority of the votes cast by Shareholders present in person or represented by proxy at the Meeting.

## **GENERAL STATUTORY INFORMATION**

### ***Solicitation of Proxies***

Solicitation of proxies for the Meeting will be primarily by mail, the cost of which will be borne by the Corporation. Proxies may also be solicited personally by employees of the Corporation at nominal cost to the Corporation. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the “**Documents**”) to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively “**Intermediaries**”, and each an “**Intermediary**”) for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries (“**Non-registered Shareholders**”). The Intermediaries are required to forward the Documents to Non-registered Shareholders.



Solicitation of proxies from Non-registered Shareholders will be carried out by Intermediaries, or by the Corporation if the names and addresses of Non-registered Shareholders are provided by the Intermediaries.

Non-registered Shareholders who have received the Documents from their Intermediary should follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, Non-registered Shareholders will either:

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation's registrar and transfer agent, Computershare Investor Services Inc.; or
- (b) be provided with a request for voting instructions. The Intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Documents to you directly, the Corporation (and not your Intermediary) has assumed responsibility for (i) delivering the Documents to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

#### ***Appointment of Proxy***

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Investor Services Inc., Attention: Proxy Department, by mail to 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid.

#### ***Revocation of Proxy***

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last business day preceding the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered to the attention of the Corporate Secretary of the Corporation c/o Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;

- (b) by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof, or
- (c) in any other manner permitted by law.

#### ***Voting of Proxies and Discretion Thereof***

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE ELECTION OF DIRECTORS, FOR THE RE-APPOINTMENT OF DELOITTE LLP, CHARTERED PROFESSIONAL ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE AUDIT COMMITTEE TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, FOR THE OPTION PLAN RESOLUTION, FOR THE CHANGE OF BUSINESS RESOLUTION AND FOR THE AMENDED AND RESTATED BY-LAW RESOLUTION.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgment.

#### ***Voting Securities and Principal Holders Thereof***

The voting securities of the Corporation consist of an unlimited number of Common Shares. As of the Record Date (as defined below), the Corporation had issued and outstanding 70,297,342 Common Shares (the “**Outstanding Share Number**”).

The close of business on April 10, 2015 has been fixed as the record date (the “**Record Date**”) for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof.

Each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Investor Services Inc., 600, 530-8<sup>th</sup> Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

To the knowledge of the directors and officers of the Corporation, no person beneficially owns or exercises control over, directly or indirectly, more than 10% of the outstanding voting securities of the Corporation.

There are no cumulative or similar voting rights attached to the Common Shares.

## INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

### *Aggregate Indebtedness*

Other than as set out below, as at March 31, 2015, there is no indebtedness outstanding of any current or former director, executive officer or employee of the Corporation or any of its subsidiaries which is owing to the Corporation or any of its subsidiaries or to another entity which is 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, entered into in connection with a purchase of securities or otherwise.

AGGREGATE INDEBTEDNESS (\$)		
Purpose	To the Corporation or its Subsidiaries	To Another Entity
HIIG Share purchases	US\$4,213,432 <sup>(1)</sup>	nil
Other	US\$420,539 <sup>(2)</sup>	nil

Notes:

- (1) Represents US\$3,316,791 loaned by HIIG for purchases of HIIG Shares pursuant to the Employee Share Purchase Program of HIIG (the "HIIG ESPP") and US\$896,641 loaned by HIIG for purchases of HIIG Shares outside of the HIIG ESPP.
- (2) Represents the total amount loaned by HIIG for non-stock purchases.

### *Indebtedness of Directors and Executive Officers Under (1) Securities Purchase and (2) Other Programs*

The following table summarizes the indebtedness of each individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, each proposed nominee for election as a director of the Corporation, and each associate of any such director, executive officer or proposed nominee, who is or at any time since the beginning of the most recently completed financial year of the Corporation has been, indebted to the Corporation or any of its subsidiaries, or whose indebtedness to another entity is, or at any time since the beginning of the most recently completed financial year has 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.

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS						
Name and principal position	Involvement of Corporation or Subsidiary	Largest Amount Outstanding During Fiscal Year Ended December 31, 2014	Amount Outstanding as at March 31, 2015	Financially Assisted Securities Purchases During Fiscal Year Ended December 31, 2014	Security for Indebtedness	Amount Forgiven During Fiscal Year Ended December 31, 2014
<b>Security Purchase Programs</b>						
Peter W. Presperin <sup>(1)(2)</sup> Executive Vice President, Chief Financial Officer and Secretary of HIIG	Lender	US\$700,000 <sup>(1)</sup>	US\$700,000 <sup>(1)</sup>	153,294 HIIG Shares <sup>(3)</sup>	153,294 HIIG Shares <sup>(3)</sup>	None
<b>Other Programs</b>						
N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- (1) HIIG loaned Peter W. Presperin US\$700,000 (the “**HIIG Loan**”) for the purpose of facilitating the purchase of HIIG Shares pursuant to the HIIG ESPP. The HIIG Loan is for a term ending on December 31, 2018 and bears interest at a rate of 1.89% per annum. The HIIG Shares are subject to the restrictions contained in the “March 12, 2014, Houston International Insurance Group Amended and Restated Stockholders’ Agreement”.
- (2) For purposes of applicable securities laws, Peter W. Presperin is considered an executive officer of the Corporation in light of the fact that he is in charge of a principal business unit, division or function.
- (3) Excludes any matching of purchases by HIIG of HIIG Shares under the HIIG ESPP.

## SECURITY BASED COMPENSATION ARRANGEMENTS

### *Equity Compensation Plan Information*

The following table sets out information as of December 31, 2014 with respect to the Corporation’s 1996 Employee and Director Stock Option Plan (the “**1996 Plan**”) and the Plans.

	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
<b>Equity compensation plans approved by securityholders<sup>(1)</sup></b>	2,380,000	n/a	4,649,734 <sup>(4)</sup>
1996 Plan	5,000 <sup>(2)</sup>	\$158.80 <sup>(2)</sup>	nil
Incentive Plan	2,375,000 <sup>(3)</sup>	n/a	4,649,734 <sup>(4)</sup>
Option Plan	nil	nil	nil <sup>(5)</sup>
<b>Equity compensation plans not approved by securityholders</b>	nil	nil	nil
<b>TOTAL</b>	<b>2,380,000</b>	<b>n/a</b>	<b>4,649,734<sup>(4)</sup></b>

Notes:

- (1) The Corporation previously adopted a long-term equity incentive plan (the “**Prior Incentive Plan**”), which was designed to combine the 1996 Plan, the Directors and Officers Share Purchase Program (the “**D&O Share Program**”), the Restricted Share Unit Plan (the “**RSU Plan**”) and the 2001 Deferred Share Unit Plan (the “**DSU Plan**”, and together with the 1996 Plan, the D&O Share Program and the RSU Plan, the “**Prior Plans**”). The Incentive Plan amended and restated the Prior Incentive Plan. While all equity compensation awards are made by the Board pursuant to the Incentive Plan or the Option Plan, as applicable, all awards made pursuant to the Prior Plans have remained outstanding and governed by the terms of the applicable Prior Plan and any applicable award agreement pursuant to which they were granted.
- (2) Represents Options issued under the 1996 Plan.
- (3) Represents RSUs granted under the Incentive Plan.
- (4) This number was calculated assuming the: (i) Outstanding Share Number does not change; and (ii) the Options and RSUs currently outstanding have not expired or been terminated. As noted below however, if any Options or Awards (as defined below) expire or terminate without having been exercised or redeemed in full, the Common Shares underlying the Option or Award, as applicable, shall again be available to be granted under the Plans.
- (5) Assumes, as of December 31, 2014, the total number of securities remaining available for future issuance under the Plans are granted in relation to Awards outstanding under the Incentive Plan.

As at December 31, 2014, there were a total of 5,000 Options outstanding (all of which were granted pursuant to the 1996 Plan) representing approximately 0.007% of the Outstanding Share Number. In addition, as at December 31, 2014, there were 2,375,000 restricted share units (“**RSUs**”) granted and outstanding pursuant to the Incentive Plan representing approximately 3.379% of the Outstanding Share Number. As at December 31, 2014, there were 4,649,734 Common Shares available for issuance under the Incentive Plan, representing approximately 6.614% of the Outstanding Share Number. The Option Plan provides that the aggregate number of Common Shares reserved for issuance upon the exercise of all Options granted under such plan (together with all Common Shares issuable pursuant to each other equity

compensation plan of the Corporation, including the Incentive Plan) shall not exceed 10% of the issued and outstanding Common Shares at the time of granting of Options (on a non-diluted basis).

### ***Summary of Terms and Conditions of the Incentive Plan***

On or around the TSXV Listing Date, the Corporation put in place the Prior Incentive Plan to comply with the policies of the TSXV which, among other things, limited the share-based compensation arrangements of its listed issuers to Options and DSUs. Following the TSXV Listing Date, the TSXV began to permit issuers to provide a broader range of share-based compensation awards, subject to certain conditions, including that Options be granted under a plan separate and apart from the plan governing the other share-based awards. In light of the foregoing, the Incentive Plan was approved by the Board on May 14, 2014, and by the Shareholders at the 2014 Meeting. Stock appreciation rights (“**SARs**”), DSUs, RSUs and other share-based awards (each an “**Award**”) are issued pursuant to the Incentive Plan. As noted above, Options are issued pursuant to the Option Plan. The Incentive Plan is substantially similar to the long-term equity incentive plan of the Corporation which was in place prior to the Common Shares being listed on the TSXV.

### **Purpose of the Incentive Plan**

In addition to streamlining the administration of the Prior Plans, the purpose of the Incentive Plan is to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation’s business.

### **Administration of the Incentive Plan**

The Incentive Plan is administered by the Board which has the power, subject to the specific provisions of the Incentive Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons (being directors, officers, employees, management company employees or consultants of the Corporation or its affiliates); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) of a stock appreciation right (a “**SAR**”) (provided it not be less than the last closing price of the Common Shares on the TSXV on the last trading date immediately preceding the relevant date (“**Market Price**”)), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; (h) authorize withholding arrangements; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

### **Eligible Persons**

The Incentive Plan authorizes the Board (or a committee of the Board if so authorized by the Board) to grant Awards to Eligible Persons. Eligible Persons who have received Awards are referred to herein as “**Participants**”.

## Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to issue Awards to Eligible Persons, which may be settled in shares issued from treasury, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject the approval of the TSXV.

### (a) SARs

A SAR is a right to receive a cash payment equal to the difference between the Option Price and the Market Price of a Common Share on the date of exercise (the “**SAR Amount**”). A SAR may be granted in relation to an Option or on a stand-alone basis. SARs granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. SARs granted on a stand-alone basis shall be granted on such terms as shall be determined by the Board and set out in the Award agreement, provided that the Option Price shall not be less than the Market Price of the Common Shares on the date of grant. SARs may be settled in cash or (at the election of the Corporation) Common Shares with an aggregate Market Price equal to the SAR Amount.

### (c) RSUs

An RSU is a right to receive a Common Share issued from treasury or, if the award agreement so provides, the Participant may elect to have some or all of such person’s RSUs settled by a cash payment equal to the Market Price of a Common Share redeemable after the passage of time, the achievement of performance targets or both. RSUs shall be granted on terms determined by the Board based on its assessment, for each Participant, of the current and potential contribution of such person to the success of the Corporation. The Board shall determine the effective date of the grant and the number of RSUs granted. The Board shall also determine the applicable grant period, the vesting terms and the exercise criteria of each RSU.

### (d) DSUs

A DSU is a right, redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the termination date of a Participant or, if applicable, to one fully paid and non-assessable Share issued from treasury. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person.

### (e) All Awards and Other Awards

Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an affiliate. Awards granted in addition to or in tandem with other Awards may be granted either at the same time or at different times. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

The Board may also grant other share-based awards to Eligible Persons pursuant to the Incentive Plan. All such awards shall be granted on terms determined by the Board and shall be subject to the approval of the TSXV, if required.

## **Share Purchase Program**

The Board may institute a share purchase program (the “**SPP**”) for designated Eligible Persons (each a “**SPP Eligible Person**”). Pursuant to the SPP, the Board could grant to each SPP Eligible Person one Option and/or one SAR for each Common Share purchased by such person up to a maximum number of Options and/or SARs for each Eligible Person as may be determined from time to time by the Board. Any such Options for SPP Eligible Persons will be granted under and governed by the Option Plan.

## **Restrictions on Awards**

The aggregate number of Common Shares issuable: (a) to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis); and (b) at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). Furthermore, the aggregate number of Common Shares to be reserved for issuance upon the exercise or redemption of all Awards granted under the Incentive Plan shall not exceed 7,042,150 or such number as may be approved by the TSXV and the Shareholders from time to time.

## **Substitute Awards**

Subject to TSXV approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of an Acquired Company (as defined below) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

## **Termination**

Subject to the provisions of the Incentive Plan, any express resolution passed by the Board and the terms of any award agreement, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person’s termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable, by the holder thereof at any time within 90 days following their termination date or, if the person is deceased, at any time within six months following his or her death. In any event, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

## **Adjustments**

If a formal bid for the Common Shares is made (an “**Offer**”), all Common Shares subject to outstanding Awards not then exercisable or redeemable shall become exercisable or redeemable and a Participant shall be entitled to exercise or redeem all or any part of the Award and tender the Common Shares acquired into the Offer. In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to Shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will, subject to TSXV approval, make

such proportionate adjustments, if any, to outstanding Awards as the Board in its discretion may deem appropriate to reflect such change.

### **Change of Control**

In the event of a change of control (“**CoC**”) of the Corporation or of an affiliate of which a Participant is an employee, with respect to all RSU grants, SARs and DSUs that are outstanding for such Participant on the date of the CoC (the “**CoC Date**”), (i) all vesting criteria and exercise criteria, if any, applicable to such RSUs, SARs and DSUs shall be deemed to have been satisfied as of the CoC Date; and (ii) except as may be otherwise provided under the terms of any other employee benefit plan approved by the Board, each Participant who has received any such RSU grants or SARs shall be entitled to receive, in full settlement of such RSU grants or SARs, a cash payment equal (A) in the case of a RSU, the Special Value (as defined herein); and (B) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR, in each case, payable on the date which is ten business days following the CoC Date. In the event of a CoC, the right of a Participant to receive a payment in respect of a DSU will not be triggered prior to such Participant’s termination date. As used herein, the term “**Special Value**” means (i) if any Common Shares are sold as part of the transaction constituting the CoC, the weighted average of the prices paid for such shares by the acquirer, provided that if any portion of the consideration is paid in property other than cash, then the Board shall determine the fair market value of such property for purposes of determining the Special Value; and (ii) if no Common Shares are sold, the Market Price of a Common Share on the day immediately preceding the date of the CoC.

### **Acceleration of Awards**

Notwithstanding any other provision of the Incentive Plan, the Board may at any time give notice to Participants advising that their respective Awards (other than a DSU) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such notice or such other period as determined by the Board and will otherwise terminate at the expiration of such period.

### **Amendment Procedure**

The Incentive Plan contains a formal amendment procedure. The Board may amend certain terms of the Incentive Plan without requiring the approval of the Shareholders, unless specifically required by the TSXV. Amendments not requiring Shareholder approval include, without limitation: (a) altering, extending or accelerating Award vesting terms and conditions; (b) amending the termination provisions of an Award; (c) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (d) amending the definitions contained in the Incentive Plan; (e) amending or modifying the mechanics of exercising or redeeming Awards; (f) amending provisions relating to the administration of the Incentive Plan; (g) making “housekeeping” amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (h) effecting amendments necessary to comply with the provisions of applicable laws; and (i) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require Shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan, except by operation of the maximum number of Common Shares issuable; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security-based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (d) amending the formal amendment procedures of the Incentive Plan; and (e) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.



## **Other Terms**

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable. No financial assistance is to be provided to any Eligible Person to facilitate the purchase of Common Shares under the Incentive Plan.

### ***Summary of Terms and Conditions of the Option Plan***

#### **Purpose of the Option Plan**

The Option Plan was implemented to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation's business.

#### **Administration of the Option Plan**

The Option Plan is administered by the Board which has the power, subject to the specific provisions of the Option Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Option Plan; (b) interpret, construe and determine all questions arising out of the Option Plan and any Option; (c) determine those persons considered Eligible Persons; (d) determine the exercise criteria, price at which Common Shares may be purchased under an Option (the "**Option Price**") (provided it not be less than the Market Price) and whether the Common Shares that are subject to an Option will be subject to any restrictions upon the exercise thereof; (e) prescribe the form of the instruments or Option agreements relating to the grant, exercise and other terms of the Options; (f) correct any defect or omission, or reconcile any inconsistency in the Option Plan and any Option agreement; (g) authorize withholding arrangements; and (h) take all other actions necessary or advisable for administering the Option Plan. The Board may, from time to time, delegate the administration of all or any part of the Option Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

#### **Restrictions on Options**

Pursuant to the policies of the TSXV, the Option Plan contains limits on the maximum number of Options that may be issued to any single Eligible Person (being directors, officers, employees, consultants, management company employees and any other service providers of the Corporation or its affiliates), including the following:

- no Eligible Person may be granted Options to acquire more than 5% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period unless the Corporation has obtained disinterested shareholder approval in connection therewith;
- no consultant may be granted Options to acquire more than 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period; and
- the aggregate number of Options granted to Eligible Persons retained to provide investor relations activities shall not exceed 2% of the issued and outstanding Common Shares (on a non-diluted basis) in any 12-month period.

In addition to the restrictions on Options noted above, the aggregate number of Common Shares issuable to insiders within any one year period under the Option Plan, together with any other security-based

compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis).

### **Description of Options**

Pursuant to the Option Plan, the Corporation is authorized to award Options to Eligible Persons.

An Option is a right to purchase a Common Share for a fixed exercise price. Options shall be for a fixed term and exercisable from time to time as determined in the discretion of the Board, provided that no Option shall have a term exceeding ten years. Except where not permitted by the TSXV, if an Option expires during a black-out period or within ten business days thereof, its term will be extended to the date which is ten business days following the end of such period.

The number of Common Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period.

The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the TSXV; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price.

### **Substitute Options**

Subject to TSXV approval, the Board may grant Options under the Option Plan in substitution for stock options held by employees, directors, consultants or advisors of another company (an “**Acquired Company**”) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

### **Other Material Terms**

The Option Plan contains similar termination, adjustment, CoC, acceleration and amendment provisions as the Incentive Plan. See “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*” for a summary of such provisions.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Introduction**

In view of the Corporation’s reduced scope of business activities following the completion of the Jevco Sale Transaction, the Corporation determined to reduce the level of directors’ fees payable to the outside directors, suspend the issuance of DSUs in lieu of directors’ fees and to compensate its executive officers principally by way of a set salary with defined employee benefits.

In anticipation of the completion of the Initial HIIG Acquisition, on August 6, 2014, Hugessen Consulting Inc. (the “**Compensation Consultant**”), a compensation consultant, was retained to provide recommendations regarding, among other things, the appropriate level of salary and benefits for the Corporation’s executive officers (the “**Executives**”), the structure of the bonus program and the type,

quantum and terms of Options or other Awards that should be granted to the Executives. The term “Executive” as used herein does not include Stephen L. Way, the Chairman and Chief Executive Officer of HIIG or Peter W. Presperin, HIIG’s Chief Financial Officer. The mandate of the Compensation Consultant involved approximately five weeks of work to develop an appropriate compensation framework for the Corporation, including background research and data collection on the Corporation, interviews with key stakeholders regarding the Corporation’s strategy and performance, developing a reference group of similar companies to the Corporation for benchmarking purposes, and finally using all such information to draft a framework focusing on merchant banking and private equity features tailored to the Corporation. Following this first phase of work, the Compensation Consultant remained available to develop detailed compensation recommendations and any other related follow-on work as required.

The table below sets forth the fees billed by the Compensation Consultant for each of the two most recently completed financial years of the Corporation:

	December 31, 2013	December 31, 2014
<b>Executive Compensation-Related Fees</b>	nil	\$78,758 <sup>(1)</sup>
<b>All Other Fees</b>	nil	nil

Note:

- (1) Represents the aggregate fees billed by the Compensation Consultant (net of applicable taxes) for services related to determining compensation for the persons who serve as executive officers of the Corporation.

## Compensation Discussion and Analysis

### Overview

The compensation of the Corporation’s executive officers is determined by the Board, relying upon the recommendation of the HR and Compensation Committee.

Based on the recommendation of the HR and Compensation Committee, the Board approved a new compensation structure for the Executives, effective May 1, 2014. The key elements of such program are: (i) base salary; (ii) short-term incentive awards in the form of cash bonuses; and (iii) long-term equity incentive awards in the form of RSUs.

Similar to the compensation arrangements in place prior to completion of the Jevco Sale Transaction, in establishing the compensation policy for the Executives, the HR and Compensation Committee reviewed the compensation of the Executives (base salary and short-term and long-term incentive programs) using data provided by the Compensation Consultant. These comparisons were adjusted to reflect the relative size of the Corporation, the nature of the Corporation’s business and the particular job functions and performance of Executives.

Based on the recommendation of the HR and Compensation Committee, the Board approved the following compensation for the NEOs identified below effective May 1, 2014 (other than the RSUs, which were granted effective November 14, 2014):

<u>Executive Officer</u>	<u>Base Salary</u>	<u>2014 Bonus</u>	<u>RSUs</u>
Ian W. Delaney	\$250,000	nil	450,000
J. Cameron MacDonald	\$350,000	\$375,000	900,000

<u>Executive Officer</u>	<u>Base Salary</u>	<u>2014 Bonus</u>	<u>RSUs</u>
Robert T. Kittel	\$350,000	\$350,000	700,000
Kumail Gangjee	\$175,000	\$150,000	150,000

In recommending approval of the compensation outlined above, the HR and Compensation Committee considered, among other things, the level of salary earned by the above NEOs above during 2013 and 2014, the fact that no bonuses, RSUs, Options or other Awards had been paid or granted to the above NEOs since 2012, the workload of each of the above NEOs during 2013 and 2014, the success of the Corporation's fundraising activities during 2014, the complexity and success of the Initial HIIG Acquisition and the market reaction thereto and the appreciation experienced in the trading price of the Common Shares during the period. While the 2014 bonuses referred to above were designed to largely compensate the above NEOs for their efforts and achievements during 2014, the RSU grants represented both a recognition for past efforts as well as an incentive for future performance.

### Compensation Objectives and Principles

The compensation program for the Executives is designed to provide such persons with a competitive compensation package having regard to responsibilities and performance. Performance is considered to include achievement of the Corporation's strategic objectives of protection of its investment portfolio, growth of its operations and enhancement of Shareholder value through increases in stock price.

The primary goal of the compensation program for the Executives is to attract and retain the key executives necessary for the Corporation's long-term success, to encourage executives to further the development of the Corporation and its operations, and to motivate top quality and experienced executives.

### Elements of Compensation

#### 1. Base Salary or Consulting Fees

The base salary (or consulting fees) is the fixed portion of each Executive's total compensation. It is designed to provide income certainty. In determining the base level of compensation for the Executives, weight is placed on the following factors: the particular responsibilities related to the position, salaries or fees paid by companies of similar size in the industry, level of experience of the executive and overall performance, and the time which the Executive is required to devote to the Corporation in fulfilling his responsibilities.

#### 2. Short-Term Incentive Awards

The cash incentive or bonus is a short-term incentive that is intended to reward each Executive for his individual contribution and performance of personal objectives in the context of overall corporate performance. The cash bonus is designed to motivate Executives to achieve personal business objectives, to be accountable for their relative contribution to the Corporation's performance, as well as to attract and retain executives. In determining compensation and, in particular, bonuses, the HR and Compensation Committee considers factors over which the Executive can exercise control, such as meeting budget targets established by controlling costs, taking successful advantage of business opportunities and enhancing the competitive and business prospects of the Corporation.

### 3. Long-Term Equity Incentive Awards

Long-term equity incentive awards in the form of RSUs are intended to align the interests of the Executives with those of the Shareholders and to provide a long-term incentive that rewards these individuals for their contribution to the creation of Shareholder value.

The Corporation has established the Plans, see “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Incentive Plan*” and “*Security Based Compensation Arrangements – Summary of Terms and Conditions of the Option Plan*”.

#### **Risks Associated with the Compensation Policies and Practices**

As part of its oversight of the Executive compensation program, the HR and Compensation Committee considers the implications of any risks associated with such program. The following components of the compensation to the Executives or individuals at a principal business unit or division are considered to discourage such persons from taking unnecessary or excessive risks:

- base salaries and personal benefits are sufficiently competitive and not subject to performance risk;
- corporate and individual performance objectives are generally designed to be achievable with sustained and focused efforts; and
- in order to be eligible to receive short-term or long-term incentives, an individual must be employed at the time of payout, unless the HR and Compensation Committee determines otherwise.

The HR and Compensation Committee believes that executive compensation risk management begins with ongoing Board oversight of:

- the Corporation’s results, regulatory reports and financial plans;
- the strategic plan;
- internal audit activities;
- fraud and error reporting;
- the Audit Committee’s quarterly meetings with the external auditors, including discussions with the external auditors that exclude Management;
- the Codes (as defined below); and
- the Corporation’s internal control, management information system, financial reporting and financial control systems.

Based on this review, the Corporation has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Corporation or any of its subsidiaries.

## **Hedging**

No policies have been instituted related to the purchase by directors or NEOs (as defined below) of financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by any director or NEO.

## **Share-Based and Option-Based Awards**

Long-term incentives are intended to align the interests of the Corporation's directors and executive officers with those of the Shareholders and to provide a long-term incentive that rewards these parties for their contribution to the creation of Shareholder value. In establishing the number of Options or Awards to be granted to Eligible Persons, reference is made to the recommendations made by the HR and Compensation Consultant as well as the number of similar awards granted to officers and directors of other publicly-traded companies of similar size in the same business as the Corporation. The HR and Compensation Committee and the Board also consider previous grants of Options or Awards and the overall number of Options or Awards that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of Options or Awards and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the officer or director in determining the level of incentive stock option compensation.

## **Compensation Governance**

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation's directors or NEOs. Compensation decisions are made by the HR and Compensation Committee, using data provided by the Compensation Consultant, giving consideration to the objectives discussed above.

The HR and Compensation Committee currently consists of three directors; Messrs. Cole, Gildner and Owen, all of whom are independent directors and all of whom have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. Assuming the Management nominees are elected as directors at the Meeting, the composition of the HR and Compensation Committee is expected to consist of the following three directors; Messrs. Cole, Gildner and Walter.

The roles and responsibilities of the HR and Compensation Committee is, as a standing committee of the Board, to advise the Board on issues relating to the compensation of the Corporation's directors and NEOs, and to any entities providing management services to the Corporation. The charter of the HR and Compensation Committee describes the responsibilities of the chairman of the HR and Compensation Committee.

## ***Summary Compensation Table***

The following table summarizes, for the periods indicated, the compensation paid, payable, awarded, granted, given or otherwise provided, directly or indirectly, by the Corporation or a subsidiary of the Corporation to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation*. Such persons are referred to collectively herein as the “**Named Executive Officers**” or “**NEOs**”.

Name and principal position	Year ended Dec. 31	Salary	Share based awards	Option based awards	Non-equity incentive plan compensation		Pension value	All other compensation	Total compensation
					Annual incentive plans	Long-term incentive plans			
J. Cameron MacDonald <sup>(1)</sup> President and Chief Executive Officer	2012	\$243,873	nil	nil	nil	nil	nil	\$425,036 <sup>(3)</sup>	\$668,909
	2013	\$250,000	nil	nil	nil	nil	nil	nil	\$250,000
	2014	\$318,693	\$2,556,000 <sup>(2)</sup>	nil	\$375,000	nil	nil	nil	\$3,249,693
Robert T. Kittel <sup>(4)</sup> Chief Operating Officer and Interim Chief Financial Officer	2012	\$212,338	nil	nil	nil	nil	nil	\$204,799 <sup>(3)</sup>	\$417,137
	2013	\$250,000	nil	nil	nil	nil	nil	nil	\$250,000
	2014	\$318,693	\$1,988,000 <sup>(2)</sup>	nil	\$350,000	nil	nil	nil	\$2,656,693
Jeffrey A. Sarfin <sup>(5)</sup> Former Chief Financial Officer	2012	\$175,000	nil	nil	nil	nil	nil	\$350,000 <sup>(6)</sup>	\$525,000
	2013	\$175,000	nil	nil	nil	nil	nil	nil	\$175,000
	2014	\$150,429 <sup>(7)</sup>	nil	nil	nil	nil	nil	nil	\$150,429
Ian W. Delaney <sup>(8)</sup> Chairman	2012	nil	nil	nil	nil	nil	nil	\$110,000 <sup>(9)</sup>	\$110,000
	2013	nil	nil	nil	nil	nil	nil	\$10,000 <sup>(10)</sup>	\$10,000
	2014	\$174,509 <sup>(11)</sup>	\$1,278,000 <sup>(2)</sup>	nil	nil	nil	nil	nil	\$1,452,509
Kumail Gangjee Investment Associate	2012	\$150,000	nil	nil	nil	nil	nil	\$350,000 <sup>(6)</sup>	\$500,000
	2013	\$150,000	nil	nil	nil	nil	nil	nil	\$150,000
	2014	\$168,590	\$426,000 <sup>(2)</sup>	nil	\$150,000	nil	nil	nil	\$744,590
Stephen L. Way <sup>(12)</sup> Chairman and Chief Executive Officer of HIIG	2014	\$700,125	nil	nil	nil	nil	nil	\$11,342 <sup>(13)</sup>	\$711,467

Notes:

- (1) The compensation for Mr. MacDonald from the time of his appointment as President and Chief Executive Officer of the Corporation until August 31, 2012, the last business day prior to the completion of the Jevco Sale Transaction, was derived from the Management Agreement (as defined herein). Mr. MacDonald is not paid any fees for his services as a director of the Corporation.
- (2) Represents the value of RSUs granted on November 14, 2014 based on the closing price of the Common Shares on the TSXV on November 13, 2014. The RSUs vest as to 33% on December 31, 2014 and 22% on May 31, 2015. Commencing in June 2015, the balance of the RSUs will vest in 24 monthly instalments on the last day of each month with the first such instalment being on June 30, 2015 and the last being on May 31, 2017 (collectively, the “**Vesting Terms**”).
- (3) Prior to September 4, 2012, the Corporation was party to a management services agreement with Goodwood Management Inc. (“**Goodwood Management**”) (the “**Management Agreement**”). Under the Management Agreement, Goodwood Management agreed to manage the day-to-day affairs and to provide the services of J. Cameron MacDonald as a director and as President and Chief Executive Officer of the Corporation, Peter H. Puccetti as a director of the Corporation, and the services of an individual to fill the office of Chief Financial Officer of the Corporation. These amounts represent bonus and other compensation paid by Goodwood Management to Mr. MacDonald and Mr. Kittel.
- (4) Mr. Kittel was appointed Chief Operating Officer of the Corporation on February 28, 2013. Until September 4, 2012, Mr. Kittel provided services to the Corporation through Goodwood Management. Following the retirement of Mr. Sarfin on June 20, 2014, Mr. Kittel was appointed the interim Chief Financial Officer of the Corporation. Effective January 1, 2015, Glenn MacNeil became the Chief Financial Officer of the Corporation.
- (5) Mr. Sarfin retired as Chief Financial Officer of the Corporation effective June 20, 2014.
- (6) On September 4, 2012, prior to the closing of the Jevco Sale Transaction, the Corporation acquired all of the issued and outstanding shares of Goodwood Management (the “**GMI Transaction**”). Following the completion of the GMI Transaction, certain employees of Goodwood Management were paid a bonus in the aggregate amount of \$950,000 (the “**Goodwood Management Bonus**”). This amount represents the portion of the Goodwood Management Bonus paid to each of Mr. Sarfin and Mr. Gangjee.

- (7) Following his retirement as Chief Financial Officer of the Corporation effective June 20, 2014, Mr. Sarfin became a consultant of the Corporation. \$66,200 of this amount represents the consulting fee earned by Mr. Sarfin in 2014, a portion of which was paid in 2015.
- (8) Effective May 1, 2014, Mr. Delaney became an employee of the Corporation. He is paid an annual salary of \$250,000.
- (9) This amount represents the annual fee (in the form of DSUs) paid to Mr. Delaney as Chairman in lieu of directors' fees.
- (10) This amount represents fees paid to Mr. Delaney for his services as a director of the Corporation.
- (11) \$7,500 of this amount represents fees paid to Mr. Delaney for his services as a director of the Corporation.
- (12) Mr. Way's information is provided from July 31, 2014, which is the date that the Partnership completed the Initial HIIG Acquisition. Mr. Way is paid in United States dollars. Values expressed above in Canadian dollars are converted from United States dollars at the Bank of Canada average noon exchange rate for the period from August 1, 2014 to December 31, 2014 (inclusive) of Cdn.\$1.1202 per US\$1.00.
- (13) This amount consists of additional accidental death and dismemberment insurance that is not generally available to all salaried employees of HIIG.

Peter H. Puccetti is a director of the Corporation but is not a Named Executive Officer for the purposes of the chart above. During the year ended December 31, 2012, Mr. Puccetti received an aggregate of \$469,809 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and was derived from the Management Agreement.

### ***Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards***

The following table shows all outstanding share-based and option-based awards held by each Named Executive Officer as at December 31, 2014.

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(1)</sup>	Market or payout value of vested share-based awards not paid or distributed <sup>(1)</sup>
J. Cameron MacDonald	nil	nil	nil	nil	603,000	\$1,839,150	\$905,850
Robert T. Kittel	nil	nil	nil	nil	469,000	\$1,430,450	\$704,550
Jeffrey A. Sarfin	nil	nil	nil	nil	nil	nil	nil
Ian W. Delaney	2,000 1,000 2,000	\$181.00 \$309.00 \$61.50	February 17, 2015 February 20, 2016 February 20, 2017	nil	301,500	\$919,575	\$587,125 <sup>(2)</sup>
Kumail Gangjee	nil	nil	nil	nil	100,500	\$306,525	\$150,975
Stephen L. Way	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Based on the TSXV closing price of \$3.05 for the Common Shares on December 31, 2014.
- (2) \$134,200 of this amount represents DSUs held by Mr. Delaney.

### ***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2014.



Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year <sup>(1)</sup>	Non-equity incentive plan compensation – Value earned during the year <sup>(2)</sup>
J. Cameron MacDonald	nil	\$905,850	\$375,000
Robert T. Kittel	nil	\$704,550	\$350,000
Jeffrey A. Sarfin	nil	nil	nil
Ian W. Delaney	nil	\$452,925	nil
Kumail Gangjee	nil	\$150,975	\$150,000
Stephen L. Way	nil	nil	nil

Notes:

- (1) Based on the TSXV closing price of \$3.05 for the Common Shares on December 31, 2014.  
(2) Represents bonus paid during 2014.

### ***Pension Plan Benefits***

As of December 31, 2014, there did not exist a pension plan for the Named Executive Officers that provided for payments or benefits at, following or in connection with retirement.

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

Other than as described herein, the Corporation does not have any contract, agreement, plan or arrangement that provides for payments to a Named Executive Officer at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a Named Executive Officer’s responsibilities.

The services of each of Messrs. J. Cameron MacDonald and Robert T. Kittel (each, for the purposes of this section, an “**Executive**”) are provided under executive employment agreements (each an “**Executive Employment Agreement**”) originally entered into in September 2013. Under the terms of each Executive Employment Agreement, the Executive is entitled to receive an annual base salary, less applicable withholdings and deductions. Additionally, the Executive is eligible to receive an annual bonus, participate in any equity-based compensation plans for the Corporation’s senior employees and executives and participate in the Corporation’s employee and/or executive employee benefits package.

The Corporation may terminate the Executive Employment Agreement and the Executive’s employment with the Corporation for cause, and without cause.

In the event of a termination for cause, the Executive shall receive a payment of any base salary and vacation pay earned to the date of termination. All other entitlements of the Executive as of the date of termination shall be automatically extinguished, except for such minimum mandated entitlements, if any, as may be required by applicable law.

Except upon a Change of Control (as defined below), the Corporation may terminate the Executive Employment Agreement without cause at any time. In such event, the Executive will not receive working notice of termination, but instead shall receive the following compensation: (a) 12 months of base salary; (b) an amount equal to the average of the Annual Bonus (as defined below) earned by the Executive in each of his three most recently completed years of employment with the Corporation; (c) vacation pay

earned to the date of termination; (d) medical, dental and life insurance group benefits coverage (“**Benefits Coverage**”) for the period reflected in (a) or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; (e) disability insurance benefits coverage during the notice period prescribed by the *Employment Standards Act, 2000* (Ontario) (the “**ESA Notice Period**”); and (f) if, at the time of termination of employment, the Executive is in receipt of short-term disability or long-term disability benefits, the amount of such benefits received by the Executive during the period reflected in (a) shall be deducted from the amount of compensation in lieu of notice otherwise payable under (a). For the purposes of the Executive Employment Agreements, the term “**Annual Bonus**” shall mean the bonus paid to the Executive in respect of a financial year based on the achievement of certain specified objectives, but shall not include any one-time, extraordinary or non-recurring bonuses, such as for the sale of a business, transaction or financing.

“**Change of Control**” means: (i) the acquisition by any persons or group of persons, acting jointly or in concert, of more than 50% of the voting securities of the Corporation; (ii) the sale of all or substantially all of the assets of the Corporation; (iii) a merger, amalgamation or business combination involving the Corporation; or (iv) the individuals who, as of the date of the Executive Employment Agreement constitute the Board ceasing to constitute at least a majority thereof, unless the election or nomination for election, by the Shareholders, of each new Board member was approved by a majority of the Board members then still in office who were Board members as of the date of the Executive Employment Agreement.

“**Good Reason**” means: (i) a material breach of the Executive Employment Agreement by the Corporation; (ii) without the express written consent of the Executive a material reduction in his total annual compensation; (iii) without the express written consent of the Executive, the assignment to him of any titles, duties, responsibilities or reporting obligations inconsistent with his titles, positions, duties, responsibilities or reporting obligations with the Corporation immediately prior to such assignment or any removal of the Executive from, or failure to re-elect the Executive to, titles, positions, directorships, duties, responsibilities, and reporting obligations with the Corporation, except in connection with the termination of the Executive’s employment for just cause, or resignation other than for Good Reason; (iv) the relocation of the Executive’s primary place of employment to any place which is more than 50 kilometres from the Corporation’s current head office; or (v) any reason which would amount to constructive dismissal by a Court of competent jurisdiction.

In the event that: (i) the Corporation terminates the Executive’s employment without cause upon or in anticipation of a Change of Control or within six months thereafter; or (ii) the Executive terminates his employment with the Corporation for Good Reason upon the Change of Control or within six months thereafter (in either case, a “**Change of Control Termination**”), the Executive shall be provided with:

- (i) 24 months’ base salary, plus an amount equivalent to two times the average of the Annual Bonus earned by the Executive in each of his three most recently completed years of employment with the Corporation;
- (ii) vacation pay earned to the date of termination;
- (iii) Benefits Coverage for the period reflected in (a) above or until he obtains alternate employment which provides equivalent or greater benefit coverage, whichever is the shorter period; and
- (iv) disability insurance benefits coverage during the ESA Notice Period.

An Executive's entitlements relating to equity awards are governed by the particular award agreement. The award agreements in respect of the RSUs granted on November 14, 2014 (the "**Current RSUs**") provide that in the event of a termination without cause, all vested Current RSUs would remain vested and exercisable, and all unvested Current RSUs would irrevocably vest. If an Executive resigns (other than for ill health), all unvested Current RSUs would terminate but vested Current RSUs could be settled until the earlier of: (i) their scheduled expiry date; and (ii) December 31 in the year following the year of resignation.

In the event of the death or inability to work for health reasons, all Current RSUs (vested or unvested) would be considered to have vested and would continue to be exercisable until the earlier of (i) their scheduled expiry date; and (ii) December 31 in the year following the year of termination.

HIIG and HIIG Service Company (collectively, the "**Company**") have entered into an executive employment agreement with Stephen L. Way (for the purposes of this section, the "**HIIG Executive**"), HIIG's Chairman and Chief Executive Officer, which agreement is effective as of July 31, 2014 (the "**HIIG Employment Agreement**") and shall continue until December 31, 2018, unless earlier terminated. Under the terms of the HIIG Employment Agreement, the HIIG Executive is entitled to receive an annual base salary, less applicable withholdings and deductions, as well as 30 days of paid time off. Additionally, the HIIG Executive is eligible to receive (i) a discretionary bonus, (ii) an annual bonus if the Company achieves the budget approved by the board of directors, and (iii) reimbursement for all reasonable expenses incurred.

The Company may terminate the HIIG Employment Agreement and the HIIG Executive's employment with the Company for cause, without cause or upon disability that renders the HIIG Executive unable to perform his duties as an employee of the Company for a period of (i) three consecutive months or (ii) 150 days within a 12-month period ("**Disability**").

The HIIG Executive may terminate his employment under the HIIG Employment Agreement for Good Reason, where "**Good Reason**" means (i) a material diminution by the Company of the HIIG Executive's duties, positions, titles, reporting requirements and responsibilities, (ii) a reduction in the HIIG Executive's compensation, without the HIIG Executive's written consent, (iii) assignment by the Company's board to the HIIG Executive of duties, authority, position(s), title(s) and responsibilities inconsistent with the HIIG Executive's position, (iv) except for reasonable required travel, relocation of the HIIG Executive's office to a distance more than 20 miles from its current location, or (v) material breach by the Company of any of the material covenants in the HIIG Employment Agreement.

If the HIIG Employment Agreement is terminated due to the HIIG Executive's death, the Company shall pay to his legal representative all accrued base salary, unreimbursed expenses and provision of benefits through the date of death, as well as (i) any predetermined discretionary bonus, (ii) any predetermined US\$500,000 annual bonus and, (iii) to a maximum of 15 days, payment for any earned but unused paid time off and unused paid holidays ((i) through (iii) are collectively the "**Earnings**").

If the HIIG Employment Agreement is terminated due to Disability, the Company shall pay the HIIG Executive the Earnings and shall continue to pay the base salary for a period of three months from the termination date, or such later date upon which the HIIG Executive incurs a "separation of service" within the meaning of Section 409A of the Internal Revenue Code of 1986 (USA), as amended ("**Code Section 409A**"). For the purposes of the HIIG Employment Agreement, "**separation of service**" is deemed to occur if it is reasonably anticipated that the bona fide level of services the HIIG Executive will perform will be permanently reduced to a level that is less than 50% of the average level of bona fide services he performed during the immediately preceding 36 months. In addition, in the event of Disability, disability

benefits shall be made available to the HIIG Executive if and to the extent allowable under the Company's disability insurance plans.

If the HIIG Executive voluntarily terminates the HIIG Employment Agreement with ten business day's notice or if it is terminated by the Company for cause, the Company shall pay all accrued base salary and approved reimbursement expenses through the termination date and shall also continue to provide benefits through the termination date. If the HIIG Executive has voluntarily terminated the HIIG Employment Agreement, the Company shall also pay the Earnings.

If the HIIG Employment Agreement is terminated by the Company without cause, by the HIIG Executive with Good Reason or by mutual agreement, the Company shall pay the Earnings, all accrued base salary and approved reimbursement expenses through the termination date, and shall also continue to provide benefits through the termination date. Further, beginning on the termination date or such late date upon which the HIIG Executive incurs a separation of service, the Company shall continue to pay the base salary for a period equal to the remainder of the then scheduled term of the HIIG Employment Agreement but not to exceed 36 months.

Upon termination of the HIIG Employment Agreement for any reason other than cause, the Company may offer and, if so offered, the HIIG Executive shall accept the position of Non-Executive Chairman for a minimum of three years following the termination date. For such position, the Company shall pay the HIIG Executive a US\$250,000 director's fee annually and shall pay for all his business travel and expenses incurred on behalf of the Company during each of those years. If pursuant to the board's discretion the Non-Executive Chairman position is not offered to the HIIG Executive, the Company shall pay the HIIG Executive a lump sum payment of US\$750,000 within 90 days following the termination date, subject to the requirements of Code Section 409A. If the HIIG Executive's service as Non-Executive Chairman commences but is shortened by the board to a period of less than three years, the Company shall pay the HIIG Executive an amount equal to US\$750,000 less the amount of the director's fee already paid to the HIIG Executive with respect to such three year term, subject to the requirements of Code Section 409A. If the board shortens such period due to cause or the HIIG Executive voluntarily terminates his service as Non-Executive Chairman before such three-year period has ended for any reason other than death or Disability, the Company shall not be required to make such payment, or any additional director's fees, to the HIIG Executive.

Finally, following termination of the HIIG Employment Agreement for any reason, the HIIG Executive shall have the option to keep the office space and the included furniture, fixtures and furnishings known as Suite 1208 for his own personal use indefinitely.

The following table sets out the total compensation (excluding benefits) to be paid to each Named Executive Officer if his employment was terminated as at December 31, 2014.

Name	Termination Without Cause	Change of Control Termination
J. Cameron MacDonald	\$2,564,150 <sup>(1)</sup>	\$3,289,150 <sup>(1)</sup>
Robert T. Kittel	\$2,130,450 <sup>(2)</sup>	\$2,830,450 <sup>(2)</sup>
Ian W. Delaney	\$919,575 <sup>(3)</sup>	\$919,575 <sup>(3)</sup>
Kumail Gangjee	\$306,525 <sup>(4)</sup>	\$306,525 <sup>(4)</sup>
Stephen L. Way	\$6,090,525 <sup>(5)(6)</sup>	\$6,090,525 <sup>(5)(6)</sup>

Notes:

- (1) Includes \$1,839,150 representing the acceleration of unvested RSUs.
- (2) Includes \$1,430,450 representing the acceleration of unvested RSUs.
- (3) Represents the acceleration of unvested RSUs.
- (4) Represents the acceleration of unvested RSUs.
- (5) Mr. Way is paid in United States dollars. Values expressed above in Canadian dollars are converted from United States dollars at the Bank of Canada noon exchange rate on December 31, 2014 of Cdn.\$1.1601 per US\$1.00.
- (6) Includes a lump sum payment of US\$750,000 which must be offered to the HIIG Executive in the event the board of directors of the Company does not offer Mr. Way the position of Non-Executive Chairman within 90 days following termination.

### ***Director Compensation***

Following the completion of the Jevco Acquisition, the compensation of directors of the Corporation was amended. The amended arrangements provided that the Chairman of the Board was to receive an annual fee of \$110,000 in lieu of directors meeting fees while the other outside directors were to receive an annual fee of \$40,000 and meeting fees of \$5,000 per meeting (\$2,500 for telephone meetings) and committee meeting fees of \$4,000 per meeting (\$2,000 for telephone meetings). In addition, the chair of the Audit Committee was to receive an annual fee of \$15,000. Directors could elect to receive all or any portion of their fees in the form of DSUs based on the closing price of the Common Shares on the TSX at the end of each quarter.

Effective January 1, 2013, considering the reduced business activities of the Corporation following the completion of the Jevco Sale Transaction, each director (other than the Corporation's President and Chief Executive Officer) was entitled to receive an annual fee of \$10,000 (payable quarterly) with no meeting fees payable. Such fees were payable only in cash.

Based on the recommendation of the HR and Compensation Committee, during the first quarter of 2015, the Board approved the payment of the following fees to the non-executive directors of the Corporation (the "**Outside Directors**") in view of the significant additional work performed by the Outside Directors during late 2013 and much of 2014 in connection with the Board's review and approval of the Initial HIIG Acquisition as well as proposals regarding the design of an appropriate compensation structure for Management:

<b><u>Director(s)</u></b>	<b><u>Fee</u></b>
Daniel P. Owen, John W. Gildner and Peter H. Puccetti	\$20,000 each in respect of 2013 and \$70,000 each (inclusive of \$7,500 previously paid) in respect of 2014
Stephen R. Cole	\$25,000 in respect of 2014

In addition, effective January 1, 2015, the Corporation's compensation policy for Outside Directors was revised in light of the Corporation's increased level of activity. Effective on such date, all Outside Directors are entitled to receive a quarterly fee of \$18,750 (in respect of up to 12 Board and/or Board committee meetings annually). In the event that an Outside Director is required to attend or participate in more than 12 meetings during the year, the following additional fees will apply:

<b><u>Type of Meeting</u></b>	<b><u>Fee</u></b>
In Person Meeting	\$2,500 per meeting
Telephone Meeting	\$1,250 per meeting

In addition, the Chair of the Audit Committee is entitled to an additional annual fee of \$15,000 and the Chair of the HR and Compensation Committee is entitled to an additional annual fee of \$7,500.

The fees for 2015 are payable quarterly in arrears. Consistent with the Corporation's policy, all or any portion of such fees may be received in the form of DSUs at the Market Price of the Common Shares on the last trading day of the quarter to which such fees relate.

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the directors who were also Named Executive Officers, during the financial year ended December 31, 2014. For details of the compensation for J. Cameron MacDonald and Ian W. Delaney, the Named Executive Officers who are also directors of the Corporation, see disclosure in the "Summary Compensation Table".

### ***Director Compensation Table***

<b>Name</b>	<b>Fees earned<sup>(1)</sup></b>	<b>Share-based awards</b>	<b>Option-based awards</b>	<b>Non-equity incentive plan compensation</b>	<b>Pension value</b>	<b>All other compensation</b>	<b>Total compensation</b>
Daniel P. Owen	\$70,000 <sup>(3)</sup>	nil	nil	nil	nil	nil	\$70,000
John W. Gildner	\$70,000 <sup>(3)</sup>	nil	nil	nil	nil	nil	\$70,000
Peter H. Puccetti	\$70,000 <sup>(3)</sup>	nil	nil	nil	nil	nil	\$70,000
Stephen R. Cole <sup>(2)</sup>	\$25,000	nil	nil	nil	nil	nil	\$25,000

Notes:

- (1) An amount equal to \$62,500 of such fees in respect of each of Messrs. Owen, Gildner and Puccetti were converted into DSUs at the rate of one DSU for each \$2.99 (the closing price of the Common Shares on the TSXV on January 30, 2015) (the "DSU Conversion Price") resulting in the issuance of an aggregate of 62,709 DSUs.
- (2) Mr. Cole became a director of the Corporation on November 14, 2014. Mr. Cole's 2014 fees of \$25,000 were converted into DSUs at the DSU Conversion Price resulting in the issuance of 8,362 DSUs.
- (3) Does not include the additional fees approved in respect of 2013. An additional \$20,000 in fees was payable to each of Messrs. Owen, Gildner and Puccetti in respect of 2013 all of which were converted into DSUs at the DSU Conversion Price resulting in the issuance of an aggregate of 20,067 DSUs.

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

The following table shows all outstanding share-based and option-based awards held by each director (other than the directors who were also Named Executive Officers and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2014.

<b>Name</b>	<b>Option-based Awards</b>				<b>Share-based Awards</b>		
	<b>Number of securities underlying unexercised options</b>	<b>Option exercise price</b>	<b>Option expiration date</b>	<b>Value of unexercised in-the-money options<sup>(2)</sup></b>	<b>Number of shares or units of shares that have not vested<sup>(1)</sup></b>	<b>Market or payout value of share-based awards that have not vested</b>	<b>Market or payout value of vested share-based awards not paid or distributed<sup>(2)</sup></b>
John W. Gildner	nil	nil	nil	nil	nil	nil	\$117,120
Daniel P.	nil	nil	nil	nil	nil	nil	\$93,940

Name	Option-based Awards				Share-based Awards		
	Number of securities underlying unexercised options	Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(2)</sup>	Number of shares or units of shares that have not vested <sup>(1)</sup>	Market or payout value of share-based awards that have not vested	Market or payout value of vested share-based awards not paid or distributed <sup>(2)</sup>
Owen							
Peter H. Puccetti	nil	nil	nil	nil	nil	nil	nil
Stephen R. Cole	nil	nil	nil	nil	nil	nil	nil

Notes:

- (1) Does not include the 91,138 DSUs issued upon the conversion of an aggregate of \$235,000 in fees at the DSU Conversion Price as disclosed in the Director Compensation Table above.
- (2) Based on the TSXV closing price of \$3.05 for the Common Shares on December 31, 2014.

### ***Value of Awards Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the directors who are also Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officers set out above) for the financial year ended December 31, 2014. The following directors of the Corporation elected to receive DSUs in lieu of or partially in lieu of fees otherwise payable in cash.

Name	Option-based awards – Value vested during the year	Share-based awards – Value vested during the year	Non-equity incentive plan compensation – Value earned during the year <sup>(1)</sup>
John W. Gildner	nil	nil	\$62,500
Daniel P. Owen	nil	nil	\$62,500
Peter H. Puccetti	nil	nil	\$62,500
Stephen R. Cole	nil	nil	\$25,000

Note:

- (1) Reflects director's fees earned during the year and converted into DSUs at the DSU Conversion Price.

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

Directors and officers liability insurance was purchased in September of 2014 at the Corporation's expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation's past and present subsidiaries.

## **STATEMENT OF CORPORATE GOVERNANCE**

Under the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

### ***Board of Directors***

- (a) The Board has determined that half, i.e. three of the six current directors, are “independent”, within the meaning of NI 58-101. The three independent directors of the Corporation are Stephen R. Cole, John W. Gildner and Daniel P. Owen. If Mr. Walter is elected as a director of the Corporation at the Meeting, he will be considered independent of the Corporation. Each of Mr. Delaney, who serves as Chairman of the Corporation, and Mr. MacDonald, who serves as the President and Chief Executive Officer of the Corporation, is not considered to be independent. In addition, by virtue of his position with and shareholdings in Goodwood Management which provided management services to the Corporation until September 4, 2012, Mr. Puccetti is not considered to be independent of the Corporation. If the Management nominees for directors are elected at the Meeting, half of the directors will be “independent” within the meaning of NI 58-101.

### ***Directorships***

- (b) The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

<b><u>Director</u></b>	<b><u>Reporting Issuer</u></b>
Stephen R. Cole	FARO Technologies, Inc.
Ian W. Delaney	Cenovus Energy Inc.
John W. Gildner	Webtech Wireless Inc.

In addition, Bruce V. Walter, a Management nominee as a director of the Corporation, is a director of Centerra Gold Inc.

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

- (c) Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and materials summarizing issues relating to the Corporation. New directors are also briefed by the Chairman of the Board, by the Chief Executive Officer of the Corporation, and by the Chair of the committees of the Board to which they are appointed, if any.
- (d) The Board and its committees receive periodic reports from Management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

### ***Ethical Business Conduct***

- (e) The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (the “Codes”). The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at [www.sedar.com](http://www.sedar.com) and are also available on the Corporation’s website at [www.westaim.com](http://www.westaim.com). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation. During the most recently completed fiscal year, no



amendments were made to these Codes, and the Corporation has granted no waivers of any of the provisions of these Codes.

The Board expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Codes. Any material issues regarding compliance with the Codes are brought forward by Management at either the Board or appropriate Board committee meetings, or are referred to the senior executive officers of the Corporation, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required. Any waivers from the Codes that are granted for the benefit of a director or an employee may be granted only by the Board, the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

- (f) Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.
- (g) The Corporation has adopted a Disclosure Policy, an Insider Trading Policy and a Whistleblower Policy (collectively, the “**Policies**”). The Corporation will, upon request at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: Chief Financial Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

### ***Nomination of Directors***

- (h) The Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation’s business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the chairman of the Board or his delegate.
- (i) The Corporate Governance Committee is currently composed of Messrs. Cole, Gildner and Owen. Assuming the Management nominees are elected as directors at the Meeting, the composition of the Corporate Governance Committee is expected to consist of the following three directors; Messrs. Cole, Gildner and Walter.
- (j) In addition to recruiting and considering director candidates, the Corporate Governance Committee’s mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

### ***HR and Compensation Committee***

- (k) The HR and Compensation Committee is currently composed of Messrs. Owen (Chairman), Cole and Gildner. Assuming the Management nominees are elected as directors at the Meeting, the composition of the HR and Compensation Committee is expected to consist of the following three directors; Messrs. Cole, Gildner and Walter.
- (l) The HR and Compensation Committee has the responsibility of annually reviewing and recommending the compensation package for Management and the directors of the Corporation. The HR and Compensation Committee also reviews and recommends changes to the Corporation's compensation policies in respect of matters such as pension plans and employee benefit plans. Lastly, the HR and Compensation Committee oversees the hiring of senior Management recruited from outside the Corporation, as well as the promotion of senior Management within the Corporation.

### ***Assessments***

- (m) The Corporate Governance Committee is responsible for making regular assessments of the overall performance, effectiveness and contribution of the Board and each committee, the chairman of the Board, each committee chairman and each director, and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Corporate Governance Committee deems relevant, the assessments will consider in the case of the Board or a committee, the applicable mandate or charter, and in the case of individual directors, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

### ***Audit Committee***

Information regarding the Audit Committee is disclosed under the heading "*Audit Committee*".

## **AUDIT COMMITTEE**

### ***The Audit Committee's Charter***

The responsibilities and duties of the Audit Committee are set out in the Audit Committee's charter, the text of which is set forth in Appendix "C" to this Information Circular.

### ***Composition of the Audit Committee***

The Audit Committee consists of three members: John W. Gildner, Chairman; Daniel P. Owen and Stephen R. Cole. Assuming the Management nominees are elected as directors at the Meeting, the composition of the Audit Committee is expected to consist of the following three director; Messrs. Gildner (Chairman), Cole and Walter. All members and proposed members of the Audit Committee are "independent" and "financially literate" for the purposes of National Instrument 52-110 – *Audit Committees* ("NI 52-110").

### ***Relevant Education and Experience***

The following is a description of the education and experience of each member of the Audit Committee that is relevant to the performance of his responsibilities as a member of the Audit Committee:

*Stephen R. Cole* – From 1975 until June 2010, Mr. Cole was President and Founding Partner of Cole & Partners, a Toronto based mergers and acquisition and corporate financial advisory service company. In June 2010, Cole & Partners was sold to Duff & Phelps Corporation, a global financial advisory and investment banking services firm. Mr. Cole was President of Duff & Phelps Canada Limited until May 2013 and thereafter President of Seonee Inc., a financial advisory firm. Mr. Cole is a Fellow of the Institute of Chartered Accountants of Ontario, Fellow of the Canadian Chartered Institute of Business Valuators, Senior Member of the American Society of Appraisers and Full Member of the ADR Institute of Canada, Inc. Mr. Cole became Director of FARO Technologies Inc. and audit committee chairman in 2000. He has been Lead Director and chairman of the compensation committee since 2005. He is currently a director and an advisory committee member to several private companies. Previously, Mr. Cole was a director of H. Paulin & Co. Limited, a TSX listed company, where he also served as chairman of the audit committee. Mr. Cole has also held a position as an advisory committee member or director of various private companies and charitable and professional organizations such as Enterprise Capital LP II, The Canadian Institute of Chartered Business Valuators, Quetico Foundation, Nature Conservancy of Canada (Ontario Division), UJA Federation and Foundation and past Chairman of The Baycrest Centre.

*John W. Gildner* – Mr. Gildner holds a B.B.A. from Wilfrid Laurier University, having specialized in Economics. Mr. Gildner is currently a private investor. Prior to 2009, Mr. Gildner was a Managing Director of CIBC World Markets Inc., an investment bank, where he worked for 25 years (at both CIBC World Markets Inc. and Wood Gundy Limited, which was purchased by the Canadian Imperial Bank of Commerce in 1988) in various roles within the trading operations. Most recently at CIBC World Markets Inc., Mr. Gildner was head of the firm's equity division proprietary trading groups, where he had oversight of the firm's equity-related proprietary investing and trading strategies and activities. Mr. Gildner also served on several management, risk management, due diligence, and investment committees at the company. In these capacities, Mr. Gildner has had extensive experience analyzing and evaluating financial results and the financial statements of public companies. In 2010 Mr. Gildner obtained the Chartered Director (C.Dir.) designation from the Directors College (a joint venture of McMaster University and The Conference Board of Canada).

*Daniel P. Owen* – Mr. Owen holds a B.Sc. (Econ.) from the London School of Economics and Political Science having specialized in accounting. Mr. Owen is a private investor and entrepreneur, currently Chairman and Chief Executive Officer of a private investment management company, Chairman of a helicopter conversion and enhancement company, and formerly a Senior Vice President of Polystar Energy & Chemical Corporation (previously named Canada Development Corporation). Mr. Owen has served on the board of directors of a number of Canadian public companies and on certain of the audit committees of these Canadian public companies and currently serves on the audit committee of one public company, being Westaim. In these capacities, Mr. Owen has had extensive experience analyzing and evaluating financial results and financial statements.

*Bruce Walter (proposed director and proposed member of the Audit Committee)* – Mr. Walter is currently Chairman of Nunavut Iron Ore, Inc. and serves as Vice Chair of Centerra Gold Inc. (part-time). From 2002 until 2007, Mr. Walter was a director and officer of Dynatec Corporation, initially as Vice-Chairman and from 2005 as President and CEO. Prior thereto his career included serving as President of Sherritt Inc., President and CEO of Plaintree Systems Inc., and Managing Director and Co-Head of the Media, Telecom & Technology investment and corporate banking group at BMO Nesbitt Burns. Mr. Walter also served as Vice-President of Horsham Corporation and was a partner in the predecessor law

firm to Davies Ward Phillips & Vineberg LLP. Mr. Walter received his Juris. Doctor (J.D.) and Master of Business Administration degrees from York University in 1981. He received his PhD in law in 1985 from the University of Cape Town. Mr. Walter currently serves on the National Advisory Board of The Salvation Army.

***Pre-Approval of Audit and Non-Audit Services by Independent Auditors***

The Audit Committee pre-approves all audit services provided to the Corporation by its independent auditors. The Audit Committee’s policy or practice regarding the pre-approval of non-audit services is that all such services shall be pre-approved by the Audit Committee as a whole or by the Chairman of the Audit Committee, who must report all such pre-approvals to the Audit Committee at its next meeting following the granting thereof. Prior to the granting of any pre-approval, the Audit Committee or its Chairman, as the case may be, must be satisfied that the performance of the services in question will not compromise the independence of the independent auditors.

***Audit Committee Oversight***

At no time since the commencement of the Corporation’s most recently completed financial year has a recommendation of the Audit Committee to nominate or compensate an external auditor not been accepted by the Board.

***Audit Fees***

The following table summarizes fees paid to the Corporation’s independent auditors, Deloitte LLP, for the years ended December 31, 2013 and December 31, 2014:

<b>(in thousands of dollars)</b>	<b>2013</b>	<b>2014</b>
Audit Fees <sup>(1)</sup>	\$92.5	\$226.4
Audit-Related Fees <sup>(2)</sup>	-	\$30.3
Tax Fees <sup>(3)</sup>	\$6.7	-
Due Diligence <sup>(4)</sup>	\$451.0	-
<b>Total Fees</b>	<b>\$550.2</b>	<b>\$256.7</b>

Notes:

- (1) Includes reviews of quarterly consolidated financial statements, and audit or involvement with prospectuses and securities filings.
- (2) Includes consultation on financial accounting and reporting standards.
- (3) Includes fees for tax compliance and consultation.
- (4) Includes due diligence in connection with the Initial HIIG Acquisition.

***Exemption***

The Corporation is relying upon the exemption in Section 6.1 of NI 52-110 with respect to the reporting obligations of “venture issuers”.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Management is unaware of any material interest, direct or indirect, of any “informed person” (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director of the Corporation, in any transaction since the beginning of the last completed financial year of the Corporation

or any of its subsidiaries or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

### **ADDITIONAL INFORMATION**

Financial information is provided in the Corporation's annual financial statements for the fiscal year ended December 31, 2014 and management's discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 70 York Street, Suite 1700, Toronto, Ontario M5J 1S9, Attention: President and Chief Executive Officer.

Additional information relating to the Corporation is also available free of charge on SEDAR at [www.sedar.com](http://www.sedar.com).

APPENDIX "A"

BUSINESS ACQUISITION AND INVESTMENT POLICY



**The Westaim Corporation**

**Business Acquisition and Investment Policy**

**Adopted September 2013**

**Amended August 2014 and April 2015**

## **THE WESTAIM CORPORATION**

### **Overview**

The Westaim Corporation (“**Westaim**” or the “**Corporation**”) is a Toronto-based investment company that invests directly and indirectly through acquisitions, joint ventures and other arrangements with a view to providing its shareholders with capital appreciation and real wealth preservation over the long term.

Westaim was established in 1996 as a holding company to produce and market, through its various subsidiaries, products for global applications based on its advanced industrial materials expertise. At the time of its initial public offering in 1996 (as a spin-out from Viridian Inc.), it had a portfolio of development stage new business opportunities which included: coking-resistant coatings, electroluminescent flat panel displays, biomedical coatings, electronic ceramics and structural ceramics. In the period between 2005 and 2008, after a strategic review by the Corporation’s Board of Directors, Westaim proceeded to divest virtually all of its businesses in order to improve its business focus and to pursue other investment opportunities.

With its opportunistic acquisition of JEVCO Insurance Company (“**Jevco**”) in March 2010 and the disposition of its remaining industrial assets, Westaim became an investment company with a particular focus on the property and casualty insurance industry. In September 2012, Westaim sold all of the shares of Jevco generating superior risk-adjusted returns, and subsequently returned substantially all of the proceeds of the disposition to its shareholders. With substantially all of its assets currently composed of cash and cash equivalents in September 2013, Westaim returned to its roots as an investment holding company and adopted this investment policy (the “**Policy**”).

On July 31, 2014, Westaim, through Westaim HIIG Limited Partnership, acquired an indirect significant equity interest in Houston International Insurance Group, Ltd. (“**HIIG**”). The HIIG acquisition is expected to be the first of several investments that Westaim plans to make pursuant to the Policy.

### **Investment Objective**

Westaim’s investment objective is to maximize the growth of its intrinsic business value on a per share basis over the long term. Westaim will seek to accomplish this objective through:

- Utilizing value investing principles and the expertise and experience of its management team and Board of Directors to opportunistically acquire all or part of high quality businesses that it understands, will generate superior returns on invested capital, and will have long term prospects for growth;
- Providing acquired businesses with strategic, financial and capital allocation related expertise and support to help accelerate their growth in cash flow and maximize long term business value;
- Acquiring debt and equity securities of both public and private companies on an opportunistic basis; and
- Maintaining a conservative balance sheet that is expected to allow Westaim to withstand adversity and capitalize on opportunities when they arise.

Westaim's senior management team and Board of Directors have considerable experience and expertise related to the above, and Westaim believes that this approach is the optimal way to maximize value for the Corporation's shareholders and achieve its objectives over the long term.

### **Business Acquisition and Investment Strategy**

To achieve its objectives, the following guidelines will be considered for Westaim's investment strategy:

- Westaim may invest in both public and non-public businesses and assets that have the potential for superior investment returns. Its investment portfolio will be concentrated on platform businesses that have the ability to grow, and can benefit from the strategic, financial and capital allocation expertise of Westaim's management team and Board of Directors.
- Availability and quality of operating management with whom to partner will be a critical consideration of the attractiveness of an investment opportunity.
- Westaim will invest opportunistically in debt, equity and derivative securities, with a preference for equity and equity-related securities where we can use our expertise to assist operating management to enhance business results. Westaim may invest in a wide range of other instruments, including without limitation, preferred shares, warrants, convertible debentures, royalties, secured or unsecured debt, and bridge financing or other short term capital.
- While the Corporation will consider the liquidity of a particular investment in its evaluation, this will not be an immediate requirement, and will be a secondary consideration to the quality of the business, and the attractiveness of the investment opportunity. While the Corporation believes there may be significant potential returns in less liquid investments, where longer time horizons and a more hands on approach are required, the Corporation will generally seek to hold its investments for no more than 7 to 15 years.
- Over time, the Corporation expects to assemble a concentrated portfolio of high performing businesses where its expertise and experience can be utilized to maximize returns on invested capital to the benefit of its shareholders. From time to time, the relative proportions of the Corporation's assets invested in non-public and public businesses may vary in order to take advantage of investment opportunities.
- Pending an investment consistent with our long term strategy, the Corporation may invest its surplus cash in interest bearing demand or deposit obligations or Government of Canada short term debt obligations, other short term investment grade debt obligations, or public equity securities as the Corporation may determine in accordance with limitations and guidelines established by the Board of Directors from time to time.

### **Implementation**

Senior management and the Board of Directors of Westaim will work jointly to uncover appropriate investment opportunities that meet Westaim's objectives. Through the networks of senior management and the Board of Directors, Westaim is expected to identify ample opportunities to execute its strategy. All major investments considered by Westaim will be subject to rigorous analysis and evaluation, and be subject to the approval of the Westaim Board of Directors.



In reaching an investment decision regarding an investment, management and the Board of Directors will consider, amongst others, the following factors:

- Availability and quality of operating management, and the ability to align management's interest with the Corporation's shareholders;
- The ability of management and the Board to use their expertise to help grow the business organically and through prudent acquisitions;
- The financial condition and financial performance of the investee company; and
- The size of the investment, its price and valuation, and the Corporation's ability to efficiently finance its purchase.

All investment decisions will be made consistent with value investing principles and the objective of maximizing the Corporation's intrinsic business value on a per share basis over the long term.

### **Conflicts of Interest**

Prior to making an investment, all members of senior management and the Board of Directors shall be obligated to disclose any interest in the potential investment. In the event that a conflict is determined to exist, the person having the conflicted interest shall abstain from making further decisions concerning the investment.

The senior officers and directors of the Corporation may be involved in other activities which may on occasion cause a conflict of interest with his or her duties to the Corporation. These include serving as directors, officers, promoters, advisers or agents of other public and private companies, including companies in which the Corporation may invest. Such persons may also engage in transactions with the Corporation where any one or more of such persons is acting in his or her capacity as financial advisor, broker, intermediary, principal, or counterparty, provided that such transactions are carried out on terms similar to those which would apply in a similar transaction between parties not connected with such persons or any one of them and such transactions are carried out on normal commercial terms as if negotiated at arm's length.

The directors and senior officers of the Corporation are aware of the existence of laws governing the accountability of directors and officers for corporate opportunities and requiring disclosures of conflicts of interest, and the Corporation will rely upon such laws in respect of any conflicts of interest or in respect of any breaches of duty by any of its directors or officers.

### **Monitoring and Reporting**

The investment and business acquisition activities of Westaim will be monitored by senior management, and by the Board of Directors through regular reporting from the Corporation's management, no less than quarterly. Investments will be monitored, evaluated and communicated to management and the Board of Directors on a fair value basis in accordance with the Corporation's status as an investment company.

**Financing**

Westaim expects to raise capital from time to time through the public offering of its securities, by private placement, or through the incurrence of debt obligations. The Corporation is expected to maintain a conservative balance sheet to provide the Corporation the flexibility to make opportunistic investments as they arise.

**Dividend**

Westaim does not expect to declare dividends in the near future, as it intends to reinvest cash flows and/or proceeds of investment sales in new opportunities in accordance with its strategy. This policy will be reviewed by the Corporation's Board of Directors on a periodic basis.

**APPENDIX “B”**

**AMENDED BY-LAW**

**GENERAL BY-LAW**

**(Amended and Restated as of November 14, 2014)**

**THE WESTAIM CORPORATION**

**A By-law Relating Generally to the Transaction of the Business and Affairs of The Westaim Corporation**

**SECTION 1**

**INTERPRETATION**

**1.1 Definitions:** In the by-laws of the Corporation, unless the context otherwise requires:

“**Act**” means the *Business Corporations Act* (Alberta), and any statute that may be substituted therefor, as amended from time to time;

“**board**” means the board of directors of the Corporation;

“**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“**Control**” means, with respect to the Corporation, the power, direct or indirect, to direct or cause the direction of the management and policies of the Corporation, whether through the ownership of voting securities, by contract (other than a commercial contract for goods or non-management services) or otherwise, unless the power is the result of an official position with or corporate office held by the person. Control is presumed to exist if any person and members of the person's immediate family, directly or indirectly, own, control, or hold the power to vote, or if any person other than a corporate officer or director of the Corporation holds proxies representing 10 percent or more of the voting securities or authority of the Corporation;

“**Control Approval Requirements**” mean the applicable requirements of the Insurance Regulatory Authorities (or any one of them) to receive notice of and/or to approve of the direct or indirect acquisition by any person of Control of the Corporation, pursuant to any statute, by-law, order, ruling, policy statement, direction or similar instrument of the Insurance Regulatory Authorities;

“**Corporation**” means The Westaim Corporation;

“**immediate family**” with respect to an individual, means such individual's spouse, father, mother, children, brothers, sisters, and grandchildren, the father, mother, brothers, and sisters of the individual's spouse, and the spouse of the individual's child, brother, sister, mother, father, or grandparent'

“**Insurance Regulatory Authorities**” means each applicable Department of Insurance, Commissioner of Insurance, Superintendent of Insurance, or similar federal, state, provincial or local governing body in a particular jurisdiction responsible for regulating the insurance marketplace in such jurisdiction having authority over the Corporation and/or one or more of its subsidiaries and/or affiliated entities, including but not limited to, as applicable, the Texas Department of Insurance, the Oklahoma Department of Insurance, any other member of the National Association of Insurance Commissioners in the United States and the Office of the Superintendent of Financial Institutions;

“**meeting of shareholders**” includes an annual meeting of shareholders and a special meeting of shareholders;

“**person**” means an individual, corporation, partnership, association, joint stock company, trust, unincorporated organization, or similar entity or combination of them acting in concert;

“**security**” means a share of any class or series of shares, a debt obligation and a special warrant or other security (as that term is used in the *Securities Act* (Ontario)) that is convertible, at any time in the future, to such a share or debt obligation and includes a certificate evidencing such share, debt obligation, special warrant or other security;

“**Significant Voting Interest**” means the holding, directly or indirectly, of voting securities of the Corporation carrying 10 percent or more of the votes carried by all voting securities of the Corporation; and

“**special meeting of shareholders**” includes a meeting of any class or classes of shareholders and/or a special meeting of all shareholders entitled to vote at an annual meeting of shareholders.

Save as aforesaid and/or unless the context otherwise requires, words and expressions defined or otherwise used in or for purposes of the Act have the same meanings when used herein.

## **SECTION TWO DIRECTORS**

**2.1 Calling of Meetings:** Meetings of the board shall be held from time to time at such time and at such place as the board, the chair of the board, the chief executive officer, the president or any two directors may determine.

**2.2 Notice of Meeting:** Notice of the time and place of each meeting of the board shall be given to each director not less than 48 hours before the time when the meeting is to be held and may be delivered personally or may be given by mail, facsimile and/or any electronic means of communication. Notwithstanding the foregoing, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

**2.3 Chair:** The chair of any meeting of the board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chair of the board, chief executive officer or president. If no such officer is present, the directors present shall choose one of their number to be chair.

**2.4 Quorum:** The directors may establish the quorum of directors for the transaction of business by the board. Until established as aforesaid, a majority of the number of directors in office shall constitute such quorum.

**2.5 Votes to Govern:** At all meetings of the board, every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chair of the meeting shall not be entitled to a second or casting vote.

**2.6 Meetings by Electronic or Other Means:** A director may participate in a meeting of directors or of a committee of directors by electronic means, telephone or other communication facilities that permit all persons participating in the meeting to hear each other and a director participating in a meeting by those means is deemed for the purposes of the Act to be present at that meeting.

**2.7 Nomination of Directors:** Subject to the provisions of the Act and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of an individual for election to the board may be made at any annual general meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which such meeting was called is the election of directors of the Corporation:

- (a) by or at the discretion of the board or an authorized officer of the Corporation, including pursuant to a notice of meeting;
- (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition to call a shareholders meeting made in accordance with the provisions of the Act; or
- (c) by any person (a "Nominating Shareholder") who, (i) at the close of business on the date of the giving of the notice provided for below in this Section 2.7 and on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting, and (ii) complies with the notice procedures set forth below in this Section 2.7.

In addition to any other applicable requirements, for a nomination to be made by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in proper written form to the Chief Financial Officer of the Corporation at the registered office of the Corporation in accordance with this Section 2.7.

To be timely, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must be made:

- (a) in the case of an annual general meeting of shareholders, not less than 30 nor more than 65 days prior to the date of the annual general meeting of shareholders; provided, however, that in the event that the annual general meeting of shareholders is to be held on a date that is less than 50 days after the date on which the initial Public Announcement (as defined below) of the date of the annual general meeting of shareholders was made, notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following such Public Announcement; and

- (b) in the case of a special meeting of shareholders that is not also an annual general meeting but is called for the purpose of electing directors of the Corporation (whether or not called for other purposes), not later than the close of business on the 15th day following the day on which the initial Public Announcement of the special meeting of shareholders was made.

Notwithstanding the foregoing, the board may, in its sole discretion, waive any requirement in this Section 2.7. In no event shall any adjournment or postponement of a meeting of shareholders of the Corporation or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice.

To be in proper written form, a Nominating Shareholder's notice to the Chief Financial Officer of the Corporation must set forth:

- (a) as to each individual whom the Nominating Shareholder proposes to nominate for election as a director:
  - (i) his or her name, age, business address and residence address;
  - (ii) his or her principal occupation or employment;
  - (iii) the class or series and number of shares in the capital of the Corporation which are controlled or over which direction is exercised, directly or indirectly, or which are owned beneficially or of record by him or her as of the record date for the meeting of shareholders (if such date shall then have been made publicly available by the Corporation and shall have occurred) and as of the date of such notice;
  - (iv) a statement as to whether he or she would be "independent" of the Corporation (within the meaning of Sections 1.4 and 1.5 of National Instrument 52-110 - *Audit Committees* of the Canadian Securities Administrators, as such provisions may amended from time to time) if elected as a director of the Corporation at such meeting and the reasons and basis for such determination; and
  - (v) any other information relating to him or her that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
- (b) as to the Nominating Shareholder giving the notice:
  - (i) any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has the right to vote any shares in the capital of the Corporation;
  - (ii) any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws; and

- (iii) the class or series and number of shares in the capital of the Corporation which are controlled or over which direction is exercised, directly or indirectly, or which are owned beneficially or of record by the Nominating Shareholder as of the record date for the meeting of shareholders (if such date shall then have been made publicly available by the Corporation and shall have occurred) and as of the date of such notice.

The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

No individual shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 2.7; provided, however, that nothing in this Section 2.7 shall be deemed to preclude discussions by a shareholder of the Corporation (as distinct from the nomination of directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairman of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not determined to be in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

For purposes of this Section 2.7:

- (a) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, statements, bulletins and notices of the securities commission and similar regulatory authority of each province and territory of Canada; and
- (b) “**Public Announcement**” shall mean disclosure in a press release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com).

Notwithstanding any other provision of the by-laws, notice given to the Chief Financial Officer of the Corporation pursuant to this Section 2.7 may only be given by personal delivery or by facsimile transmission, and shall be deemed to have been given and made only at the time it is served by personal delivery or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the Chief Financial Officer of the Corporation at the address of the registered office of the Corporation; provided, that if such delivery or transmission is made on a day which is not a business day or later than 5:00 p.m. (Toronto time) on a day which is a business day, then such delivery or transmission shall be deemed to have been made on the subsequent day that is a business day.

## SECTION THREE

### MEETINGS OF SHAREHOLDERS

**3.1 Meetings of shareholders:** Meetings of shareholders shall be held at such time and, subject to the Act and the articles, at such place as the board, the chair of the board, the chief executive officer or the president may from time to time determine.

**3.2 Chair, Secretary and Scrutineers:** The chair of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chair of the board, chief executive officer, president or a vice-president. If no such officer is present within 15 minutes from the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chair. If the secretary of the Corporation is absent, the chair shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chair with the consent of the meeting.

**3.3 Persons Entitled to be Present:** The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provisions of the Act, other applicable law or the articles to be present at the meeting. Any other person may be admitted only on the invitation of the chair of the meeting or with the consent of the meeting.

**3.4 Meetings by Electronic or Other Means:** If the directors or the shareholders of a corporation call a meeting of shareholders, the directors or the shareholders, as the case may be, may determine that the meeting shall be held partially or entirely by electronic means, telephone or other communication facility that permits all participants to communicate adequately with each other during the meeting, and a person participating in a meeting by those means is deemed for the purposes of the Act to be present at that meeting.

**3.5 Quorum:** A quorum for the transaction of business at any meeting of shareholders shall be two persons present in person, each being a shareholder entitled to vote thereat or a duly appointed proxyholder for an absent shareholder so entitled, and together holding or representing by proxy not less than 25% of the outstanding shares of the Corporation entitled to vote at the meeting.

**3.6 Votes to Govern:** At any meeting of shareholders every question shall, unless otherwise required by the Act or the articles, be determined by a majority of the votes cast on the question, in case of an equality of votes either upon a show of hands or upon a poll, the chair of the meeting shall not be entitled to a second or casting vote.



## SECTION FOUR

### SHARE OWNERSHIP AND TRANSFER RESTRICTIONS

**4.1 Purpose of Provisions:** For the purpose of enabling the Corporation and each of its affiliates to comply with the Control Approval Requirements and remain in good standing as a holding company, insurance company, member, participating organization, approved participant or similar entity of each of the Insurance Regulatory Authorities, the issue, ownership and transfer of any securities of the Corporation, and the voting of any such securities, are subject to the provisions of this Section Four. The provisions of this Section Four shall cease to apply if and for so long as the Control Approval Requirements are not applicable to the Corporation or any affiliate thereof but shall once again apply in the event that the Control Approval Requirements are thereafter applicable to the Corporation or any affiliate thereof.

**4.2 Prohibition on Issue of Ineligible Securities:** No person may subscribe for or acquire any securities issued by the Corporation, and the Corporation has the right to refuse to issue any securities to a person:

- (a) if such person (i) owns, holds or controls, directly or indirectly, or (ii) would (as a result of the issue of securities of the Corporation) own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements;
- (b) if such person, in respect of the issue of the securities, has been required by the Corporation or its registrar and transfer agent to provide it with the declaration referred to in Section 4.6 or 4.7 or other information reasonably necessary to assist the directors in making their determinations under Section 4.9 and has not provided that declaration or information; or
- (c) if the directors have determined, on the basis of the declaration or information referred to in paragraph (b) or in accordance with Section 4.9, that such person may own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements.

**4.3 Refusal to Register Transfer of Ineligible Shares:** No person may acquire securities of the Corporation, pursuant to any transfer of such securities, and the Corporation has the right to refuse to register a transfer of securities of the Corporation and to direct any depository to refuse to make entries in accounts maintained by the depository for participants in a depository to effect a transfer of a security, if the transfer is to a person that:

- (a) (i) owns, holds or controls, directly or indirectly, or (ii) would (as a result of the transfer of securities of the Corporation) own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements;
- (b) in respect of the transfer of the securities, has been required by the Corporation or its registrar and transfer agent to provide it with the declaration referred to in Section 4.6 or 4.7 or other information reasonably necessary to assist the directors in making their determinations under Section 4.9 and has not provided that declaration or information; or

- (c) the directors have determined, on the basis of the declaration or information referred to in paragraph (b) or in accordance with Section 4.9, may own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements.

**4.4 Voting Rights of Ineligible Securities:** No person may, in person or by proxy, exercise the voting rights attached to any securities of the Corporation owned, held or controlled, directly or indirectly, by that person:

- (a) if such person owns, holds or controls, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements;
- (b) if such person, in respect of such securities, has been required by the Corporation or its registrar and transfer agent to provide it with the declaration referred to in Section 4.6 or 4.7 or other information reasonably necessary to assist the directors in making their determinations under Section 4.9 and has not provided that declaration or information; or
- (c) if the directors have determined, on the basis of the declaration or information referred to in paragraph (b) or in accordance with Section 4.9, that such person may own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements.

**4.5 Safe Harbour for Proxyholders:** The safe harbour provided for in this Section 4.5 applies only where a proxy provides a proxyholder with voting discretion with respect to amendments or variations to matters identified in the notice of meeting to which the proxy relates or other matters which may properly come before the meeting but which have not been specified in the notice of meeting. Notwithstanding Section 4.4, where a proxyholder:

- (a) (i) has obtained from a holder of securities of the Corporation, when the securities are not held by a depository or an intermediary, or (ii) has obtained from the beneficial owner of securities of the Corporation, when the securities are held by a depository or intermediary (or a nominee for a depository or intermediary), a declaration substantially in the form attached hereto as Schedule "A" or in such other form as may be approved by the Corporation, that the security holder, or beneficial owner, as applicable:
  - (i) does not own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements;
  - (ii) has not, in respect of any securities of the Corporation, been required by the Corporation or its registrar and transfer agent to provide a declaration referred to in Section 4.6 or 4.7 or other information reasonably necessary to assist the directors in making a determination whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances and has not provided that declaration or information; and
  - (iii) will forthwith advise the proxyholder, the Corporation and the registrar and transfer agent if the foregoing ceases to be true at any time before the holding of the meeting in respect of which the proxyholder has been appointed, including any adjournment of the meeting;

then a proxyholder may vote securities held or beneficially owned by such security holder or beneficial owner in respect of which the proxyholder has been appointed unless the proxyholder has knowledge that:

- (b) the security holder, or the beneficial owner of such securities, owns, holds or controls, directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements;
- (c) the security holder, or any participant in a depository, intermediary or beneficial owner, in relation to such securities, has, in respect of any securities of the Corporation, been required by the Corporation or its registrar and transfer agent to provide a declaration referred to in Section 4.6 or 4.7 or other information reasonably necessary to assist the directors in making a determination whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances, and has not provided that declaration or information; or
- (d) the directors have determined, on the basis of any declaration referred to in Section 4.6 or 4.7 or any other information referred to in this Section Four obtained by the directors reasonably necessary to assist the directors in making a determination whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances, including knowledge of any of the directors, officers, employees or agents of the Corporation relied upon by the directors in accordance with Section 4.9, that the security holder, or beneficial owner of such securities, may own, hold or control, directly or indirectly, securities of the Corporation such that the security holder or beneficial owner's interest in the Corporation is subject to any of the Control Approval Requirements.

**4.6 Obligation to Provide Declaration:** Any person (i) in whose name securities of the Corporation are registered; (ii) seeking to acquire securities of the Corporation, pursuant to any transfer of such securities, or seeking to have a transfer of securities of the Corporation made, registered or recorded in the central securities register of the Corporation or to have entries made in an account maintained by a depository for participants in a depository to effect a transfer of a security; (iii) that is subscribing for securities of the Corporation or seeking to acquire any securities to be issued by the Corporation; or (iv) that is an intermediary or a participant in a depository which holds (directly or indirectly) any securities of the Corporation on behalf of another person must, if so required in writing by the Corporation or its registrar and transfer agent, submit to the Corporation or its registrar and transfer agent a declaration for the purpose of assisting the directors in determining whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances or to permit the Corporation's registrar and transfer agent to provide the directors with information to assist the directors in making such determination.

**4.7 Right to Require Declaration:** The Corporation or its registrar and transfer agent may require a declaration referred to in Section 4.6 in the following circumstances:

- (a) in connection with any proposed transfer of securities of the Corporation (including, without limitation, any transfer to be effected by entries made in accounts maintained by a depository for participants in a depository);

- (b) in connection with any subscription for securities of the Corporation or issuance of securities by the Corporation;
- (c) at any time when proxies are being solicited from security holders; or
- (d) at any time when, in the opinion of the directors, the acquisition, ownership, holding or control of securities of the Corporation by any person may be in contravention of any of the Control Approval Requirements.

**4.8 Form of Declaration:** A declaration pursuant to Section 4.6 (or Section 4.7) shall be substantially in the form attached hereto as Schedule “B” or in such other form as may be approved by the Corporation.

**4.9 Determination by Directors:** The directors have the sole authority for the purposes of this Section Four to determine whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances and any such determination is final and binding. In making any such determination, the directors may rely upon any statements made in any declaration submitted hereunder and may rely upon the knowledge of any of the directors, officers, employees or agents of the Corporation (including, without limitation, the Corporation's registrar and transfer agent or any depository of securities of the Corporation), and none of the Corporation, its directors, officers, employees or agents is liable in any action for anything done or omitted by them on the basis of any such statements or knowledge.

**4.10 Exemption for Investment Dealers:** The provisions of this Section Four do not apply to the transfer and the issue of securities of the Corporation in favour of a securities broker while such securities broker is performing no more than a function that is usual and customary for a securities broker.

**4.11 Amendment of Section Four:** The board in its absolute discretion may by resolution amend this Section Four in any manner as the board considers necessary or appropriate to administer and enforce the provisions of this Section Four and the Control Approval Requirements.

**4.12 No Waiver of Rights:** If securities of the Corporation are, by inadvertence or otherwise, issued or transferred or held contrary to any of the restrictions in this Section Four, such issuance or transfer or holding of the securities of the Corporation or its registration in the corporate records of the Corporation does not constitute a waiver of any of the rights of the Corporation under this Section Four or the conditions attaching to such securities or preclude the Corporation or the board from exercising any of the powers granted under these by-laws.

**4.13 Validity of Acts:** An issue or transfer of securities or an act of the Corporation is valid notwithstanding any failure to comply with the provisions of Section Four.

**4.14 No Claim or Action:** No security holder of the Corporation or other person has any claim or action against the Corporation or against any director, officer, employee or agent of the Corporation nor does the Corporation have any claim or action against any director, officer, employee or agent of the Corporation arising out of any act (including an omission to act) performed pursuant to or intended to be performed pursuant to the provisions of this Section Four, or any breach or alleged breach by the Corporation of any of the provisions of this Section Four.

**4.15 Severability:** The invalidity or unenforceability of any provision, in whole or in part, of this Section Four for any reason does not affect the validity or enforceability of any other provision, or part thereof, of this Section Four.

## SECTION FIVE

### EXECUTION OF DOCUMENTS

**5.1 Execution of Documents:** Documents requiring execution by the Corporation may be signed, either manually or by facsimile or electronic signature and must be signed by any two directors or officers. All documents so signed shall be binding upon the Corporation without any further authorization or formality. Notwithstanding the foregoing, the board is authorized from time to time to appoint by resolution any person or persons on behalf of the Corporation to sign and deliver documents manually or by facsimile or electronic signature, all as permitted by the Act, and any such documents contemplated by such resolution shall be executed only as contemplated by that resolution. Subject to the Act, wherever a document is required to be created in writing, that requirement is satisfied by the creation of an electronic document with electronic signatures. The term documents shall include contracts, powers of attorney, cheques, drafts or orders for the payment of money, guarantees, notes, acceptances and bills of exchange, deeds, mortgages, hypothecs, charges, conveyances, agreements, written resolutions, proxies, releases, receipts and discharges for the payment of money or other obligations, transfers and assignments of property of all kinds, real or personal, moveable or immovable, including specifically but without limitation, transfers and assignments of shares, stocks, warrants, bonds, debentures or other securities and all other paper writings or, as permitted by the Act, electronic writings.

## SECTION SIX

### NOTICES

**6.1 Giving of Notice.** Any notice or other document, including electronic documents, to be given or sent by the Corporation to a shareholder, director or officer or to the auditor of the Corporation or any other person may be given or sent by prepaid mail, by facsimile, or by any electronic or other communication facility (provided that the recipient thereof has consented, pursuant to the Act, to receive such notice or document in such form), or may be delivered personally to, the person to whom it is to be given or sent at the persons latest address as shown in the records of the Corporation or in any notice filed in accordance with the provisions of the Act. The board may establish, by resolution, procedures to give, deliver or send a notice or other document to the shareholders, directors, the auditor or other persons by any means permitted under the laws governing the Corporation or pursuant to the articles or by-laws of the Corporation. The accidental omission to give notice to any shareholder, director or officer or to the auditor or other persons or the non-receipt of any notice or any error in a notice not affecting the substance thereof shall not invalidate any action taken at any meeting called by such notice or otherwise founded thereon. Any notice with respect to any shares registered in more than one name may, if more than one address appears on the records of the Corporation in respect of such joint holding, be given the joint shareholders at any such address.

## SECTION SEVEN

### INDEMNITY

**7.1 Indemnity.** Subject to the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a

body corporate of which the Corporation is or was a shareholder or creditor, and his or her heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him or her in respect of any civil, criminal or administrative action or proceeding to which he or she is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if (a) he or she acted honestly and in good faith with a view to be the best interests of the Corporation; and (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he or she had reasonable grounds for believing that his or her conduct was lawful. The Corporation may also indemnify such person in such other circumstances as the Act or law permits. Nothing in this by-law shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of this by-law. The Corporation's obligation to indemnify a person described in this section shall continue for so long as an action described herein may be legally brought against such person notwithstanding that at such time such person may no longer be a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor.

## **SECTION EIGHT**

### **EFFECTIVE DATE AND REPEAL**

**8.1 Effective Date:** This by-law shall come into force when made by the board in accordance with the Act.

**8.2 Repeal.** All previous by-laws of the Corporation are repealed as of the coming into force of this by-law. Such repeal shall not affect the previous operation of any by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under or the validity of any contract or agreement made pursuant to any such by-law prior to its repeal. All directors, officers and persons acting under any by-law so repealed shall continue to act as if appointed under the provisions of this by-law and all resolutions of the shareholders or the board with continuing effect passed under any repealed by-law shall continue to be valid until amended or repealed.

**SCHEDULE "A"**

**FORM OF DECLARATION (SECTION 4.5)**

**TO:** [INSERT NAME OF PROXYHOLDER]

**AND TO:** THE WESTAIM CORPORATION (the "Corporation")

**AND TO:** COMPUTERSHARE INVESTOR SERVICES INC. [or the Corporation's then current registrar and transfer agent] (the "Registrar and Transfer Agent")

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Reference is made to the general by-law of the Corporation (amended and restated as of ■, 2014) (the "By-Law"). All capitalized terms used but not defined herein shall have the meanings ascribed thereto in the By-Law.

Pursuant to Section 4.5 of the By-Law, the undersigned security holder or beneficial owner, as applicable:

- (a) does not own, hold or control, directly or indirectly, a Significant Voting Interest contrary to any of the Control Approval Requirements. For greater certainty, Significant Voting Interest means the holding, directly or indirectly, of voting securities of the Corporation carrying 10 percent or more of the votes carried by all voting securities of the Corporation;
- (b) has not, in respect of any securities of the Corporation, been required by the Corporation or its transfer agent to provide a declaration referred to in Section 4.6 or 4.7 of the By-Law or other information reasonably necessary to assist the directors in making a determination whether the provisions of the Control Approval Requirements are or may be contravened in any circumstances and has not provided that declaration or information; and
- (c) will forthwith advise the proxyholder, the Corporation and the Registrar and Transfer Agent if the foregoing ceases to be true at any time before the holding of the meeting in respect of which the proxyholder has been appointed, including any adjournment of the meeting.

DATED as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

If an individual

**SIGNED AND WITNESSED** )  
in the presence of: )  
 )  
 )  
 )  
\_\_\_\_\_)  
Print Name: )

\_\_\_\_\_  
**[INSERT NAME OF SECURITY HOLDER  
OR BENEFICIAL OWNER]**

If a company or other entity

**[INSERT NAME OF ENTITY]**

Per: \_\_\_\_\_  
*Authorized Signatory*



**SCHEDULE "B"**

**FORM OF DECLARATION (SECTION 4.6)**

**TO: THE WESTAIM CORPORATION (the "Corporation")**

**AND TO: THE DIRECTORS THEREOF**

**AND TO: COMPUTERSHARE INVESTOR SERVICES INC. [or the Corporation's then current registrar and transfer agent]**

Reference is made to the general by-law of the Corporation (amended and restated as of ■, 2014) (the "By-Law"). Unless otherwise defined herein, all capitalized terms used herein shall have the meanings ascribed to them in the By-Law.

Pursuant to Section 4.6 of the By-Law, the undersigned hereby represents, warrants, covenants and certifies to the Corporation and acknowledges that the Corporation is relying thereon that **[check all appropriate boxes, and where applicable, state the relevant number and class of securities]:**

<input type="checkbox"/>	The undersigned is the beneficial owner, directly or indirectly, of, or exercises control or direction over <u>&lt;enter the number and type of securities of each class or series so beneficially owned or over which control or direction is exercised&gt;</u> of the Corporation (including any ownership, control or direction through a trustee, nominee, legal personal representative, agent, depository, participant in a depository or intermediary of any kind (collectively, a "nominee or depository")).	
<input type="checkbox"/>	The undersigned is seeking to acquire, by issuance, transfer or otherwise, <u>&lt;enter the number and type of securities of each class or series that will be beneficially owned or over which control or direction will be exercised by the undersigned&gt;</u> of the Corporation and:	
	<input type="checkbox"/>	the undersigned will be the beneficial owner, directly or indirectly, of <u>&lt;enter the number and type of securities or, if all, state "all"&gt;</u> of such securities; and/or
	<input type="checkbox"/>	the undersigned will hold (directly or indirectly through a nominee or depository) <u>&lt;enter the number and type of securities or, if all, state "all"&gt;</u> of such securities for or on behalf of or for the benefit of another beneficial owner or person that will exercise control or direction over such securities.
<input type="checkbox"/>	The undersigned holds (directly or indirectly through a nominee or depository) <u>&lt;enter the number and type of securities of the Corporation so held&gt;</u> of the Corporation for or on behalf or for the benefit of another beneficial owner or person that exercises control or direction over any such securities, and the undersigned declares that, to the best of the undersigned's knowledge and belief, after reasonable enquiry, no person on whose behalf or for whose benefit the securities are so held, owns, holds or controls, directly or indirectly, securities of the Corporation contrary to	

<p>any of the Control Approval Requirements and that the undersigned has obtained a declaration from each person for or on whose behalf or for whose benefit the securities are so held that:</p> <p>(a) such person does not own, hold or control, directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements; and</p> <p>(b) if such person is a participant in a depository or an intermediary or a nominee of a participant in a depository or an intermediary, holding (directly or indirectly through a nominee or depository) any securities of the Corporation for or on behalf of or for the benefit of any beneficial owner or person that exercises control or direction over any securities of the Corporation, to the best of the knowledge and belief of such person, after reasonable enquiry, the beneficial owner of such securities and any person exercising control or direction over any of such securities does not own, hold or control, directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements and that such participant in a depository or intermediary has obtained a declaration from each person for or on whose behalf or for whose benefit the securities are held that such person does not own, hold or control, directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements.</p>	
<p>To the knowledge of the undersigned, such beneficial owner or person that exercises such control or direction <b>[check the applicable box]</b>:</p>	
<input type="checkbox"/>	<p>does not beneficially own or exercise control or direction over any other securities of the Corporation;</p>
<input type="checkbox"/>	<p>beneficially owns or exercises control or direction over <u>&lt;enter the aggregate number and type of securities of each class or series&gt;</u> of the Corporation; or</p>
<input type="checkbox"/>	<p>beneficially owns or exercises control or direction over other securities of the Corporation and the number of such other securities is not known by the undersigned.</p>
<input type="checkbox"/>	<p>The undersigned is seeking to acquire, by issuance, transfer or otherwise, <u>&lt;enter the number and type of securities of the Corporation that will be so acquired&gt;</u> of the Corporation and the undersigned will hold (directly or indirectly through a nominee or depository) such securities for or on behalf of or for the benefit of another beneficial owner or person that will exercise control or direction over any such securities, and the undersigned declares that, to the best of the undersigned's knowledge and belief, after reasonable enquiry, no person on whose behalf or for whose benefit the securities will be so held, owns, holds or controls (or in the case of the acquisition of securities of the Corporation, will own, hold or control), directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements and that the undersigned has obtained a declaration from each person for or in whose behalf or for whose benefit the securities are so held or will be held that:</p> <p>(a) such person does not own, hold or control (or in the case of the acquisition of securities of the Corporation, will not own, hold or control), directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements; and</p> <p>(b) if such person is a participant in a depository or an intermediary or a nominee of a</p>

	<p>participant in a depository or an intermediary, holding (directly or indirectly through a nominee or depository) any securities of the Corporation for or on behalf of or for the benefit of any beneficial owner or person that exercises control or direction over any securities of the Corporation, to the best of the knowledge and belief of such person, the beneficial owner of such securities and any person exercising control or direction over any of such securities does not own, hold or control (or in the case of the acquisition of securities of the Corporation, will not own, hold or control), directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements and that such participant in a depository or intermediary has obtained a declaration from each person for or on whose behalf or for whose benefit the securities are held that such person does not own, hold or control, directly or indirectly, securities of the Corporation contrary to any of the Control Approval Requirements.</p>
	<p>To the knowledge of the undersigned, such beneficial owner or person that exercises such control or direction <b>[check the applicable box]:</b></p>
<input type="checkbox"/>	<p>does not beneficially own or exercise control or direction over any other securities of the Corporation;</p>
<input type="checkbox"/>	<p>beneficially owns or exercises control or direction over <u>&lt;enter the aggregate number and type of securities of each class or series&gt;</u> of the Corporation; or</p>
<input type="checkbox"/>	<p>beneficially owns or exercises control or direction over other securities of the Corporation and the number of such other securities is not known by the undersigned.</p>
<input type="checkbox"/>	<p>The undersigned is an “associate” (within the meaning of that term as used in applicable securities laws or in any of the Control Approval Requirements) or an “affiliate” (within the meaning of that term as used in applicable securities laws or in any of the Control Approval Requirements) of any other person that is the beneficial owner, directly or indirectly, of, or exercises control or direction over, any securities of the Corporation. The number of securities of each class or series of the Corporation beneficially owned or over which control or direction is exercised, by each of the undersigned’s associates and affiliates is <u>&lt;enter the number and type of securities of each class or series of the Corporation so beneficially owned or over which control or direction is exercised by each such associate and affiliate&gt;</u>.</p>

DATED as of the \_\_\_\_ day of \_\_\_\_\_, 20\_\_.

If an individual

**SIGNED AND WITNESSED** )  
in the presence of: )  
) )  
) )  
\_\_\_\_\_) )  
Print Name: )

\_\_\_\_\_  
**[INSERT NAME OF SECURITY HOLDER OR BENEFICIAL OWNER]**

If a company or other entity

**[INSERT NAME OF ENTITY]**

Per: \_\_\_\_\_  
*Authorized Signatory*

## APPENDIX “C”

### THE WESTAIM CORPORATION

#### AUDIT COMMITTEE CHARTER

(Revised February 2013)

##### A. Overview and Mandate

The Audit Committee (the “**Committee**”) is responsible to the Board of Directors (the “**Board**”) of The Westaim Corporation (the “**Corporation**”). The Committee shall review the annual consolidated financial statements of the Corporation and shall report thereon to the Board before such annual consolidated financial statements are approved by the Board, and shall oversee the accounting and financial reporting processes of the Corporation and the audits of the financial statements of the Corporation. The Committee also shall perform the duties as described under “Duties and Responsibilities” below.

The Committee, in its capacity as a committee of the Board, shall be directly responsible for the appointment, compensation, retention and oversight of the work of any registered public accounting firm engaged (including for the resolution of disagreements between management and the auditor regarding financial reporting) for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (the “**auditor**”), and each auditor must report directly to the Committee.

It is recognized that the Committee will be acting only within the terms of reference set out herein and it is not intended that the Committee shall usurp any of the powers or responsibilities of the Board as set out in the *Business Corporations Act* (Alberta) and/or the By-laws of the Corporation.

The Committee may engage independent counsel or other advisors as it determines necessary to carry out its duties.

The Corporation shall provide for appropriate funding, as determined by the Committee in its capacity as a committee of the Board, for payment of:

- a. compensation to any auditor;
- b. compensation to any independent counsel or adviser employed by the Committee pursuant to this charter; and
- c. ordinary administrative expenses of the Committee that are necessary or appropriate in respect of the performance by the Committee of its duties.

##### B. Membership and Attendance at Meetings

1. The members of the Committee shall consist of not fewer than three (3) members each of whom shall be a director of the Corporation.
2. A majority of members of the Committee shall be resident Canadians.

3. A majority of members of the Committee shall satisfy the independence requirements applicable to members of audit committees under National Instrument 52-110 – *Audit Committees* of certain of the Canadian Securities Administrators and the requirements of any other applicable legislation or stock exchange rules, subject to any exemptions or relief that may be granted from such requirements.
4. Each member of the Committee shall have, or shall acquire within a reasonable time following appointment to the Committee, the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation's financial statements.
5. The Chairman of the Committee shall be appointed by the Board and shall be responsible for the overall operation of the Committee.
6. Members shall serve one-year terms and may serve consecutive terms.
7. The auditor of the Corporation is entitled to receive notice of every meeting of the Committee and be heard thereat.
8. In its discharge of its responsibilities and duties set out herein, the Committee shall have free and unrestricted access at all times, either directly or through its duly appointed representatives, to the relevant accounting books, records and systems of the Corporation and shall discuss with the officers of the Corporation such books, records, systems and other matters considered appropriate.

**C. Duties and Responsibilities**

The Committee shall fulfill the following duties arising from its mandate set out above:

1. Review and assess the adequacy of this charter on an annual basis, or more often if deemed appropriate.
2. Review the annual consolidated financial statements of the Corporation and the notes thereto following the examination thereof by the auditor and prior to their approval by the Board and report to the Board thereon.
3. Review and approve the quarterly financial statements, notes thereto and quarterly management discussion and analysis (MD&A) and related press releases of the Corporation prior to their release.
4. Review the annual MD&A, and other public disclosure documents and related press releases, including any prospectus prior to their approval by the directors.
5. Review, and approve, the planned scope of the examination of the annual and quarterly consolidated financial statements and all related audit activities by the auditor of the Corporation, including expected related audit fees.
6. Review the accounting principles and practices to be applied and followed by the Corporation during the fiscal year and any significant changes from those applied and followed during the previous year.

7. Review the adequacy of the systems of internal accounting and audit policies, practices and controls established by the Corporation, and discuss with the auditor the results of its reviews and reports.
8. Review all litigation and claims involving or against the Corporation which could materially adversely affect its financial position and which the auditor or any officer of the Corporation may refer to the Committee.
9. Ensure the auditor's ultimate accountability to the Board and the Committee as representatives of the shareholders and as such representatives, to evaluate the performance of the auditor and review and report to the directors regarding the nomination and the remuneration and other material terms of the engagement of the auditor, and the performance by the auditor thereunder, and to recommend to the shareholders the reappointment or replacement of the auditor.
10. Ensure that the auditor submits on a periodic basis to the Committee, a formal written statement delineating all relationships between the auditor and the Corporation, consistent with Canadian auditor independence standards, and to review such statement and to actively engage in a dialogue with the auditor with respect to any disclosed or undisclosed relationships or services that may impact on the objectivity and independence of the auditor, and to review the statement and the dialogue with the Board of Directors and recommend to the Board of Directors appropriate action to ensure the independence of the auditor.
11. Provide a line of communication between the auditor and the Board, and communicate directly with the auditor and with any internal auditor of the Corporation.
12. Meet with the auditor at least once per quarter without management present to allow a candid discussion regarding any concerns the auditor may have and to resolve any disagreements between the auditor and management regarding the Corporation's financial reporting.
13. Review and pre-approve non-audit services provided by the auditor.
14. Review and approve hiring policies regarding partners, employees, and former partners and employees of the present and former external auditors of the Corporation.
15. Review any internal audit plan and review all reports arising from any such internal audit activity.
16. Approve the Corporation's Disclosure Policy and review and assess the adequacy of the policy on an annual basis, or more often if deemed appropriate.
17. Review and approve all "related party" transactions, as defined by the rules of the applicable regulatory authorities.
18. Review the status of taxation matters of the Corporation and its major subsidiaries.
19. Review the short term investment strategies respecting the cash balance of the Corporation.
20. Review the hedging strategies of the Corporation.
21. Review the adequacy of all insurance policies maintained by the Corporation.
22. Establish procedures for:

- a. the receipt, retention, and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
  - b. the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
23. Review regular reports from management and others with respect to the Corporation's compliance with laws and regulations having a material impact on the financial statements of the Corporation.
  24. Review annually the Corporation's reserves with respect to environmental, health and safety matters.
  25. Conduct or undertake such other duties as may be required from time to time by any applicable regulatory authorities, including the TSX Venture Exchange or any other stock exchange.
  26. At least annually, undertake a self assessment of the Committee's performance of its duties.

**D. Meetings**

1. Meetings of the Committee are held as required and at least quarterly.
2. Committee meetings may be called by the Committee Chairman or by a majority of the Committee members.
3. The procedures for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those applicable to meetings of the Board. Notwithstanding such procedures, a meeting of the Committee may also be called by the external auditor.
4. A quorum for the transaction of business at any meeting of the Committee is a majority of appointed members.
5. The Committee may invite to a meeting any officers or employees of the Corporation, legal counsel, advisors and other persons whose attendance it considers necessary or desirable in order to carry out its responsibilities.
6. Meetings may be held by way of telephone conference call.
7. A written resolution signed by all Committee members entitled to vote on that resolution at a meeting of the Committee is as valid as one passed at a Committee meeting.
8. The Corporate Secretary will ensure that minutes of the proceedings of all meetings of the Committee are maintained and available to the Board when requested.

**E. Reporting**

The Committee shall report on its review of the audited consolidated financial statements of the Corporation to the Board prior to the approval of financial statements by the Board. In addition, the Chairman of the Committee shall, when deemed necessary or when requested by the Chairman of the Board, report to the Board from time to time on the activities of the Committee.