



**DIXIE BRANDS INC.**

**Management Information Circular**

**May 17, 2019**

## MANAGEMENT INFORMATION CIRCULAR

### VOTING AND PROXIES

#### Solicitation of Proxies

**This Management Information Circular (the "Information Circular") is furnished in connection with the solicitation by the management of Dixie Brands Inc. of proxies to be used at the Annual and Special Meeting of shareholders of the Corporation (the "Meeting"), to be held on June 18, 2019 at the time and place and for the purposes set forth in the Notice of Annual and Special Meeting of Shareholders of the Corporation (the "Notice of Meeting") or any adjournment thereof.**

Unless otherwise noted or the context otherwise indicates, references to the "Corporation" and "Dixie" refer to Dixie Brands Inc. Unless otherwise indicated, all dollar amounts in this Information Circular are given as of May 17, 2019. All dollar amounts in this Information Circular refer to United States dollars, unless otherwise indicated.

Solicitation of proxies will be primarily by mail but may also be by telephone, facsimile or in person by directors, officers and employees of the Corporation who will not be additionally compensated therefor. Brokers, nominees or other persons holding shares in their names for others shall be reimbursed for their reasonable charges and expenses in forwarding proxies and proxy material to the beneficial owners of such shares. The Corporation will assume the costs of solicitation, which are expected to be minimal.

#### Appointment and Revocation of Proxies

The persons named as proxyholders in the enclosed forms of proxy are directors and/or officers of the Corporation.

**A shareholder submitting a forms of proxy has the right to appoint a person other than the persons indicated in such proxy form to act as his or her proxyholder. To do so, the shareholder must write the name of such person in the appropriate space on the forms of proxy.**

To be effective, all forms of proxy must be deposited with National Securities Administrators Ltd., 760 – 777 Hornby Street, Vancouver, B.C. V6Z 1S4, by no later than 9:00 A.M. (Vancouver time) on June 14, 2019 or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the adjourned or postponed meeting. A person acting as proxyholder need not be a shareholder of the Corporation.

Late proxies may be accepted or rejected by the Chairman of the Meeting at his or her discretion and the Chairman of the Meeting is under no obligation to accept or reject any particular late proxy. The Chairman of the Meeting may waive or extend the proxy cut-off without notice.

The persons named as proxies will vote or withhold from voting the shares in respect of which they are appointed or vote for or against any particular question, in accordance with the instructions of the shareholder appointing them. In the absence of such instructions, the shares will be voted in favour of all matters identified in the enclosed Notice of Meeting. The enclosed forms of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting and to other matters which may properly come before the Meeting. At the time of printing of this Information Circular, the management of the Corporation knows of no such amendment, variation or other matter expected to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any amendments or other matters not known to management should properly come before the Meeting, the

accompanying forms of proxy confers discretionary authority upon the persons named therein to vote on such amendments or matters in accordance with their best judgment.

A shareholder giving a proxy may revoke it at all times by a document signed by him or her or by a proxyholder authorized in writing or, if the shareholder is a corporation, by a document signed by an officer or a proxyholder duly authorized, given to the Corporation's transfer Agent, National Securities Administrators Ltd., no later than 9:00 A.M. (Vancouver time) on June 14, 2019, or, in the case of any adjournment or postponement of the Meeting, not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time of the adjourned meeting at which the proxy is to be used, or to the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

### **Advice to Beneficial Holders**

**The information set forth in this section should be reviewed carefully by beneficial shareholders of the Corporation. Shareholders who do not hold their shares in their own name should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of shares, or the persons they appoint as their proxies, will be recognized and acted upon at the Meeting.**

The information set forth in this section is of significant importance to many shareholders of the Corporation, as a substantial number of shareholders do not hold shares in their own name. Shareholders who do not hold their shares in their own name (referred to herein as "**beneficial shareholders**") should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of shares can be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the records of the Corporation. Such shares will more likely be registered under the names of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for CDS Clearing and Depository Services Inc., which acts as its nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted upon the instructions of the beneficial shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. Therefore, beneficial shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions which should be carefully followed by beneficial shareholders in order to ensure that their shares are voted at the Meeting. Often, the forms of proxy supplied to a beneficial shareholder by its broker is identical to the forms of proxy provided to registered shareholders; however, its purpose is limited to instructing the registered shareholder how to vote on behalf of the beneficial shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**"). Broadridge typically mails a scanable voting instruction form in lieu of the forms of proxy. The beneficial shareholder is requested to complete and return the voting instruction form to them by mail or facsimile. Alternatively, the beneficial shareholder can call a toll free telephone number to vote the shares held by the beneficial shareholder or vote via the internet at [www.proxyvote.com](http://www.proxyvote.com). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A beneficial shareholder receiving a voting instruction form cannot use that voting instruction form to vote shares directly at the Meeting as the voting instruction form must be returned as directed by Broadridge well in advance of the Meeting in order to have the shares voted.

Although a beneficial shareholder may not be recognized directly at the Meeting for the purposes of voting shares registered in the name of his or her broker (or agent of the broker), a beneficial shareholder may attend at the Meeting as proxyholder for a registered shareholder and vote the shares in that capacity. Beneficial shareholders who wish to attend the Meeting and indirectly vote their shares as proxyholder for a registered shareholder should enter their own names in the blank space on the instrument of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker (or agent), well in advance of the Meeting.

There are two kinds of beneficial shareholders: those who object to their name being made known to the issuers of securities which they own (called "**OBOs**" for Objecting Beneficial Owners) and those who do not object (called "**NOBOs**" for Non-Objecting Beneficial Owners).

Issuers can request and obtain a list of their NOBOs from Intermediaries via their transfer agents, pursuant to National Instrument 54 -101 - *Communication with Beneficial Owners of Securities of Reporting Issuers* ("**NI 54 – 101**") and issuers can use this NOBO list for distribution of proxy-related materials directly to NOBOs. The Corporation has decided to take advantage of those provisions of NI 54 - 101 that allow it to directly deliver proxy-related materials to its NOBOs. As a result, NOBOs can expect to receive a voting instruction form from the Corporation's transfer agent, National Securities Administrators Ltd. These voting instruction forms are to be completed and returned to National Securities Administrators Ltd. in the envelope provided or by facsimile. National Securities Administrators Ltd. will tabulate the results of the voting instruction forms received from NOBOs and will provide appropriate instructions at the Meeting with respect to the shares represented by voting instruction forms they receive. Alternatively, NOBOs may vote following the instructions on the voting instruction form, by calling a toll free telephone number or via the internet at [www.investorvote.com](http://www.investorvote.com).

**All references to "shareholders" in this Information Circular, the accompanying forms of proxy, and Notice of Meeting are to registered shareholders unless specifically stated otherwise.**

### **Voting Shares and Principal Shareholders Thereof**

The authorized share capital of the Corporation consists of an unlimited number of subordinate voting shares ("**SVS**") without par value and 500,000 non-participating voting shares ("**NPVS**") without par value. Each SVS entitles the holder thereof to one (1) vote, in person or by proxy, at any shareholders meeting. Each NPVS entitles the holder thereof to one hundred (100) votes, in person or by proxy, at any shareholders meeting on the same terms as the SVS.

As of May 17, 2019, the Corporation had 125,659,526 SVS issued and outstanding and 500,000 NPVS issued and outstanding. The Corporation's board of directors (the "**Board**") has fixed a record date of May 17, 2019 (the "**Record Date**") to determine shareholders entitled to receive the Notice of Meeting. The failure of any shareholder to receive a copy of the Notice of Meeting does not deprive the shareholder of the right to vote at the Meeting. Only holders of SVS and NPVS as of the Record Date are entitled to vote such shares at the Meeting.

### **Forms of Proxy**

One or both of the following forms of proxy accompany this Information Circular for use at the Meeting by shareholders:

- holders of SVS should complete and return the form of proxy for the security class "Subordinate Voting Shares";

- holders of NPVS should complete and return the form of proxy for the security class "non-participating voting shares"; and
- shareholders who hold both SVS and NPVS should complete and return BOTH forms of proxy,

all in accordance with the instructions set out in the Notice of Meeting, this Information Circular and the accompanying form(s) of proxy.

To the knowledge of the directors and executive officers of the Corporation, as at the Record Date, the following persons will beneficially own, directly or indirectly, or exercise control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation:

Name and Municipality of Residence of Shareholder	Type of Ownership	Number and Percentage of Securities Owned
Dixie Brands SPV, LLC <sup>(1)</sup>	Directly	500,000 NPVS (100%)
Charles Smith (Denver, CO)	Indirectly <sup>(1)</sup>	300,000 NPVS (60%)
C.J. Chapman (Denver, CO)	Indirectly <sup>(1)</sup>	200,000 NPVS (40%)

Notes:

(1) Dixie Brands SPV, LLC holds all of the issued and outstanding NPVS. Dixie Brands SPV, LLC is owned 60% by Charles Smith and 40% by C.J. Chapman. On a permanent Chief Financial Officer joining the Corporation, Mr. Chapman will transfer 50% of his holding in Dixie Brands SPV, LLC to the Chief Financial Officer. The resulting ownership of Dixie Brands SPV, LLC will be 60% Chief Executive Officer, 20% Chief Financial Officer and 20% General Counsel and Secretary.

## **BUSINESS TO BE TRANSACTED AT THE MEETING**

### **Election of Directors**

Management of the Corporation proposes the seven persons named in the table on the following page as candidates for election as directors. Each elected director will remain in office until the next annual meeting of the shareholders or until his or her successor is elected or appointed, unless his or her post is vacated earlier. The candidates proposed by the management of the Corporation have been directors of the Corporation since the dates indicated below.

**Unless instructions are given to abstain from voting with regard to the election of directors, the persons whose names appear on the enclosed forms of proxy will vote in favour of the election of each of the seven nominees whose names are set out in the table on the following page.**

Management of the Corporation does not foresee that any of the nominees listed below will be unable or, for any reason, unwilling to perform his or her duties as a director. In the event that the foregoing occurs for any reason, prior to the election, the persons indicated on the enclosed forms of proxy reserve the right to vote for another candidate of their choice unless otherwise instructed by the shareholder in the forms of proxy to abstain from voting on the election of directors.

In order for the resolution to be passed, approval by the majority of the votes cast by all of the holders of shares, present in person and by proxy at the Meeting, is required.

The enclosed forms of proxy allow the holders of shares to direct proxyholders to vote individually for each of the nominees named below as a director of the Corporation. At any meeting where shareholders vote on the election of directors, any individual nominee who receives a greater number of votes "withheld" than votes "for" will be required by the Corporation to tender his or her resignation to the Board promptly following the meeting. The resignation will be effective when accepted by the Board. The Board expects that resignations will be accepted, unless extenuating circumstances warrant a contrary decision. The Corporation will announce the Board's decision (including the reason for not accepting any resignation) by news release within 90 days following the date of the Meeting. Any director who tenders his or her resignation in this situation will not participate in any meeting of the Board where his or her resignation is considered. Management of the Corporation has been informed that each of the proposed nominees listed below is willing to serve as a director if elected.

The following table and notes set out the names of the individuals proposed by management for election as directors of the Corporation, their principal occupation, the date they first became a director of the Corporation and the number of securities of the Corporation beneficially owned, controlled or directed, directly or indirectly, by them as at May 17, 2019.

<p><b>Charles Smith<sup>(1)</sup></b> Denver, Colorado Director Since: November 27, 2018 Not Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b> Director, President and Chief Executive Officer, Dixie Brands Inc. President, Bella Terra Realty Holdings President, Sagebrush Realty Development</p> <hr/> <p><b>Securities Held</b> 10,189,736 SVS 300,000 NPVS<sup>(3)</sup> 4,077,045 options</p>
<p><b>Brian Graham<sup>(2)</sup></b> Atlanta, Georgia Director Since: November 27, 2018 Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b> Director, Dixie Brands Inc. Founder, Rise Investments International President of Asheville Distilling Company Co-Manager, Hawaii Sea Spirits Board Member, Georgia Chamber Board Member and Treasurer, Professional Beauty Association President, Manufacturer's Leadership Council</p> <hr/> <p><b>Securities Held</b> 2,408,353 SVS<sup>(4)</sup></p>
<p><b>Melvin Yellin<sup>(2)</sup></b> New York, New York Director Since: November 27, 2018 Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b> Director, Dixie Brands Inc. Founder, Acreage Holdings Partner, Tandem Global Partners Partner, Executive Vice President and General Counsel, Bankers Trust Company Director, Symbol Technologies, Inc. President, National Association of Corporate Directors (New York Chapter) Member, New York Clearing House GC Committee</p> <hr/> <p><b>Securities Held</b> 1,064,035 SVS</p>

<p><b>Devin Binford</b><sup>(1)</sup></p> <p>New York, New York</p> <p>Director Since: November 27, 2018</p> <p>Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b></p> <p>Director, Dixie Brands Inc.  Managing Member, Acreage Holdings  Director, Tandem Global Partners (Investment Banking Division)  Manager, The Blackstone Group (Corporate Finance Group)</p> <hr/> <p><b>Securities Held</b></p> <p>347,655 SVS</p>
<p><b>Vincent "Tripp" Keber, III</b></p> <p>Denver, Colorado</p> <p>Director Since: November 27, 2018</p> <p>Not Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b></p> <p>Consultant, Dixie Brands Inc.  Founder, Dixie Elixirs and Edibles  Board Member, National Cannabis Industry Association  Board Member, Marijuana Policy Project  Advisory Board Member, Medical Marijuana Industry Group  Chief Operating Officer, Bella Terra Resort Development Company  Executive Vice-President, Sagebrush Realty Development (Business Development)</p> <hr/> <p><b>Securities Held</b></p> <p>4,526,257 SVS</p> <p>4,077,045 options</p>
<p><b>Michael Lickver</b><sup>(1)(2)</sup></p> <p>Toronto, Ontario</p> <p>Director Since: November 27, 2018</p> <p>Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b></p> <p>Chief Strategy Officer, Auxly Cannabis Group Inc.  Lawyer, Bennett Jones LLP  Canadian Editor, International Cannabis Law Journal  Adjunct Professor, Western Law  Director, UJA Federation of Greater Toronto (Arts and Culture Committee)</p> <hr/> <p><b>Securities Held</b></p> <p>42,140 SVS</p>
<p><b>Hugo Alves</b></p> <p>Toronto, Ontario</p> <p>Director Since: November 27, 2018</p> <p>Independent</p>	<p><b>Present Occupation and Principal Occupations during the past 5 years</b></p> <p>President, Auxly Cannabis Group Inc.  Partner, Bennett Jones LLP  Director, Canadians for Fair Access to Medical Marijuana</p> <hr/> <p><b>Securities Held</b></p> <p>42,140 SVS</p>

**NOTES:**

- (1) Current member of the Corporation's audit committee (the "**Audit Committee**").
- (2) Current member of the Corporation's executive compensation committee (the "**Compensation Committee**").
- (3) Held through Dixie Brands SPV, LLC.
- (4) Brian Graham holds his SVS indirectly through Rise Investments International II Series Y and Rise Investments International II Series 7.

There are no contracts, arrangements or understandings between any nominee and any other person (other than the directors and officers of the Corporation acting solely in such capacity) pursuant to which the nominee has been or is to be elected as a director.

As at May 17, 2019, the proposed directors of the Corporation as a group (seven persons) owned beneficially or exercised control or direction over: (i) 18,620,316 SVS, or approximately 14.82% of the outstanding SVS; and (ii) 500,000 NPVS, or 100% of the outstanding NPVS.

The following are brief biographies of each of the proposed director nominees:

**Charles Smith (Director, President and Chief Executive Officer).**

Charles "Chuck" Smith is the President and Chief Executive Officer of the Corporation, as well as Therabis, and Aceso Wellness, two of the leading hemp supplement brands. As one of two original founders of the Corporation, Chuck helped the company grow from a "garage operation" to a 27,000 square foot state-of-the-art, vertically integrated manufacturing facility that was the first-of-its-kind for the marijuana industry.

Prior to building the Corporation and the Dixie brand, Chuck was President of Bella Terra Realty Holdings where he oversaw all aspects of the Bella Terra Resort Development Company. He was also President of Sagebrush Realty Development and responsible for developing, selling and managing residential condominium projects valued at over \$85 million in revenues.

Chuck has over 25 years of experience in a variety of industries. He has a strong financial background, holding the position of Chief Financial Officer for a mid-sized retail apparel chain and has built and managed sales and marketing teams for private and publicly traded technology companies.

Chuck has a Bachelor's degree in Accounting from the University of Maryland and an MBA from the Owen Graduate School at Vanderbilt University. Mr. Smith is married and lives in Denver, Colorado. He actively participates in a wide variety of philanthropic organizations and is an avid golfer.

**Brian Graham (Director).**

Brian Graham served as Chief Executive Officer and Board Member of NIOXIN Research Laboratories, Inc., a global leader in the manufacturing of hair care products. During his tenure from 2003 to 2010, Graham transitioned the company from a privately held regional consumer products business to a dominant global company recently acquired by Procter & Gamble. Under Brian's leadership, the company's revenues doubled and its EBITDA increased from US\$1M to US\$17M. Brian led the company through a rapid profitable growth phase expanding both the company's product portfolio as well as its geographical reach.

After NIOXIN's acquisition by Procter and Gamble, Brian became a member of the P&G Salon Professional Lead Team. He continued to lead the business and the integration efforts as NIOXIN's CEO, exceeding acquisition economics by over \$20 million and led several key initiatives for the business. As a result, Graham received the Platinum Power of You Award from the Division President.

In 2010, Graham began investing in a variety of businesses across many industries. These include big data, technology, real estate, business services, a multi-family office (Pathstone) and Fleetwood's on Front Street (Maui) with Mick Fleetwood. In addition, Graham founded Blue Ridge Spirits and served as President of Asheville Distilling Company.

In 2014, Graham founded Rise Investments International, a company focused on providing growth equity, debt financing and management resources for closely held businesses ranging from start-ups to mid-cap enterprises. Recent transactions include Hawaii Sea Spirits, PlaySight, Tennis Media Company, and Gozio Inc.



In 1992, Graham received his Bachelor of Science degree from Georgia Southern University. He has also attended Executive Programs at the University of Michigan and in 2002 completed the Program for Management Development at Harvard University.

Graham is a high-energy entrepreneur who loves adventure, both professionally and personally. He enjoys investing and advising high growth companies and is a highly-engaged leader who enjoys creating talented collaborative teams.

He is a member of Young Presidents Organization, the Harvard Business Club, the Alpha Tau Omega fraternity and serves on numerous for-profit and non-profit boards. Currently, he serves as Co-Manager of Hawaii Sea Spirits and as a Board Member of the Corporation. Previous appointments include the Georgia Chamber, board member and Treasurer of the Professional Beauty Association and Past President of the Manufacture's Leadership Council. Graham enjoys supporting various philanthropic efforts, including serving on the Board of Trustees for Maui Preparatory Academy and the Graham Family Foundation.

Brian resides in Atlanta, Georgia and Maui, Hawaii. He has three children Amanda, Amelia and Angelina. In his leisure time he enjoys travelling, snow skiing, diving and exercising.

#### **Melvin Yellin (Director).**

Mr. Yellin is a Founder of Acreage Holdings, a vertically integrated cannabis company licensed in 12 states. He is also currently a director of the Corporation, having previously been a partner at Tandem Global Partners, which was a globally focused money manager that offered investment services to sophisticated institutions and individuals, focusing primarily on alternative investment strategies.

Prior to joining Tandem, Mr. Yellin spent the bulk of his career at Bankers Trust Company and was a Partner, Executive Vice President and General Counsel when it merged with Deutsche Bank. He had global responsibility for over 350 professionals and served on the Bank's Risk Committee, New Business Committee and its Investment Banking Management Committee, which included the significant Venture Capital business.

Mr. Yellin was a member of the Symbol Technologies, Inc. (NYSE) board of directors (Audit, Compensation and Governance Committees) as well as a director of numerous privately held companies and not-for-profits. Symbol was the world's premier developer of bar code and RFID software and hardware. Symbol was later successfully sold to Motorola.

During his career, Mr. Yellin has acted as chairman, speaker and author for numerous business organization programs including those run by the Conference Board, the NACD, Columbia Business School (ODX) and the Wisconsin School of Business. Mr. Yellin served as the President of the New York Chapter of the National Association of Corporate Directors and a member of the New York Clearing House GC Committee.

He was selected for "Who's Who in American Law," The International "Who's Who of Contemporary Achievement" and the "International Directory of Distinguished Leadership".

#### **Devin Binford (Director).**

Mr. Binford is a Managing Member of Acreage Holdings. Mr. Binford is a seasoned finance executive with extensive financing and transaction experience. He has been involved with the legal cannabis industry since 2011, focusing primarily on sourcing, evaluating and investing in licensed dispensaries, cultivation centers, processing facilities, edibles manufacturers, alternative dosage forms companies and real estate.

Prior to his role at Acreage Holdings, Mr. Binford worked as a Director in the Investment Banking Division at Tandem Global Partners where he was responsible for analyzing principal and debt investments as well as portfolio management. Before attending Columbia, Mr. Binford was a Manager in the Corporate Finance Group at The Blackstone Group.

Presently, Mr. Binford serves on the Board of the Corporation.

Mr. Binford graduated from Columbia University with an MSc in Real Estate Development and concentration in Real Estate Finance; he earned a B.B.A. in Finance and Computer Information Systems from James Madison University.

**Vincent "Tripp" Keber, III (Director).**

As one of two original founders of the Dixie Elixirs and Edibles company, Colorado's premiere licensed marijuana infused products manufacturer (MIPS), Tripp Keber is widely hailed as one of the cannabis industry's indispensable leaders. He presently serves as a consultant to the Corporation. He is also a founding member and current director of the National Cannabis Industry Association. Additionally, since 2013, he has served as a board member of the Marijuana Policy Project as well as an advisory board member of the Medical Marijuana Industry Group in Colorado.

Prior to building the Corporation into a leader in the cannabis industry, Tripp served as Chief Operating Officer for Bella Terra Resort Development Company, and Executive Vice President of Business Development for Sagebrush Realty Development.

He has a B.S. in Political Science from Villanova University and currently resides in both Aspen and Denver, Colorado with his family. While he is involved in several charitable organizations located within his community, his greatest philanthropic passion is assisting in the research and development of cannabis support for veterans suffering from PTSD.

**Mike Lickver (Director).**

Mike Lickver is the Chief Strategy Officer of Auxly Cannabis Group Inc. (TSX-V: XLY), a vertically integrated Canadian cannabis company. Prior to joining Auxly, Mike was a corporate and commercial lawyer at a large international Bay Street law firm where he co-founded the cannabis practice in 2013 and helped grow it into a global leader. As one of Canada's leading advisors in the cannabis industry, he has represented a variety of global industry participants and has played a key role in a wide variety of domestic and international corporate and commercial transactions since the inception of the cannabis industry in Canada. Mike speaks frequently at conferences across the globe on topics related to the cannabis industry and, a frequent author to the industry, is also the Canadian Editor of the International Cannabis Law Journal. Mike is also an adjunct professor at Western Law where he teaches "Cannabis Law and Practice", a course he designed and developed, the first of its kind in Canada. Mike also sits on the board of directors of the Arts and Culture Committee for the UJA Federation of Greater Toronto and has previously acted as a director for various not-for-profits and privately held cannabis companies.

Mike earned Law (J.D.) and MBA degrees from the University of Western Ontario and the Richard Ivey School of Business.

**Hugo Alves (Director).**

Hugo Alves is the President of Auxly Cannabis Group Inc. (TSX-V: XLY) and widely regarded as one of Canada's leading advisors in the cannabis industry, having represented a variety of global industry participants, including licensed producers, licensed producer applicants, licensed dealers, industry associations, e-commerce platforms, seed-to-sale software developers, design and build firms, patient aggregators, equipment manufacturers and distributors, and cannabis branding companies. Prior to joining Auxly, Hugo was a senior corporate and commercial Partner at Bennett Jones LLP where he founded and built the firm's Cannabis Group and acted as lead counsel in multiple foundational transactions since the creation of the corporate cannabis industry. Widely regarded as a Canadian cannabis industry pioneer, Hugo also sits on the board of directors of the not-for-profit Canadians for Fair Access to Medical Marijuana (CFAMM) and has previously acted as a director for various not-for-profits and privately held cannabis companies.

Hugo obtained his B.A. from Carleton University and his J.D. from the University of Toronto.

To the knowledge of the Corporation and based upon information provided to it by the nominees, within 10 years before the date of this Information Circular, no such nominee was a director, chief executive officer or chief financial officer of any company (including the Corporation) that was subject to a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days and that was issued while the nominee was acting in the capacity as director, chief executive officer or chief financial officer, or was subject to an order that was issued after the nominee ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while the nominee was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of the foregoing paragraph, "order" means:

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

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

To the knowledge of the Corporation and based upon information provided to it by the nominees, no such nominee is or within 10 years prior to the date of this Information Circular was, a director or executive officer of any company (including the Corporation) that, while the nominee 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, other than Charles Smith who acted as an independent director of CannaSecurity America ("**CannaSecurity**"), a U.S. issuer that filed for bankruptcy protection under Chapter 7 of the Title 11 of the United States Code on April 30, 2018. Mr. Smith stepped in as a director at a time when CannaSecurity was financially struggling. He worked with management in an attempt to restructure the company, but market conditions did not allow the company to recover.

To the knowledge of the Corporation and based upon information provided to it by the nominees, no such nominee within 10 years prior to the date of this Information Circular has 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 such nominee's assets.

No director or executive officer of the Corporation, or, to the knowledge of the Corporation, any shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to:

- (a) 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 investor in making an investment decision.

### **Appointment of Auditors**

A firm of auditors is to be appointed by vote of the shareholders at the Meeting to serve as auditors of the Corporation until the close of the next annual meeting. The Board, upon the recommendation of the Audit Committee, proposes that MNP LLP be appointed as auditors of the Corporation and that the directors of the Corporation be authorized to determine their compensation. MNP LLP have acted as auditors of the Corporation since November 27, 2018.

**Unless instructed to abstain from voting with regard to the appointment of auditors, the persons whose names appear on the enclosed forms of proxy will vote in favour of: (i) the appointment of MNP LLP as auditors of the Corporation; and (ii) authorizing the directors of the Corporation to determine the compensation of MNP LLP in such capacity.**

In order for the resolution to be passed, approval by a majority of the shares voted in respect thereof at the Meeting is required.

The following table indicates the aggregate fees billed to the Corporation by MNP LLP, the Corporation's auditors since November 27, 2018, during 2018:

Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2018	Nil	Nil	Nil	Nil

The following table indicates the aggregate fees billed to the Corporation by Zeifmans LLP, the Corporation's auditors prior to November 27, 2018, during 2017 and 2018:

Year	Audit Fees	Audit-Related Fees	Tax Fees	All Other Fees
2018	\$4,000	Nil	Nil	Nil
2017	\$5,763	Nil	Nil	Nil

### **Omnibus Equity Incentive Plan**

The principal features of the Corporation's omnibus equity incentive plan (the "**Plan**"), which has been approved by the Board, are summarized below. The following information is intended as a brief description of

the Plan and is qualified in its entirety by the full text of the Plan, a copy of which is attached as Schedule "A" hereto.

### Purpose

The purpose of the Plan is to assist the Corporation and its affiliates in attracting and retaining individuals to serve as directors, employees, consultants or advisors of the Corporation who are expected to contribute to the Corporation's success and to achieve long-term objectives that will inure to the benefit of all stockholders of the Corporation through the additional incentives inherent in the Awards (as defined below).

The Plan permits the grant of (i) nonqualified stock options ("**NQSOs**") and incentive stock options ("**ISOs**") (collectively, "**Options**"), (ii) restricted stock awards, (iii) other stock units ("**OSUs**"), (iv) stock appreciation rights ("**SARs**"), and (v) performance compensation awards, which are referred to herein collectively as "**Awards**," as more fully described below.

### Eligibility

Any of the Corporation's employees, officers, directors and consultants (who are natural persons) (the "**Participants**") are eligible to participate in the Plan if selected by the Committee (as hereinafter defined). The "**Committee**" will consist of the Board, or a committee designated by the Board, which Committee will be constituted in compliance with applicable laws. The basis of participation of an individual under the Plan, and the type and amount of any Award that an individual will be entitled to receive under the Plan, will be determined by the Committee based on its judgment as to the best interests of the Corporation and its shareholders, and therefore cannot be determined in advance.

The maximum number of SVS that may be issued under the Plan shall be determined by the Board from time to time, but in no case shall exceed, in the aggregate, 20% of the number of SVS then outstanding. Any shares subject to an Award under the Plan that are forfeited, cancelled, expire unexercised, are settled in cash, or are used or withheld to satisfy tax withholding obligations of a Participant shall again be available for Awards under the Plan.

In the event of any dividend, recapitalization, forward or reverse stock split, reorganization, merger, amalgamation, consolidation, split-up, split-off, combination, repurchase or exchange of SVS or other securities of the Corporation, issuance of warrants or other rights to acquire SVS or other securities of the Corporation, or other similar corporate transaction or event, which affects the SVS, or unusual or nonrecurring events affecting the Corporation, or the financial statements of the Corporation, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or law, the Committee may make such adjustment as is appropriate in order to prevent dilution or enlargement of the rights of Participants under the Plan, to (i) the number and kind of shares which may thereafter be issued in connection with Awards, (ii) the number and kind of shares issuable in respect of outstanding Awards, (iii) the purchase price or exercise price relating to any Award or, if deemed appropriate, make provision for a cash payment with respect to any outstanding Award, and (iv) any share limit set forth in the Plan.

### Awards

#### (a) Options

The Committee is authorized to grant Options to purchase SVS that are either ISOs, meaning they are intended to satisfy the requirements of Section 422 of the Internal Revenue Code of 1986 (the "**Code**"), or NQSOs, meaning they are not intended to satisfy the requirements of Section 422 of the Code. Options granted under the Plan will be subject to the terms and conditions established by the Committee. Under the terms of the Plan, unless the Committee determines otherwise in the case of an Option substituted for another Option in

connection with a corporate transaction, the exercise price of the Options will not be less than the fair market value (as determined under the Plan) of the shares at the time of grant. Options granted under the Plan will be subject to such terms, including the exercise price and the conditions and timing of exercise, as may be determined by the Committee and specified in the applicable Award agreement. The maximum term of an Option granted under the Plan will be ten years from the date of grant (or five years in the case of an ISO granted to a 10% shareholder). Payment in respect of the exercise of an Option may be made, among other methods, in cash or by check, by surrender of unrestricted shares (at their fair market value on the date of exercise) or by such other method as the Committee may determine to be appropriate.

(b) Restricted Stock

A restricted stock Award is a grant of SVS, which are subject to forfeiture restrictions during a restriction period. The Committee will determine the price, if any, to be paid by the Participant for each SVS subject to a restricted stock Award. The terms of any restricted stock Award granted under the Plan will be set forth in a written Award agreement which may contain such provisions as determined by the Committee, which is not inconsistent with the Plan. Except as otherwise provided in the Award agreement, beginning on the date of grant of the restricted stock Award and subject to execution of the Award agreement, the Participant will become a shareholder of the Corporation with respect to all SVS subject to the Award agreement and shall have all of the rights of a shareholder, including the right to vote such SVS and the right to receive distributions made with respect to such SVS; provided, however, that any SVS or any other property (other than cash) distributed as a dividend or otherwise with respect to any restricted stock Award, as to which the restrictions have not yet lapsed, shall be subject to the same restrictions as such restricted shares. If a Participant holds unvested restricted stock awards on the date his or her continuous status as an employee, director or consultant terminates for any reason, the unvested restricted stock Awards will expire and the SVS covered by the unvested restricted stock Awards will revert to the Plan, unless otherwise set forth in the Award agreement, in an employment agreement between the Corporation or an affiliate and the Participant (if any) or as determined by the Committee. The Committee may determine in its sole discretion that such unvested restricted stock Awards will become vested at such times and on such terms as the Committee may determine in its sole discretion.

(c) OSUs

Other Awards of shares and other Awards that are valued in whole or in part by reference to, or are otherwise based on, SVS or other property (OSUs) may be granted to Participants, either alone or in addition to other Awards granted under the Plan, and such OSU Awards shall also be available as a form of payment in the settlement of other Awards granted under the Plan. OSU Awards shall be paid in SVS or cash. Subject to the provisions of the Plan, the Committee shall have sole and complete authority to determine the Participants to whom and the time or times at which such OSU Awards shall be made, the number of SVS or the amount of cash or other property to be granted pursuant to such Awards, and all other conditions of the Awards. The provisions of OSU Awards need not be the same with respect to each recipient. Subject to requirements of applicable law, the Committee has absolute discretion to determine whether any consideration (other than services) is to be received by the Corporation or any affiliate as a condition precedent to the issuance of SVS (including securities convertible into SVS). The terms of any OSU Awards granted under the Plan will be set forth in a written Award agreement which will contain provisions determined by the Committee and not inconsistent with the Plan. If a Participant holds unvested OSU Awards on the date his or her continuous status as an employee, director or consultant terminates for any reason, the unvested OSU Awards will expire and the SVS covered by the unvested OSU Awards will revert to the Plan, unless otherwise set forth in the Award agreement, in an employment agreement between the Corporation or an affiliate and the Participant (if any), or as determined by the Committee. The Committee may determine in its sole discretion that such unvested OSU Awards will become vested at such times and on such terms as the Committee may determine in its sole discretion.

#### (d) Stock Appreciation Rights

An SAR entitles the recipient to receive, upon exercise of the SAR, subject to certain exceptions, the increase in the fair market value of a specified number of SVS from the date of the grant of the SAR and the date of exercise payable in SVS. Any grant may specify a vesting period or periods before the SAR may become exercisable and permissible dates or periods on or during which the SAR shall be exercisable. No SAR may be exercised more than ten years from the grant date. Upon a Participant's termination of service, death or disability, the same general conditions applicable to Options as described above would be applicable to the SAR.

#### General

The Committee may impose restrictions on the grant, exercise or payment of an Award as it determines appropriate. Generally, Awards granted under the Plan shall be non-transferable except by will or by the laws of descent and distribution. No Participant shall have any rights as a shareholder with respect to SVS covered by Options, SARs, restricted stock Awards, or OSUs, unless and until such Awards are settled in SVS.

No Option (or, if applicable, SARs) shall be exercisable, no SVS shall be issued, no certificates for SVS shall be delivered and no payment shall be made under the Plan except in compliance with all applicable laws.

The Board may amend, alter, suspend, discontinue or terminate the Plan and the Committee may amend any outstanding Award at any time; provided that (i) such amendment, alteration, suspension, discontinuation, or termination shall be subject to the approval of the Corporation's shareholders if such approval is necessary to comply with any tax or regulatory requirement applicable to the Plan (including, without limitation, as necessary to comply with any rules or requirements of applicable securities exchange), and (ii) no such amendment or termination may adversely affect Awards then outstanding without the Award holder's permission.

In the event of any merger, reorganization, consolidation, recapitalization, dividend or distribution (whether in cash, shares or other property), stock split, reverse stock split, spin-off, rights offering or any other event that constitutes an "equity restructuring" within the meaning of the Financial Accounting Standards Board Accounting Standard Codification (ASC) Section 718, Compensation—Stock Compensation (FASB ASC 718), or similar transaction or other change in corporate structure affecting the SVS or the value thereof, such adjustments and other substitutions shall be made to the Plan and to Awards as the Committee, in its sole discretion, deems equitable or appropriate to prevent dilution or enlargement of rights immediately resulting from such event or transaction, including such adjustments in the aggregate number, class and kind of securities that may be delivered under the Plan and, in the aggregate or to any one Participant, in the number, class, kind and option or exercise price of securities subject to outstanding Awards granted under the Plan (including, if the Committee deems appropriate, the substitution of similar options to purchase the shares of, or other Awards denominated in the shares of, another company) as the Committee may determine to be appropriate in its sole discretion, provided, however, that the number of SVS subject to any Award must always be a whole number.

#### Tax Withholding

The Corporation may take such action as it deems appropriate to ensure that all applicable federal, provincial, state, local and/or foreign payroll, withholding, income or other taxes, which are the sole and absolute responsibility of a Participant, are withheld or collected from such Participant.

#### **Resolutions Approving the Plan**

Shareholder approval of the Plan is required for certain purposes, including for the Corporation to facilitate grants of ISOs pursuant to Section 422 of the Code. At the Meeting, shareholders will be asked to consider and, if deemed advisable, approve the following resolution:

**"BE IT RESOLVED THAT:**

1. the omnibus equity incentive plan, as described in greater detail in the Information Circular of the Corporation dated May 17, 2019, and all unallocated awards issuable thereunder, are hereby approved; and
2. any one director or officer of the Corporation be and is hereby authorized, for and on behalf of the Corporation, to execute and deliver all documents and do all things as such person may determine to be necessary or advisable to give effect to this resolution, the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination."

In order for the resolution to be passed, approval by the majority of the shares voted in respect thereof at the Meeting is required.

**Unless otherwise instructed, the persons named in the enclosed forms of proxy intend to vote in favour of the resolution approving the Plan.**

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

### **General**

The Board is committed to a high standard of corporate governance practices. The Board believes that this commitment is not only in the best interest of shareholders, but that it also promotes effective decision-making at the Board level.

Effective June 30, 2005, the Canadian Securities Administrators adopted National Policy 58-201 - "Corporate Governance Guidelines" (the "**Guidelines**") and National Instrument 58-101 - *Disclosure of Corporate Governance Practices* which requires that each reporting issuer annually disclose its corporate governance practices.

The following disclosure is based on the disclosure requirements of the Guidelines.

### **Board Mandate**

The Board's responsibility is to supervise and oversee management of the Corporation in accordance with the highest standards of ethical conduct and to act with a view to the best interests of the Corporation and its shareholders. In the discharge of this responsibility, the Board oversees and reviews, directly or through its various committees, the Corporation's results of operations and business initiatives, and identifies and oversees the management of principal business risks affecting the Corporation. The Board is also responsible for reviewing its size and the compensation paid to its members to ensure that the Board can fulfill its duties effectively and that its members are adequately compensated for assuming the risks and carrying out the responsibilities of their positions.

### **Current Directorships in Other Issuers**

As of the date of this Information Circular, none of the directors are directors of other issuers that are also reporting issuers (or the equivalent) in a territory of Canada or in a foreign territory.



## Board Meetings

The Board conducts in-camera sessions at each Board Meeting, at which no executive directors or members of management are present. The in-camera sessions are intended not only to encourage the Board to fully and independently fulfill its mandate, but also to facilitate the performance of the fiduciary duties and responsibilities of the directors on behalf of the Corporation's shareholders.

## Orientation and Continuing Education

The Board encourages directors to take relevant training programs offered by different regulatory bodies and educational service providers and industry associations, and gives them the opportunity to expand their knowledge about the nature and operations of the Corporation's business. During the year ended December 31, 2018, certain of the Corporation's directors attended continuing education programs and certain of its directors are currently enrolled in such programs.

## Composition and Operation of the Board

The Guidelines recommend that a majority of directors of a listed corporation be "independent" as defined by National Instrument 52-110 - *Audit Committees* ("**NI 52-110**"). An independent director is a director who does not have any direct or indirect material relationship with the issuer. "Material relationship" is defined as a relationship which could, in the view of the Corporation's Board, be reasonably expected to interfere with the exercise of a director's independent judgment. NI 52-110 further sets out certain relationships which are deemed to be material relationships.

The Board currently has seven members. Each director is elected annually by the shareholders and serves for a term that will end at the Corporation's next annual meeting. For the upcoming year the Board believes that seven directors is a sufficient number to ensure that the Board will be comprised of directors with a broad range of experience and expertise and will be able to function independently of management.

Given the above determinations, the Board has determined that out of the existing seven members of the Board, five of the members (representing approximately 71.4% of the Board) are independent, with Mr. Smith and Mr. Keber being the only non-independent members of the Board.

Board Member	Year Appointed	Independent	Audit Committee	Compensation Committee
Charles Smith	2018		✓	
Brian Graham	2018	✓		✓
Melvin Yellin	2018	✓		✓
Devin Binford	2018	✓	✓	
Vincent "Tripp" Keber, III	2018			
Michael Lickver	2018	✓	✓	✓

Additional information for each of the directors can be found under the heading "Election of Directors".

## Ethical Business Conduct

A director, in the exercise of his or her functions and responsibilities, must act with complete honesty and good faith in the best interests of the Corporation. He or she must also act in accordance with applicable laws, regulations and policies. In the event of a conflict of interest, a director is required to declare the nature and extent of any material interest he or she has in any important contract or proposed contract, as soon as he or she has knowledge of the agreement or of the Corporation's intention to consider or enter into

the proposed contract. In such circumstances, the director in question shall abstain from voting on the subject.

### **Board Committees**

The Corporation has two committees of the Board, namely the Audit Committee and the Compensation Committee. The Corporation may in the future create additional Board committees in order to enhance corporate governance.

### **Audit Committee**

The members of the Audit Committee are Charles Smith, Devin Binford and Michael Lickver. Each of the members of the Audit Committee, other than Mr. Smith, is "independent" for the purposes of NI 52-110. All members of the Audit Committee are "financially literate" for the purposes of NI 52-110.

All the members of the Audit Committee have the education and/or practical experience required to understand and evaluate financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements. Each member of the Audit Committee also has a significant understanding of the business in which the Corporation is engaged and has an appreciation for the relevant accounting principles used in the Corporation's business.

Further, each member has the requisite education and experience that has provided the member with:

- an understanding of the accounting principles used by the Corporation to prepare the Corporation's financial statements;
- the ability to assess the general application of the above-noted principles in connection with estimates, accruals and reserves;
- experience preparing, auditing, analyzing or evaluating financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of issues that can reasonably be expected to be raised by the Corporation's financial statements, or experience actively supervising individuals engaged in such activities; and
- an understanding of internal controls and procedures for financial reporting.

The Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's specific responsibilities with respect to its oversight of financial matters include, among other things: to select, evaluate, monitor the independence of, and recommend an auditor to the Board for appointment or reappointment, as the case may be, by the Corporation's shareholders and make recommendations with respect to the auditor's compensation; to review and determine the auditor's fee and the terms of the auditor's engagement and inform the Board thereof; where the Audit Committee may deem it appropriate, to recommend to the Board that the auditor be terminated; to meet with senior management without the auditor present to discuss the performance of the auditor; to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by the auditor; to review and approve the audit plan; to review with senior management and the auditor the annual audited consolidated financial statements, together with the auditor's report thereon and the interim financial statements, before recommending them to the Board, and review with senior management and the auditor the relevant

management's discussion and analysis relating thereto; to review other financial reporting and disclosures, including earnings press releases and other press releases disclosing financial information and all other financial statements of the Corporation that require approval by the Board before they are released to the public; to oversee the integrity of the Corporation's financial reporting processes and disclosures, including its internal controls, disclosure controls and procedures and compliance with legal and regulatory requirements, and to report regularly to the Board on such matters; to oversee the Corporation's risk management function; to review with senior management the status of taxation matters; and to review and oversee the Corporation's investment strategies and policies.

The Audit Committee reviews and pre-approves all audit and non-audit services to be provided to the Corporation by its external auditors on an annual basis. Before the appointment of the external auditor for any non-audit service, the Audit Committee considers the compatibility of the service with the auditor's independence.

#### Audit Committee Charter

The responsibilities and duties of the Audit Committee are set out in the committee's charter, the text of which is attached as Schedule "B" to this Information Circular.

#### Audit Committee Oversight

At no time has a recommendation of the Audit Committee to nominate or compensate an external auditor not been adopted by the Board.

#### **Compensation Committee**

The members of the Compensation Committee are Brian Graham, Melvin Yellin and Michael Lickver, all of whom are independent.

The Compensation Committee's principal responsibilities include:

- acting in an advisory capacity to the Board;
- reviewing and approving corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluating the performance of the Chief Executive Officer in light of those corporate goals and objectives and determining (or making recommendations to the Board with respect to) the compensation level of the Chief Executive Officer based on this evaluation;
- making recommendations to the Board with respect to compensation, incentive-compensation plans and equity-based plans of the officers, other than the Chief Executive Officer, and directors;
- reviewing and approving, prior to public disclosure, all public disclosure on executive compensation and producing a report on executive officer compensation for inclusion in the Corporation's management information circular and proxy statement;
- overseeing the evaluation of, and reporting to the Board on, the performance of the management of the Corporation; and
- conducting an annual performance evaluation of the Compensation Committee.

## STATEMENT OF EXECUTIVE COMPENSATION

### Compensation Discussion and Analysis

#### Introduction

The information contained under the heading "Compensation Discussion and Analysis" relates to the Corporation's current compensation program, which was adopted by the Board following completion of a reverse takeover ("**RTO**") transaction on November 27, 2018. Pursuant to the RTO transaction, a wholly-owned subsidiary of Academy Explorations Limited ("**Academy**") merged with Dixie Brands, Inc., forming a Delaware-incorporated operating company named Dixie Brands (USA) Inc. ("**OpCo**"). Through this amalgamation, OpCo became a wholly-owned subsidiary of Academy, which is a reporting issuer in Ontario. As part of the RTO, Academy changed its name to Dixie Brands Inc. All officers and directors of the Corporation resigned effective as of the RTO and new officers and directors were appointed.

The purpose of this Compensation Discussion and Analysis is to provide information about the Corporation's philosophy, objectives and processes regarding compensation of the individuals who carried out the roles of the Chief Executive Officer and the Chief Financial Officer of the Corporation during the year ended December 31, 2018 and the most highly compensated executive officer of the Corporation, other than the Chief Executive Officer and Chief Financial Officer, whose total compensation was more than \$150,000 for the 12 months ended December 31, 2018 (collectively, the "**Named Executive Officers**").

#### Compensation Committee

The administration of the Corporation's compensation practices is handled by the Compensation Committee.

Among other things, the Compensation Committee's role is to ensure that the total compensation paid to the Corporation's executive officers, including the Named Executive Officers, is fair, reasonable and competitive. In the course of reviewing and recommending to the Board the compensation of executive officers other than the Chief Executive Officer, the Compensation Committee annually reviews the performance of the executive officers with the Chief Executive Officer, and the Chief Executive Officer makes recommendations to the Compensation Committee regarding their compensation.

The Compensation Committee will evaluate the performance of the Chief Executive Officer and, based on its evaluation, review and make recommendations to the Board with respect to all direct and indirect compensation, benefits and perquisites (cash and non-cash) for the Chief Executive Officer based on such evaluation. The Compensation Committee will also review and make recommendations to the Board with respect to compensation, benefits and perquisites for all other senior executive officers of the Corporation, incentive-compensation plans and equity-based plans, and policies regarding management benefits and perquisites.

Neither the Board nor any committee of the Board has formally established a mechanism to consider the implications of the risks associated with the Corporation's compensation policies and practices. However, the Board and the Compensation Committee inherently consider these risks. The Compensation Committee reviews and manages the policies and practices of the Corporation and ensures that they are aligned with the interests of the shareholders. The Compensation Committee reviews, among other things, the overall compensation and the annual salary increases of the executive officers of the Corporation while keeping as a reference both the financial performance of the Corporation and the turnover risk for the Corporation. The Board also addresses risk related to compensation policies in the context of compensation mechanisms that are linked to the achievement of certain goals or targets (e.g. short term and long term objectives), both

financial and otherwise. The Board is involved in the supervision of key projects and initiatives of the Corporation and the manner in which they are being carried out. Consequently, the Board is in a position where it can control significant risks that may be taken by the Corporation's management and ensures that those risks remain appropriate and that members of management do not expose the Corporation to excessive risks.

Each member of the Compensation Committee has direct experience relevant to compensation matters resulting from their respective current and past backgrounds and/or roles. The members of the Compensation Committee have experience dealing with compensation matters in large and small organizations, including public companies.

The Corporation does not have a policy in place that limits the ability for directors or Named Executive Officers to hedge the shares of the Corporation that they own. However, none of the current directors or Named Executive Officers of the Corporation are hedging any of the shares of the Corporation that they own.

### Compensation Process

The Corporation has no formal or informal policy or target for allocating compensation between long-term and short-term compensation, between cash and non-cash compensation, or among the different forms of non-cash compensation. Instead, the Board determines subjectively what it believes to be the appropriate level and mix of the various compensation components based on the recommendations of the Compensation Committee.

### Compensation Objectives

The Corporation's compensation philosophy for Named Executive Officers is designed to attract and retain talented and experienced individuals by paying modest base salaries plus short and long term incentive compensation in the form of cash bonuses, stock options or other suitable long term incentives. In making its determinations regarding the various elements of executive compensation, the Compensation Committee will have access to and will rely on published studies of compensation paid in comparable businesses.

The duties and responsibilities of the Chief Executive Officer are typical of those of a business entity of the Corporation's size in a similar business and include overseeing the activities of all other executives of the Corporation, representing the Corporation, providing leadership and responsibility for achieving corporate goals and implementing corporate policies and initiatives.

The objectives of the Corporation's executive compensation program are as follows:

- to attract, retain and motivate talented executives who create and sustain the Corporation's continued success;
- to motivate and reward executives whose knowledge, skills and performance are critical to the Corporation's success;
- to encourage executives to manage the Corporation's business to meet its long-term objectives;
- to align the interests of the Corporation's executives with the interests of the Corporation's shareholders by motivating executive officers to increase shareholder value and reward executive officers when shareholder value increases; and

- to provide total compensation to executives that is competitive with that paid by other companies of comparable size engaged in similar businesses.

The Corporation believes that its current compensation programs are structured to support the achievement of the foregoing strategic objectives.

Overall, the executive compensation program aims to design executive compensation packages that meet executive compensation packages for executives with similar talents, qualifications and responsibilities at companies with similar financial, operating and industrial characteristics. The Corporation expects to undergo rapid growth and is committed to retaining its key executives for the next several critical years, while at the same time ensuring that executive compensation is tied to specific corporate goals and objectives. The Corporation's executive compensation program has been designed to reward executives for reinforcing the Corporation's business objectives and values, for achieving the Corporation's performance objectives and for their individual performances.

### Elements of Compensation

The Corporation seeks to achieve the compensation objectives described earlier through different elements of compensation, including salary and both short-term and long-term incentive plans, with the incentives having both equity and non-equity components. The Corporation believes that these various elements are important to effectively achieve the objectives of its executive compensation philosophy.

The elements of the Named Executive Officers' compensation are:

- (a) base salaries;
- (b) annual bonuses; and
- (b) stock option grants.

There is no regulatory oversight of the Corporation's compensation process for the Named Executive Officers.

### Base Salary

The Corporation pays its executive officers a base salary to compensate them for services rendered during a fiscal year. Base salaries are determined for each executive officer based on an evaluation of such officer's experience, skills, knowledge, scope of responsibility and performance. Base salary levels are reviewed and considered annually, and from time to time adjustments may be made to base salary levels based upon promotions or other changes in job responsibility or merit-based increases based on assessments of individual performance.

The base salary review of any executive officer takes into consideration the current competitive market conditions, experience, proven or expected performance, and the particular skills of the executive officer. Base salary is not evaluated against a formal "peer group".

### Annual Bonuses

The Corporation provides senior executives (including the Named Executive Officers) with the opportunity to receive cash bonuses based on performance and on the free cash flow of the Corporation available for distribution. The cash bonuses are primarily designed to align the financial interests of the Corporation's

executives with the interests of the Corporation's shareholders. See the "Table of Compensation Excluding Compensation Securities" below for details of the cash bonuses paid to the Corporation's Named Executive Officers for the fiscal year ended December 31, 2018.

### Equity Incentive Awards

The executive officers are eligible to receive Awards under the Plan. The Corporation intends for Awards to be an integral part of its overall compensation program as the Corporation believes that the long-term performance of the Corporation will be enhanced through the use of Awards that reward executive officers for increasing long-term shareholder value. The Corporation also believes that such Awards will promote an ownership perspective among its executive officers and encourage executive retention. In determining the number of Awards to be granted to executive officers, the Compensation Committee takes into account the individual's position, scope of responsibility, ability to affect profits and shareholder value and the value of the Awards in relation to other elements of the individual executive officer's total compensation, including base salary and cash bonuses.

### Broad-Based Benefits Programs

All full-time employees, including the Corporation's Named Executive Officers, may participate in the Corporation's health and welfare benefit programs, including medical, dental and vision care coverage, disability insurance and life insurance. The Corporation does not intend to provide perquisites or personal benefits to its Named Executive Officers that are not otherwise available to other employees generally.

### Pension Plan Benefits

The Corporation does not have a defined benefits pension plan, a defined contribution plan or a deferred compensation plan.

### **Compensation of Named Executive Officers and Directors**

In connection with the completion of the RTO, the Corporation changed its financial year end from April 30 to December 31. The information provided herein is for the fiscal year ended December 31, 2018 and includes compensation paid to the Named Executive Officers during that period by Dixie Brands, Inc. prior to the RTO and the Corporation following the completion of the RTO. Information relating to the public company predecessor entity, Academy, can be found in the Information Circular dated August 7, 2018 on the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com), which is hereby incorporated by reference.

As of December 31, 2018, the Corporation had three Named Executive Officers: Charles Smith, James Feehan and C.J. Champan. The following table sets out the compensation noted below paid or payable to the Named Executive Officers for the fiscal year ended December 31, 2018:

<b>Table of Compensation Excluding Compensation Securities</b>							
<b>Name and Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or Meeting Fees (\$)</b>	<b>Value Perquisites (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
Charles Smith, Chief Executive Officer and Director	2018	256,730	200,000	Nil	Nil	Nil	456,730 <sup>(1)</sup>

<b>Table of Compensation Excluding Compensation Securities</b>							
<b>Name and Position</b>	<b>Year</b>	<b>Salary (\$)</b>	<b>Bonus (\$)</b>	<b>Committee or Meeting Fees (\$)</b>	<b>Value Perquisites (\$)</b>	<b>All Other Compensation (\$)</b>	<b>Total Compensation (\$)</b>
C.J. Chapman, General Counsel and Secretary	2018	104,635	60,000	Nil	Nil	Nil	164,635
James Feehan, Interim Chief Financial Officer	2018	192,500	Nil	Nil	Nil	Nil	192,500
Brian Graham, Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
Melvin Yellin, Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
Devin Binford, Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
Vincent Keber, III, Director	2018	250,000	100,000	Nil	Nil	Nil	350,000 <sup>(2)</sup>
Michael Lickver, Director	2018	Nil	Nil	Nil	Nil	Nil	Nil
Hugo Alves, Director	2018	Nil	Nil	Nil	Nil	Nil	Nil

**NOTES:**

- (1) The compensation paid to Mr. Smith was attributable to his services as Chief Executive Officer. He did not receive compensation for his services as a director.
- (2) The compensation paid to Mr. Keber was attributable to his services as a consultant to the Corporation. He did not receive compensation for his services as a director.



Stock Options and Other Compensation Securities

The following table summarizes all compensation securities granted or issued to each Named Executive Officer and director during the financial year ended December 31, 2018 for services provided or to be provided, directly or indirectly, to the Corporation or its subsidiaries:

<u>Compensation Securities</u>						
<u>Name and Position</u>	<u>Type of Security Compensation</u>	<u>Number of Compensation Securities, Number of Underlying Securities and Percentage of Class</u>	<u>Date of Issue or Grant</u>	<u>Issue, conversion or exercise price</u>	<u>Closing Price of security or underlying security at year end</u>	<u>Expiry Date</u>
Charles Smith, Chief Executive Officer and Director	Options	4,077,045 <sup>(2)</sup>	November 27, 2018	\$0.66	\$0.58	September 20, 2028
C.J. Chapman, General Counsel and Secretary	SVS <sup>(1)</sup> Options	2,774,656 <sup>(1)</sup> 1,053,500 <sup>(2)</sup>	July 1, 2018 November 27, 2018	\$0.88 <sup>(1)</sup> \$0.66	\$0.58	September 20, 2018
James Feehan, Interim Chief Financial Officer	N/A	Nil	N/A	N/A	N/A	N/A
Brian Graham, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A
Melvin Yellin, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A
Devin Binford, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A
Vincent Keber, III, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A
Michael Lickver, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A
Hugo Alves, Director	SVS <sup>(1)</sup>	42,140 <sup>(1)</sup>	September 20, 2018	\$0.88 <sup>(1)</sup>	\$0.58	N/A

**NOTES:**

(1) The SVS were issued as common shares of Dixie Brands, Inc. prior to completion of the RTO at an issue price of \$9.30. Upon completion of the RTO, each common share of Dixie Brands, Inc. was transferred by each holder thereof to the Corporation in exchange for approximately 10.535 fully paid and non-assessable SVS.

(2) All options to purchase securities of Dixie Brands, Inc. were exchanged for options of the Corporation on completion of the RTO. Each option to purchase one share of Dixie Brands, Inc. thereafter entitled the holder to purchase 10.535 SVS each at 1/10.535 the previous exercise price.

**Exercise of Compensation Securities by Named Executive Officers and directors of the Corporation**

No compensation securities were exercised by any of the Named Executive Officers or directors of the Corporation during the financial year ended December 31, 2018.

**Termination and Change of Control Benefits and Management Contracts**

There are no contracts, agreements, plans or arrangements that provide for payments to a Named Executive Officer or director at, following or in connection with a change of control of the Corporation, or the severance, termination or constructive dismissal of or a change in a Named Executive Officer's or director's responsibilities, except as described below.

The Corporation entered into an employment agreement with Charles Smith pursuant to which Mr. Smith is entitled to payment upon termination without cause in an amount equal to two years' salary. Additionally, upon termination without cause, Mr. Smith's options would immediately vest, and the Corporation would be required to maintain Mr. Smith's access to the health group benefits plan for a period of two years.

The Corporation entered into an employment agreement with C.J. Chapman pursuant to which Mr. Chapman is entitled to payment upon termination without cause in an amount equal to one year's salary. Additionally, upon termination without cause, Mr. Chapman's options would immediately vest, and the Corporation would be required to maintain Mr. Chapman's access to the health group benefits plan for a period of one year.

**SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS**

The following chart details the number of securities to be issued upon the exercise of outstanding Awards issued under the Plan, the weighted average exercise price of such Awards and the number of shares remaining available for issuance under the Plan as at December 31, 2018.

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted – average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans</b>
Equity compensation plans approved by securityholders	Nil	Nil	Nil
Equity compensation plans not approved by securityholders	17,079,733 <sup>(1)(2)</sup>	CA\$0.66	8,050,172
<b>TOTAL</b>	17,079,733	CA\$0.66	8,050,172

**NOTES:**

(1) The Plan, which was adopted by the directors of the Corporation in connection with the RTO, has not yet been approved by securityholders.

(2) All options to purchase securities of Dixie Brands, Inc. were exchanged for options of the Corporation on completion of the RTO. Each option to purchase one share of Dixie Brands, Inc. thereafter entitled the holder to purchase 10.535 SVS each at 1/10.535 the previous exercise price.

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No current or former directors, employees or executive officers of the Corporation or any associate of any such persons were indebted to the Corporation as at December 31, 2018.

None of the current or former directors, employees or executive officers of the Corporation and none of the associates of such persons is or has been indebted to the Corporation or any subsidiary thereof at any time since the beginning of the Corporation's most recently completed fiscal year. Furthermore, none of such persons were indebted to a third party during such period where their indebtedness was the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or a subsidiary thereof.

### **AUDITED FINANCIAL STATEMENTS**

The financial statements of the Corporation for the fiscal year ended December 31, 2018, together with the auditor's report thereon, will be submitted to the Meeting. Receipt at the Meeting of the financial statements and auditor's report will not constitute approval or disapproval of any matters referred to therein.

### **TRANSFER AGENT AND REGISTRAR**

The Corporation's transfer agent and registrar is National Securities Administrators Ltd., 760 – 777 Hornby Street, Vancouver, B.C. V6Z 1S4.

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

Management of the Corporation is not aware of any material interest of any director or executive officer or any associate or affiliate of any of the foregoing in any matter to be acted on at the Meeting other than the election of directors.

### **OTHER MATTERS WHICH MAY COME BEFORE THE MEETING**

The management knows of no matters to come before the Meeting other than as set forth in this Information Circular. **HOWEVER, IF OTHER MATTERS WHICH ARE NOT KNOWN TO THE MANAGEMENT SHOULD PROPERLY COME BEFORE THE MEETING, THE ENCLOSED FORMS OF PROXY WILL BE USED TO VOTE ON SUCH MATTERS IN ACCORDANCE WITH THE BEST JUDGMENT OF THE PERSONS VOTING THE PROXY.**

### **ADDITIONAL INFORMATION**

No management functions of the Corporation are performed by a person or company other than the directors or executive officers of the Corporation.

### **ADDITIONAL FINANCIAL INFORMATION**

Additional financial information concerning the Corporation, including the Corporation's audited financial statements, the notes thereto, the auditor's report thereon and related management's discussion and analysis for the year ended December 31, 2018, can be found on the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

**APPROVAL OF BOARD**

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Corporation.

The foregoing constitutes full, true and plain disclosure of all material facts relating to the particular matters to be acted upon by the shareholders of the Corporation. The foregoing contains no untrue statement of a material fact and does not omit to state a material fact that is required to be stated or that is necessary to make a statement not misleading in the light of the circumstances in which it is made.

DATED as of the 17<sup>th</sup> day of May, 2019.

*"Charles Smith"*

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Charles Smith  
Chief Executive Officer  
Dixie Brands Inc.

**SCHEDULE "A"**

**DIXIE BRANDS INC.  
2019 LONG-TERM INCENTIVE PLAN**

**EFFECTIVE JANUARY 1, 2019**

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**DIXIE BRANDS INC.  
2019 LONG-TERM INCENTIVE PLAN**

1. **HISTORY; EFFECTIVE DATE.**

Dixie Brands Inc., a company formed under the laws of the Province of Ontario ("**Dixie**"), has established the Dixie Brands Inc. 2019 Long-Term Incentive Plan, as set forth herein, and as the same may be amended from time to time (the "**Plan**"). The Plan was adopted by the Board of Directors of Dixie (the "**Board**") on and is effective as of January 1 2019 (the "**Effective Date**").

2. **PURPOSE.**

The purpose of the Plan is to assist the Company (as defined below) and its Affiliates (as defined below) in attracting and retaining individuals to serve as directors, employees, consultants or advisors of the Company who are expected to contribute to the Company's success and to achieve long-term objectives that will inure to the benefit of all shareholders of the Company through the additional incentives inherent in the Awards (as defined below) hereunder. Toward these objectives, the Administrator (as defined below) may grant Awards to Eligible Individuals (as defined below) on the terms and subject to the conditions set forth in the Plan.

3. **DEFINITIONS.**

Except as otherwise specifically provided in an Award Agreement, capitalized words and phrases used in the Plan or an Award Agreement shall have the following meanings:

"**Administrator**" means the Compensation Committee, or such other committee(s) or officer(s) duly appointed by the Board or the Compensation Committee to administer the Plan or delegated limited authority to perform administrative actions under the Plan, and having such powers as shall be specified by the Board or the Compensation Committee; provided, however, that at any time the Board may serve as the Administrator in lieu of or in addition to the Compensation Committee or such other committee(s) or officer(s) to whom administrative authority has been delegated. With respect to any Award to which Section 16 of the Exchange Act applies, the Administrator shall consist of either the Board or a committee of the Board, which committee shall consist of two or more directors, each of whom is intended to be, to the extent required by Rule 16b-3 of the Exchange Act, a "non-employee director" as defined in Rule 16b-3 of the Exchange Act and an "independent director" to the extent required by the rules of the national securities exchange that is the principal trading market for the Common Shares; provided, that with respect to Awards made to a member of the Board who is not an employee of the Company, "Administrator" means the Board. Any member of the Administrator who does not meet the foregoing requirements shall abstain from any decision regarding an Award and shall not be considered a member of the Administrator to the extent required to comply with Rule 16b-3 of the Exchange Act.

"**Affiliate**" means any entity, whether now or hereafter existing, which controls, is controlled by, or is under common control with, Dixie or any successor to Dixie. For this purpose, "control" (including the correlative meanings of the terms "controlled by" and "under common control with") shall mean ownership, directly or indirectly, of more than 50% of the total combined

voting power of all classes of voting securities issued by such entity, or the possession, directly or indirectly, of the power to direct the management and policies of such entity, by contract or otherwise.

"**Award**" means any stock option, stock appreciation right, Common Share, Stock Award, Restricted Stock Unit, Performance Share, Performance Unit, and/or Other Stock-Based Award, granted under this Plan.

"**Award Agreement**" means the written document(s), including an electronic writing acceptable to the Administrator, and any notice, addendum or supplement thereto, memorializing the terms and conditions of an Award granted pursuant to the Plan and which shall incorporate the terms of the Plan.

"**Board**" has the meaning set forth in Section 1 of the Plan.

"**Business Day**" means a day, other than a Saturday, Sunday or statutory holiday, when banks are generally open in the City of Toronto.

"**Change in Control**" means the first of the following to occur: (i) a Change in Ownership of Dixie, (ii) a Change in Effective Control of Dixie, or (iii) a Change in the Ownership of Assets of Dixie, as described herein and construed in accordance with Code section 409A.

- (a) A "Change in Ownership of Dixie" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire, ownership of the capital stock of Dixie that, together with the stock held by such Person or Group, constitutes more than 50% of the total fair market value or total voting power of the capital stock of Dixie. However, if any one Person is, or Persons Acting as a Group are, considered to own more than 50%, on a fully diluted basis, of the total fair market value or total voting power of the capital stock of Dixie, the acquisition of additional stock by the same Person or Persons Acting as a Group is not considered to cause a Change in Ownership of Dixie or to cause a Change in Effective Control of Dixie (as described below). An increase in the percentage of capital stock owned by any one Person, or Persons Acting as a Group, as a result of a transaction in which Dixie acquires its stock in exchange for property will be treated as an acquisition of stock.
- (b) A "Change in Effective Control of Dixie" shall occur on the date either (A) a majority of members of Dixie's Board is replaced during any 12-month period by directors whose appointment or election is not endorsed by a majority of the members of Dixie's Board before the date of the appointment or election, or (B) any one Person, or Persons Acting as a Group, acquires (or has acquired during the 12-month period ending on the date of the most recent acquisition by such Person or Persons) ownership of stock of Dixie possessing 50% or more of the total voting power of the stock of Dixie.
- (c) A "Change in the Ownership of Assets of Dixie" shall occur on the date that any one Person acquires, or Persons Acting as a Group acquire (or has or have acquired during the 12-month period ending on the date of the most recent acquisition by



such Person or Persons), assets from Dixie that have a total gross fair market value equal to or more than 50% of the total gross fair market value of all of the assets of Dixie immediately before such acquisition or acquisitions. For this purpose, gross fair market value means the value of the assets of Dixie, or the value of the assets being disposed of, determined without regard to any liabilities associated with such assets.

The following rules of construction apply in interpreting the definition of Change in Control:

- (i) A "Person" means any individual, entity or group within the meaning of Section 13(d)(3) or 14(d)(2) of the Exchange Act, other than employee benefit plans sponsored or maintained by Dixie and by entities controlled by Dixie or an underwriter, initial purchaser or placement agent temporarily holding the capital stock of Dixie pursuant to a registered public offering.
- (ii) Persons will be considered to be Persons Acting as a Group (or Group) if they are owners of a corporation that enters into a merger, consolidation, purchase or acquisition of stock, or similar business transaction with the corporation. If a Person owns stock in both corporations that enter into a merger, consolidation, purchase or acquisition of stock, or similar transaction, such shareholder is considered to be acting as a Group with other shareholders only with respect to the ownership in that corporation before the transaction giving rise to the change and not with respect to the ownership interest in the other corporation. Persons will not be considered to be acting as a Group solely because they purchase assets of the same corporation at the same time or purchase or own stock of the same corporation at the same time, or as a result of the same public offering.
- (iii) A Change in Control shall not include a transfer to a related person as described in Code section 409A or a public offering of capital stock of Dixie.
- (iv) For purposes of the definition of Change in Control, Section 318(a) of the Code applies to determine stock ownership. Stock underlying a vested option is considered owned by the individual who holds the vested option (and the stock underlying an unvested option is not considered owned by the individual who holds the unvested option). For purposes of the preceding sentence, however, if a vested option is exercisable for stock that is not substantially vested (as defined by Treasury Regulation §1.83-3(b) and (j)), the stock underlying the option is not treated as owned by the individual who holds the option.

**"Code"** means the Internal Revenue Code of 1986, as amended from time to time, and any successor thereto, the Treasury Regulations thereunder and other relevant interpretive guidance issued by the Internal Revenue Service or the Treasury Department. Reference to any specific

section of the Code shall be deemed to include such regulations and guidance, as well as any successor section, regulations and guidance.

"**Common Shares**" means subordinate voting shares in the capital of Dixie, without par value, and any capital securities into which they are converted.

"**Company**" means Dixie and its Subsidiaries, except where the context otherwise requires. For the avoidance of doubt, for purposes of determining whether a Change in Control has occurred, Company shall mean only Dixie.

"**Compensation Committee**" means the Compensation Committee of the Board.

"**Dividend Equivalent**" means a right, granted to a Participant, to receive cash, Common Shares, stock Units or other property equal in value to dividends paid with respect to a specified number of Common Shares.

"**Dixie**" has the meaning set forth in Section 1 of the Plan.

"**Effective Date**" has the meaning set forth in Section 1 of the Plan.

"**Eligible Individuals**" means (i) officers and employees of Dixie or any of its Subsidiaries, (ii) members of the Board, and (iii) other individuals, including non-employee directors and consultants, who are natural persons providing bona fide services to or for, Dixie or any of its Subsidiaries, provided that such services are not in connection with the offer or sale of securities in a capital-raising transaction and do not directly or indirectly promote or maintain a market for Dixie's securities.

"**Exchange**" means the Canadian Stock Exchange or any such exchange in Canada or the United States on which Common Shares are listed and posted for trading.

"**Exchange Act**" means the Securities Exchange Act of 1934, as amended from time to time, and any successor thereto. Reference to any specific section of the Exchange Act shall be deemed to include such regulations and guidance issued thereunder, as well as any successor section, regulations and guidance.

"**Fair Market Value**" means, on a per Common Share basis as of any date, unless otherwise determined by the Administrator:

- (a) if the principal market for the Common Shares (as determined by the Administrator if the Common Shares are listed or admitted to trading on more than one exchange or market) is a national securities exchange or an established securities market, the official closing price per Common Share for the regular market session on that date on the principal exchange or market on which the Common Shares are then listed or admitted to trading or, if no sale is reported for that date, on the last preceding day on which a sale was reported, all as reported by such source as the Administrator may select;

- (b) if the principal market for the Common Shares is not a national securities exchange or an established securities market, but the Common Shares are quoted by a national quotation system, the average of the highest bid and lowest asked prices for the Common Shares on that date as reported on a national quotation system or, if no prices are reported for that date, on the last preceding day on which prices were reported, all as reported by such source as the Administrator may select; or
- (c) if the Common Shares are neither listed or admitted to trading on a national securities exchange or an established securities market, nor quoted by a national quotation system, the value determined by the Administrator in good faith by the reasonable application of a reasonable valuation method, which method may, but need not, include taking into account an appraisal of the fair market value of the Common Shares conducted by a nationally recognized appraisal firm selected by the Administrator.

Notwithstanding the preceding, for foreign, federal, state and local income tax reporting purposes and for such other purposes as the Administrator deems appropriate, the Fair Market Value shall be determined by the Administrator in accordance with uniform and non-discriminatory standards adopted by it from time to time.

**"Full Value Award"** means an Award that results in Dixie transferring the full value of a Common Share under the Award, whether or not an actual Common Share is issued. Full Value Awards shall include, but are not limited to, Stock Awards, stock units, Performance Shares, Performance Units that are payable in Common Shares, and Other Stock-Based Awards for which Dixie transfers the full value of a Common Share under the Award, but shall not include Dividend Equivalents.

**"Incentive Stock Option"** means any stock option that is designated, in the applicable Award Agreement or the resolutions of the Administrator under which the stock option is granted, as an "incentive stock option" within the meaning of Section 422 of the Code and otherwise meets the requirements to be an "incentive stock option" set forth in Section 422 of the Code.

**"Non-qualified Option"** means any stock option that is not an Incentive Stock Option.

**"Other Stock-Based Award"** means an Award of Common Shares or any other Award that is valued in whole or in part by reference to, or is otherwise based upon, Common Shares, including without limitation, Dividend Equivalents.

**"Participant"** means an Eligible Individual to whom one or more Awards are or have been granted pursuant to the Plan and have not been fully settled or cancelled and, following the death of any such person, his successors, heirs, executors and administrators, as the case may be.

**"Performance Award"** means an Award, the grant, vesting, lapse of restrictions or settlement of which is conditioned upon the achievement of Performance Objectives over a specified Performance Period and includes, without limitation, Performance Shares and Performance Units.

**"Performance Metrics"** means criteria established by the Administrator relating to any of the following, as it may apply to an individual, one or more business units, divisions, or Affiliates, or on a company-wide basis, and in absolute terms, relative to a base period, or relative to the performance of one or more comparable companies, peer groups, or an index covering multiple companies:

- (a) Earnings or Profitability Metrics: any derivative of revenue; earnings/loss (gross, operating, net, or adjusted); earnings/loss before interest and taxes ("EBIT"); earnings/loss before interest, taxes, depreciation and amortization ("EBITDA"); profit margins; operating margins; expense levels or ratios; provided that any of the foregoing metrics may be adjusted to eliminate the effect of any one or more of the following: interest expense, asset impairments or investment losses, early extinguishment of debt or stock-based compensation expense;
- (b) Return Metrics: any derivative of return on investment, assets, equity or capital (total or invested);
- (c) Investment Metrics: relative risk-adjusted investment performance; investment performance of assets under management;
- (d) Cash Flow Metrics: any derivative of operating cash flow; cash flow sufficient to achieve financial ratios or a specified cash balance; free cash flow; cash flow return on capital; net cash provided by operating activities; cash flow per Common Share; working capital;
- (e) Liquidity Metrics: any derivative of debt leverage (including debt to capital, net debt-to-capital, debt-to-EBITDA or other liquidity ratios);
- (f) Stock Price and Equity Metrics: any derivative of return on shareholders' equity; total shareholder return; stock price; stock price appreciation; market capitalization; earnings/loss per Common Share (basic or diluted) (before or after taxes);
- (g) Strategic Metrics: product research and development; completion of an identified special project; clinical trials; regulatory filings or approvals; patent application or issuance; manufacturing or process development; sales or net sales; market share; market penetration; economic value added; customer service; customer satisfaction; inventory control; balance of cash, cash equivalents and marketable securities; growth in assets; key hires; employee satisfaction; employee retention; business expansion; acquisitions, divestitures, joint ventures or financing; legal compliance or safety and risk reduction;
- (h) Any personal performance objective as determined by the Administrator; and/or
- (i) Any other business or economic criteria determined in advance and in writing by the Administrator.

**"Performance Objective"** means those objectives established by the Administrator based on Performance Metrics or other performance criteria selected by the Administrator.

**"Performance Period"** means that period established by the Administrator during which any Performance Objective specified by the Administrator with respect to such Award are to be measured.

**"Performance Shares"** means a grant of stock or stock Units the issuance, vesting or payment of which is contingent on performance as measured against Performance Objectives over a specified Performance Period.

**"Performance Units"** means a grant of Canadian dollar-denominated Units the value, vesting or payment of which is contingent on performance against Performance Objectives over a specified Performance Period.

**"Plan"** has the meaning set forth in Section 1 hereof.

**"Restricted Stock"** means an Award of Common Shares to a Participant that may be subject to certain transferability and other restrictions and to a risk of forfeiture (including by reason of not satisfying any applicable Performance Objective).

**"Restricted Stock Unit"** means a right granted to a Participant to receive Common Shares or cash at the end of a specified deferral period, which right may be conditioned on the satisfaction of certain requirements (including the satisfaction of applicable Performance Objectives).

**"Restriction Period"** means, with respect to Full Value Awards, the period commencing on the date of grant of such Award to which vesting or transferability and other restrictions and a risk of forfeiture apply and ending upon the expiration of the applicable vesting conditions, transferability and other restrictions and lapse of risk of forfeiture and/or the achievement of the applicable Performance Objective (it being understood that the Administrator may provide that vesting shall occur and/or restrictions shall lapse with respect to portions of the applicable Award during the Restriction Period in accordance with Section 7(b)).

**"Subsidiary"** means any corporation or other entity in an unbroken chain of corporations or other entities beginning with Dixie if each of the corporations or other entities, or group of commonly controlled corporations or other entities, other than the last corporation or other entity in the unbroken chain then owns stock or other equity interests possessing more than 50% of the total combined voting power of all classes of stock or other equity interests in one of the other corporations or other entities in such chain; provided, however, that solely for purposes of determining whether a Participant has a Termination of Service that is a "separation from service" within the meaning of Section 409A of the Code or whether an Eligible Individual is eligible to be granted an Award that in the hands of such Eligible Individual would constitute a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, a "Subsidiary" of a corporation or other entity means all other entities with which such corporation or other entity would be considered a single employer under Sections 414(b) or 414(c) of the Code.

**"Tax Withholding Obligation"** means any federal, state, provincial, local or foreign (non-United States) income, employment or other tax or social insurance contribution required by applicable law to be withheld in respect of Awards.

**"Termination of Service"** means the termination of the Participant's employment or consultancy with, or performance of services for, Dixie and its Subsidiaries. Temporary absences from employment because of illness, vacation or leave of absence and transfers among Dixie and its Subsidiaries shall not be considered Terminations of Service. With respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, **"Termination of Service"** shall mean a **"separation from service"** as defined under Section 409A of the Code to the extent required by Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code. A Participant will generally be treated as having terminated employment with Dixie and all Subsidiaries as of a certain date if the Participant and the entity that employs the Participant reasonably anticipate that the Participant will perform no further services for Dixie or any Subsidiary after such date or that the level of bona fide services that the Participant will perform after such date (whether as an employee or an independent contractor) will permanently decrease to no more than 20 percent (20%) of the average level of bona fide services performed (whether as an employee or an independent contractor) over the immediately preceding 36-month period (or the full period of services if the Participant has been providing services for fewer than 36 months); provided, however, that the employment relationship is treated as continuing while the Participant is on military leave, sick leave or other bona fide leave of absence if the period of leave does not exceed six (6) months or, if longer, so long as the Participant retains the right to reemployment with Dixie or any Subsidiary.

**"Total and Permanent Disability"** means, with respect to a Participant, except as otherwise provided in the relevant Award Agreement, that a Participant is (i) unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death, or (ii) determined to be totally disabled by the Social Security Administration or other governmental or quasi-governmental body that administers a comparable social insurance program outside of the United States in which the Participant participates and which conditions the right to receive benefits under such program on the Participant being unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to last until the Participant's death or result in death. The Administrator shall have sole authority to determine whether a Participant has suffered a Total and Permanent Disability and may require such medical or other evidence as it deems necessary to judge the nature and permanency of the Participant's condition.

**"Unit"** means a bookkeeping entry used by Dixie to record and account for the grant of the following types of Awards until such time as the Award is paid, cancelled, forfeited or terminated, as the case may be: deferred Common Shares, Restricted Stock Units, Performance Units, and Performance Shares that are expressed in terms of units of Common Shares.

4. **ADMINISTRATION.**

- (a) Administration of the Plan. The Plan shall be administered by the Administrator.

- (b) Powers of the Administrator. The Administrator shall, except as otherwise provided under the Plan, have full authority, in its sole and absolute discretion, to grant Awards pursuant to the terms of the Plan to Eligible Individuals and to take all other actions necessary or desirable to carry out the purpose and intent of the Plan. Among other things, the Administrator shall have the authority, in its sole and absolute discretion, subject to the terms and conditions of the Plan to:
- (i) determine the Eligible Individuals to whom, and the time or times at which, Awards shall be granted;
  - (ii) determine the types of Awards to be granted any Eligible Individual;
  - (iii) determine the number of Common Shares to be covered by or used for reference purposes for each Award or the value to be transferred pursuant to any Award;
  - (iv) determine the terms, conditions and restrictions applicable to each Award (which need not be identical) and any Common Shares acquired pursuant thereto, including, without limitation, (A) the purchase price of any Common Shares, (B) the method of payment for Common Shares purchased pursuant to any Award, (C) the method for satisfying any tax withholding obligation arising in connection with any Award, including by the withholding or delivery of Common Shares, (D) subject to Section 5(e) and 7(b), the timing, terms and conditions of the exercisability, vesting or payout of any Award or any Common Shares acquired pursuant thereto, (E) the Performance Objective applicable to any Award and the extent to which such Performance Objective has been attained, (F) the time of the expiration of any Award, (G) the effect of the Participant's Termination of Service on any of the foregoing, and (H) all other terms, conditions and restrictions applicable to any Award or Common Shares acquired pursuant thereto as the Administrator shall consider to be appropriate and not inconsistent with the terms of the Plan;
  - (v) subject to Sections 7(f), 10(c) and 15, modify, amend or adjust the terms and conditions of any Award;
  - (vi) subject to Section 7(b), accelerate or otherwise change the time at or during which an Award may be exercised or become payable and waive or accelerate the lapse, in whole or in part, of any restriction, condition or risk of forfeiture with respect to such Award; provided, however, that, except in connection with death, disability or a Change in Control, no such change, waiver or acceleration shall be made to any Award that is considered "deferred compensation" within the meaning of Section 409A of the Code if the effect of such action is inconsistent with Section 409A of the Code;
  - (vii) determine whether an Award will be paid or settled in cash, Common Shares, or in any combination thereof and whether, to what extent and

under what circumstances cash or Common Shares payable with respect to an Award shall be deferred either automatically or at the election of the Participant, provided that such determination shall be reflected in the terms of the applicable Award Agreement;

- (viii) for any purpose, including but not limited to, qualifying for preferred or beneficial tax treatment, accommodating the customs or administrative challenges or otherwise complying with the tax, accounting or regulatory requirements of one or more jurisdictions, adopt, amend, modify, administer or terminate sub-plans, appendices, special provisions or supplements applicable to Awards regulated by the laws of a particular jurisdiction, which sub-plans, appendices, supplements and special provisions may take precedence over other provisions of the Plan, and prescribe, amend and/or rescind rules and regulations relating to such sub-plans, supplements and/or special provisions;
  - (ix) establish any "blackout" period, during which transactions affecting Awards may not be effected, that the Administrator in its sole discretion deems necessary or advisable;
  - (x) determine the Fair Market Value of Common Shares or other property for any purpose under the Plan or any Award;
  - (xi) administer, construe and interpret the Plan, Award Agreements and all other documents relevant to the Plan and Awards issued thereunder, and decide all other matters to be determined in connection with an Award;
  - (xii) establish, amend, rescind and interpret such administrative rules, regulations, agreements, guidelines, instruments and practices for the administration of the Plan and for the conduct of its business as the Administrator deems necessary or advisable;
  - (xiii) correct any defect, supply any omission or reconcile any inconsistency in the Plan or in any Award or Award Agreement in the manner and to the extent the Administrator shall consider it desirable to carry it into effect;
  - (xiv) specify that vesting conditions in respect of Awards shall not extend beyond applicable limitations such that the Award complies at all times with the exception in paragraph (k) of the definition of "salary deferral arrangement" in subsection 248(1) of the Income Tax Act (Canada) or comparable legislation of any jurisdiction; and
  - (xv) otherwise administer the Plan and all Awards granted under the Plan.
- (c) Delegation of Administrative Authority. The Administrator may designate officers or employees of the Company to assist the Administrator in the administration of the Plan and, to the extent permitted by applicable law and stock exchange rules, the Administrator may delegate to officers or other employees of the Company any



of the Administrator's duties and powers under the Plan, subject to such conditions and limitations as the Administrator shall prescribe, including without limitation the authority to execute agreements or other documents on behalf of the Administrator; provided, however, that such delegation of authority shall not extend to the granting of, or exercise of discretion with respect to, Awards to Eligible Individuals who are officers under Section 16 of the Exchange Act.

- (d) **Non-Uniform Determinations.** The Administrator's determinations under the Plan (including without limitation, determinations of the persons to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the Award Agreements evidencing such Awards, and the ramifications of a Change in Control upon outstanding Awards) need not be uniform and may be made by the Administrator selectively among Awards or persons who receive, or are eligible to receive, Awards under the Plan, whether or not such persons are similarly situated.
- (e) **Limited Liability; Advisors.** To the maximum extent permitted by law, no member of the Administrator shall be liable for any action taken or decision made in good faith relating to the Plan or any Award thereunder. The Administrator may employ counsel, consultants, accountants, appraisers, brokers or other persons. The Administrator, Dixie, and the officers and directors of Dixie shall be entitled to rely upon the advice, opinions or valuations of any such persons.
- (f) **Indemnification.** To the maximum extent permitted by law, by Dixie's Notice and Articles of Incorporation, and by any directors' and officers' liability insurance coverage which may be in effect from time to time, the members of the Administrator and any agent or delegate of the Administrator who is a director, officer or employee of the Company or an Affiliate shall be indemnified by Dixie against any and all liabilities and expenses to which they may be subjected by reason of any act or failure to act with respect to their duties on behalf of the Plan.
- (g) **Effect of Administrator's Decision.** All actions taken and determinations made by the Administrator on all matters relating to the Plan or any Award pursuant to the powers vested in it hereunder shall be in the Administrator's sole and absolute discretion, unless in contravention of any express term of the Plan, including, without limitation, any determination involving the appropriateness or equitableness of any action. All determinations made by the Administrator shall be conclusive, final and binding on all parties concerned, including Dixie, its shareholders, any Participants and any other employee, consultant, or director of Dixie and its Subsidiaries, and their respective successors in interest. No member of the Administrator, nor any director, officer, employee or representative of Dixie shall be personally liable for any action, determination or interpretation made in good faith with respect to the Plan or Awards.

5. **SHARES.**

- (a) **Number of Common Shares Available for Awards.** Subject to adjustment as provided in Section 5(b), the number of Common Shares issuable pursuant to

Awards that may be granted under the Plan shall be determined by the Administrator from time to time, but in no case shall exceed, in the aggregate, 20% of the number of Common Shares then outstanding (the "Share Pool"). Subject to applicable law, the requirements of the Exchange and any shareholder or other approval which may be required, the Administrator may in its discretion amend the Plan to increase such limit without notice to any Participants.

- (b) Adjustments. On and after the Effective Date, the Share Pool shall be adjusted, in addition to any adjustments to be made pursuant to Section 10 of the Plan, as follows:
- (i) The Share Pool shall be reduced, on the date of grant, by one Common Share for each stock option or stock appreciation right granted under the Plan and by one Common Share for each other Award (other than cash denominated Units) granted under the Plan; provided that Awards that are valued by reference to Common Shares but are required to be paid in cash pursuant to their terms shall not reduce the Share Pool, and further provided that, Awards denominated in cash that are paid in Common Shares shall cause the Share Pool to be reduced by one Common Share for each Common Share issued as of the date of such issuance;
  - (ii) If and to the extent options or stock appreciation rights originating from the Share Pool terminate, expire, or are canceled, forfeited, exchanged, or surrendered without having been exercised, or if any other Awards are forfeited, the Common Shares subject to such Awards shall again be available for Awards under the Share Pool, and shall increase the Share Pool by one Common Share for each stock option or stock appreciation right and one Common Share for each other Award issued in connection with such Award or by which the Award is valued by reference;
  - (iii) Notwithstanding the foregoing, the following Common Shares shall not become available for issuance under the Plan: (A) Common Shares tendered by Participants, or withheld by the Company, as full or partial payment to the Company upon the exercise of stock options granted under the Plan, until such Shares are cancelled; (B) Common Shares reserved for issuance upon the grant of stock appreciation rights, to the extent the number of reserved Common Shares exceeds the number of Common Shares actually issued upon the exercise of the stock appreciation rights; and (C) Common Shares withheld by, or otherwise remitted to, the Company to satisfy a Participant's tax withholding obligations upon the lapse of restrictions on Stock Awards or the exercise of stock options or stock appreciation rights granted under the Plan, until such Shares are cancelled.
  - (iv) Awards granted pursuant to Section 12, subject to the provisions thereof, shall not reduce the Share Pool.

- (c) Incentive Stock Option Limit. Subject to adjustment pursuant to Section 10 of the Plan, the maximum number of Common Shares that may be issued pursuant to stock options granted under the Plan that are intended to qualify as Incentive Stock Options within the meaning of Section 422 of the Code shall be equal to but in no case shall exceed, in the aggregate, 20% of the number of Common Shares then outstanding.
- (d) Source of Shares. The Common Shares with respect to which Awards may be made under the Plan shall be Common Shares authorized by Dixie for issuance but unissued, or issued and reacquired, including without limitation Common Shares purchased in the open market or in private transactions.
- (e) Stock Exchange Limits.
  - (i) The number of Common Shares subject to Awards granted to any one Participant shall be determined by the Board, but no one Participant shall be granted Awards which exceed, in aggregate, the maximum number permitted by the Exchange, if applicable.
  - (ii) Subject to the aggregate limit and adjustment provisions in Section 5 of this Plan, the aggregate number of Common Shares that may be issued pursuant to the exercise of Awards under the Plan and all other security-based compensation arrangements of the Company are subject to the following additional limitations:
    - A. in the aggregate, no more than 10% of the issued and outstanding Common Shares (on a non-diluted basis) may be reserved at any time for insiders (as defined in the Securities Act (Ontario) and includes an associate and affiliate, as defined in the Securities Act (Ontario) ("**Insider(s)**") under the Plan, together with all other security based compensation arrangements of the Company; and
    - B. the number of securities of the Company issued to Insiders, within any one (1) year period, under all security based compensation arrangements, cannot exceed 10% of the issued and outstanding Common Shares.

## 6. PARTICIPATION.

Participation in the Plan shall be open to all Eligible Individuals, as may be selected by the Administrator from time to time.

## 7. AWARDS.

- (a) Awards, In General. The Administrator, in its sole discretion, shall establish the terms of all Awards granted under the Plan consistent with the terms of the Plan. Awards may be granted individually or in tandem with other types of Awards, concurrently with or with respect to outstanding Awards. All Awards are subject

to the terms and conditions of the Plan and as provided in the Award Agreement, which shall be delivered to the Participant receiving such Award upon, or as promptly as is reasonably practicable following, the grant of such Award. Unless otherwise specified by the Administrator, in its sole discretion, or otherwise provided in the Award Agreement, an Award shall not be effective unless the Award Agreement is signed or otherwise accepted by Dixie and the Participant receiving the Award (including by electronic delivery and/or electronic signature). Unless the Administrator determines otherwise, any failure by the Participant to sign and return the Award Agreement within such period of time following the granting of the Award as the Administrator shall prescribe shall cause such Award to the Participant to be null and void. The Administrator may direct that any stock certificate evidencing Common Shares issued pursuant to the Plan shall bear a legend setting forth such restrictions on transferability as may apply to such Common Shares pursuant to the Plan.

- (b) **Minimum Restriction Period.** Except as provided below, each Award granted under the Plan shall be subject to a minimum Restriction Period of 12 months from the date of grant. Except as provided below, the Administrator shall not have discretionary authority to waive the minimum Restriction Period applicable to an Award, except in the case of death, disability, retirement, termination of employment subject to a release of claims, or a Change in Control. Notwithstanding the foregoing, the provisions of this Section 7(b) shall not apply and/or may be waived by the Administrator with respect to (A) up to the number of Full Value Awards that is equal to 10% of the aggregate Share Pool as of the Effective Date, (B) an Award that is granted in lieu of cash compensation foregone at the election of an Eligible Individual, (C) Substitute Awards, which in each case of (A) through (C) may have no Restriction Period or a Restriction Period which lapses in full prior to a Participant's completion of less than one (1) year of service following the grant date. Notwithstanding the foregoing, Awards to a member of the Board who is not a Company employee that are granted on or about the annual stockholders' meeting may vest at the next annual stockholders' meeting even if such period between the two meetings is less than one (1) year.
- (c) **Stock Options.**
  - (i) **Grants.** A stock option means a right to purchase a specified number of Common Shares from Dixie at a specified price during a specified period of time. The Administrator may from time to time grant to Eligible Individuals Awards of Incentive Stock Options or Non-qualified Options; provided, however, that Awards of Incentive Stock Options shall be limited to employees of Dixie or of any current or hereafter existing "parent corporation" or "subsidiary corporation," as defined in Sections 424(e) and 424(f) of the Code, respectively, of Dixie, and any other Eligible Individuals who are eligible to receive Incentive Stock Options under the provisions of Section 422 of the Code. No stock option shall be an Incentive Stock Option unless so designated by the Administrator at the time of grant or in the applicable Award Agreement.

- (ii) Exercise. Stock options shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; provided, however, that Awards of stock options may not have a term in excess of ten (10) years' duration (or five years in the case of an Incentive Stock Option granted to a 10% shareholder) unless required otherwise by applicable law. The exercise price per Common Share subject to a stock option granted under the Plan shall not be less than the Fair Market Value of one Common Share on the date of grant of the stock option, except as provided under applicable law (or not less than 110% of the Fair Market Value of one Common Share, in the case of an Incentive Stock Option granted to a 10% shareholder) and, to the extent applicable, consistent with IRS Treas. Regulation Section 1.409A-1(b)(5)(iv)(A) or with respect to stock options that are granted in substitution of similar types of awards of a company acquired by Dixie or a Subsidiary or with which Dixie or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) to preserve the intrinsic value of such awards. Should the expiry date of a stock option fall within a period during which the relevant Participant is prohibited from exercising a Non-qualified Option due to trading restrictions imposed by the Company pursuant to any policy of the Company respecting restrictions on trading that is in effect at that time (a "blackout period") or within nine Business Days following the expiration of a blackout period, such expiry date of the Non-qualified Option shall be automatically extended without any further act or formality to that date which is the tenth (10<sup>th</sup>) Business Day after the end of the blackout period (but not beyond the first to occur of the original term of the option or the 10th anniversary of the original grant date of the option), such tenth (10<sup>th</sup>) Business Day to be considered the expiry date for such Non-qualified Option for all purposes under the Plan. The ten (10) Business Day period referred to in this paragraph may not be extended by the Board.
- (iii) Payment. Payment of the exercise price of a stock option shall be made in cash, provided that, as determined by the Administrator at or after the grant date, payment of the exercise price of a stock option may be made, in whole or in part, in the form of (i) cash or cash equivalents, (ii) delivery (by either actual delivery or attestation) of previously-acquired Common Shares based on the Fair Market Value of the Common Shares on the date the stock option is exercised, (iii) withholding of Common Shares from the stock option based on the Fair Market Value of the Common Shares on the date the stock option is exercised, (iv) broker-assisted market sales, or (v) any other "cashless exercise" arrangement. Notwithstanding the foregoing, the Administrator shall determine the methods by which the exercise price of a stock option may be paid, the form of payment, and the methods by which Common Shares shall be delivered or deemed to be delivered to Participants.

- (iv) Termination of Service. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock options are not vested and exercisable, a Participant's stock options shall be forfeited upon his or her Termination of Service.
  - (v) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock options, provided they are not inconsistent with the Plan.
- (d) Limitation on Reload Options. The Administrator shall not grant stock options under this Plan that contain a reload or replenishment feature pursuant to which a new stock option would be granted automatically upon receipt of delivery of Common Shares to Dixie in payment of the exercise price or any tax withholding obligation under any other stock option.
- (e) Stock Appreciation Rights.
- (i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of stock appreciation rights. A stock appreciation right entitles the Participant to receive, subject to the provisions of the Plan and the Award Agreement, a payment having an aggregate value equal to the product of (i) the excess of (A) the Fair Market Value on the exercise date of one Common Share over (B) the base price per Common Share specified in the Award Agreement, times (ii) the number of Common Shares specified by the stock appreciation right, or portion thereof, which is exercised. The base price per Common Share specified in the Award Agreement shall not be less than the Fair Market Value on the date of grant (or as otherwise determined by the Administrator and, to the extent applicable, consistent with IRS Treas. Regulation Section 1.409A-1(b)(5)(iv)(A)), or with respect to stock appreciation rights that are granted in substitution of similar types of awards of a company acquired by Dixie or a Subsidiary or with which Dixie or a Subsidiary combines (whether in connection with a corporate transaction, such as a merger, combination, consolidation or acquisition of property or stock, or otherwise) such base price as is necessary to preserve the intrinsic value of such awards.
  - (ii) Exercise. Stock appreciation rights shall be exercisable at such time or times and subject to such terms and conditions as shall be determined by the Administrator; provided, however, that stock appreciation rights granted under the Plan may not have a term in excess of ten (10) years' duration unless required otherwise by applicable law. The applicable Award Agreement shall specify whether payment by Dixie of the amount receivable upon any exercise of a stock appreciation right is to be made in cash or Common Shares or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or upon the exercise of the stock appreciation right. If upon the exercise of a stock appreciation right a Participant is to receive a portion of such

payment in Common Shares, the number of Common Shares shall be determined by dividing such portion by the Fair Market Value of a Common Share on the exercise date. No fractional Common Shares shall be used for such payment and the Administrator shall determine whether cash shall be given in lieu of such fractional Common Shares or whether such fractional Common Shares shall be eliminated.

- (iii) Termination of Service. Except as provided in the applicable Award Agreement or otherwise determined by the Administrator, to the extent stock appreciation rights are not vested and exercisable, a Participant's stock appreciation rights shall be forfeited upon his or her Termination of Service.
  - (iv) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock appreciation rights, provided they are not inconsistent with the Plan.
- (f) Repricing. Notwithstanding anything herein to the contrary, except in connection with a corporate transaction involving Dixie (including, without limitation, any stock dividend, stock split, extraordinary cash dividend, recapitalization, reorganization, merger, consolidation, split-up, spin-off, combination, or exchange of Common Shares), the terms of options and stock appreciation rights granted under the Plan may not be amended, after the date of grant, to reduce the exercise price of such options or stock appreciation rights, nor may outstanding options or stock appreciation rights be canceled in exchange for (i) cash, (ii) options or stock appreciation rights with an exercise price or base price that is less than the exercise price or base price of the original outstanding options or stock appreciation rights, or (iii) other Awards, unless such action is approved by Dixie's shareholders.
- (g) Stock Awards.
- (i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Common Shares or Restricted Stock (collectively, "Stock Awards") on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Stock Awards shall be evidenced in such manner as the Administrator may deem appropriate, including via book-entry registration.
  - (ii) Vesting. Restricted Stock shall be subject to such vesting, restrictions on transferability and other restrictions, if any, and/or risk of forfeiture as the Administrator may impose at the date of grant or thereafter. The Restriction Period to which such vesting, restrictions and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of any applicable Performance Objective, in such installments, or otherwise, as the Administrator may determine.

Subject to the provisions of the Plan, the applicable Award Agreement and applicable law, during the Restriction Period, the Participant shall not be permitted to vote sell, assign, transfer, pledge or otherwise encumber Common Shares of Restricted Stock.

- (iii) **Rights of a Shareholder; Dividends.** Except to the extent restricted under the Award Agreement relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a shareholder of Common Shares including, without limitation, the right to vote Restricted Stock upon the expiry of the Restriction Period. Subject to shareholder approval, cash dividends declared payable on Common Shares shall be paid, with respect to outstanding Restricted Stock, as determined by the Administrator, and shall be paid in cash or as unrestricted Common Shares having a Fair Market Value equal to the amount of such dividends or may be reinvested in additional Common Shares of Restricted Stock as determined by the Administrator; provided, however, that dividends declared payable on Restricted Stock that is granted as a Performance Award shall be held by Dixie and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Common Shares of Restricted Stock. Stock distributed in connection with a stock split or stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Shares or other property has been distributed. As soon as is practicable following the date on which restrictions on any Common Shares of Restricted Stock lapse, Dixie shall deliver to the Participant the certificates for such Common Shares or shall cause the Common Shares to be registered in the Participant's name in book-entry form, in either case with the restrictions removed, provided that the Participant shall have complied with all conditions for delivery of such Common Shares contained in the Award Agreement or otherwise reasonably required by Dixie.
- (iv) **Termination of Service.** Except as provided in the applicable Award Agreement, upon Termination of Service during the applicable Restriction Period, Restricted Stock and any accrued but unpaid dividends that are at that time subject to restrictions shall be forfeited; provided that, subject to the limitations set forth in Section 7(b), the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of terminations resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock.
- (v) **Additional Terms and Conditions.** The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Restricted Stock, provided they are not inconsistent with the Plan.



(h) Stock Units.

- (i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards of unrestricted Common Share Units or Restricted Stock Units on such terms and conditions, and for such consideration, including no consideration or such minimum consideration as may be required by law, as the Administrator shall determine, subject to the limitations set forth in Section 7(b). Restricted Stock Units represent a contractual obligation by Dixie to deliver a number of Common Shares, an amount in cash equal to the Fair Market Value of the specified number of Common Shares subject to the Award, or a combination of Common Shares and cash, in accordance with the terms and conditions set forth in the Plan and any applicable Award Agreement.
- (ii) Vesting and Payment. Restricted Stock Units shall be subject to such vesting, risk of forfeiture and/or payment provisions as the Administrator may impose at the date of grant. The Restriction Period to which such vesting and/or risk of forfeiture apply may lapse under such circumstances, including without limitation upon the attainment of any applicable Performance Objective, in such installments, or otherwise, as the Administrator may determine. Common Shares, cash or a combination of Common Shares and cash, as applicable, payable in settlement of Restricted Stock Units shall be delivered to the Participant as soon as administratively practicable, but no later than 30 days, after the date on which payment is due under the terms of the Award Agreement provided that the Participant shall have complied with all conditions for delivery of such Common Shares or payment contained in the Award Agreement or otherwise reasonably required by Dixie, or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.
- (iii) No Rights of a Shareholder; Dividend Equivalents. Until Common Shares are issued to the Participant in settlement of stock Units, the Participant shall not have any rights of a shareholder of Dixie with respect to the stock Units or the Common Shares issuable thereunder. The Administrator may grant to the Participant the right to receive Dividend Equivalents on stock Units, on a current, reinvested and/or restricted basis, subject to such terms as the Administrator may determine provided, however, that Dividend Equivalents payable on stock Units that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such stock Units.
- (iv) Termination of Service. Upon Termination of Service during the applicable deferral period or portion thereof to which forfeiture conditions apply, or upon failure to satisfy any other conditions precedent to the delivery of Common Shares or cash to which such Restricted Stock Units relate, all Restricted Stock Units and any accrued but unpaid Dividend

Equivalents with respect to such Restricted Stock Units that are then subject to deferral or restriction shall be forfeited; provided that, subject to the limitations set forth in Section 7(b), the Administrator may provide, by rule or regulation or in any Award Agreement, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock Units will be waived in whole or in part in the event of termination resulting from specified causes, and the Administrator may in other cases waive in whole or in part the forfeiture of Restricted Stock Units.

- (v) Additional Terms and Conditions. The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of stock Units, provided they are not inconsistent with the Plan.
- (i) Performance Shares and Performance Units.
  - (i) Grants. The Administrator may from time to time grant to Eligible Individuals Awards in the form of Performance Shares and Performance Units. Performance Shares, as that term is used in this Plan, shall refer to Common Shares or Units that are expressed in terms of Common Shares, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against Performance Objectives over a specified Performance Period. Performance Units, as that term is used in this Plan, shall refer to Canadian dollar-denominated Units established by the Administrator, the issuance, vesting, lapse of restrictions on or payment of which is contingent on performance as measured against Performance Objectives over a specified Performance Period. The applicable Award Agreement shall specify whether Performance Shares and Performance Units will be settled or paid in cash or Common Shares or a combination of both, or shall reserve to the Administrator or the Participant the right to make that determination prior to or at the payment or settlement date.
  - (ii) Performance Objectives. The Administrator shall, prior to or at the time of grant, condition the grant, vesting or payment of, or lapse of restrictions on, an Award of Performance Shares or Performance Units upon (A) the attainment of one or more Performance Objectives during a Performance Period or (B) the attainment of Performance Objectives and the continued service of the Participant. The length of the Performance Period, the Performance Objective(s) to be achieved during the Performance Period, and the measure of whether and to what degree such Performance Objective(s) have been attained shall be conclusively determined by the Administrator in the exercise of its absolute discretion. Performance Objectives may include minimum, maximum and target levels of performance, with the size of the Award or payout of Performance Shares or Performance Units or the vesting or lapse of restrictions with respect thereto based on the level attained. An Award of Performance Shares or

Performance Units shall be settled as and when the Award vests or at a later time specified in the Award Agreement or in accordance with an election of the Participant, if the Administrator so permits, that meets the requirements of Section 409A of the Code.

- (iii) **Additional Terms and Conditions.** The Administrator may, by way of the Award Agreement or otherwise, determine such other terms, conditions, restrictions, and/or limitations, if any, of any Award of Performance Shares or Performance Units, provided they are not inconsistent with the Plan.
  
- (j) **Other Stock-Based Awards.** The Administrator may from time to time grant to Eligible Individuals Awards in the form of Other Stock-Based Awards. Other Stock-Based Awards in the form of Dividend Equivalents may be (A) awarded on a free-standing basis or in connection with another Award other than a stock option or stock appreciation right, (B) paid currently or credited to an account for the Participant, including the reinvestment of such credited amounts in Common Shares equivalents, to be paid on a deferred basis, and (C) settled in cash or Common Shares as determined by the Administrator; provided, however, that Dividend Equivalents payable on Other Stock-Based Awards that are granted as a Performance Award shall, rather than be paid on a current basis, be accrued and made subject to forfeiture at least until achievement of the applicable Performance Goal related to such Other Stock-Based Awards. Any such settlements, and any such crediting of Dividend Equivalents, may be subject to such conditions, restrictions and contingencies as the Administrator shall establish.
  
- (k) **Awards to Participants Outside the United States.** The Administrator may grant Awards to Eligible Individuals who are foreign nationals, who are located outside Canada or who are not compensated from a payroll maintained in the United States, or who are otherwise subject to (or could cause Dixie or a Subsidiary to be subject to) tax, legal or regulatory provisions of countries or jurisdictions outside the United States, on such terms and conditions different from those specified in the Plan as may, in the judgment of the Administrator, be necessary or desirable in order that any such Award shall conform to laws, regulations, and customs of the country or jurisdiction in which the Participant is then resident or primarily employed or to foster and promote achievement of the purposes of the Plan.
  
- (l) **Limitation on Dividend Reinvestment and Dividend Equivalents.** Reinvestment of dividends in additional Restricted Stock at the time of any dividend payment, and the payment of Common Shares with respect to dividends to Participants holding Awards of stock Units, shall only be permissible if sufficient Common Shares are available under the Share Pool for such reinvestment or payment (taking into account then outstanding Awards). In the event that sufficient Common Shares are not available under the Share Pool for such reinvestment or payment, such reinvestment or payment shall be made in the form of a grant of stock Units equal in number to the Common Shares that would have been obtained by such payment or reinvestment, the terms of which stock Units shall provide for settlement in cash

and for Dividend Equivalent reinvestment in further stock Units on the terms contemplated by this Section 7(l).

8. **WITHHOLDING OF TAXES.**

Participants and holders of Awards shall pay to Dixie or its Subsidiary, or make arrangements satisfactory to the Administrator for payment of, any Tax Withholding Obligation in respect of Awards granted under the Plan no later than the date of the event creating the tax or social insurance contribution liability. The obligations of Dixie under the Plan shall be conditional on such payment or arrangements. Unless otherwise determined by the Administrator, and subject always to applicable law, Tax Withholding Obligations may be settled at the sole discretion of the Administrator in whole or in part through the sale by Dixie on behalf of the participant of such number of Common Shares underlying any particular Award, including unrestricted outstanding Common Shares surrendered to Dixie and unrestricted Common Shares that are part of the Award that gives rise to the Tax Withholding Obligation, having a Fair Market Value on the date of surrender or withholding equal to the statutory minimum amount (or such greater amount permitted under FASB Accounting Standards Codification Topic 718, Compensation — Stock Compensation, for equity-classified awards or any successor guidance) required to be withheld for tax or social insurance contribution purposes, all in accordance with such procedures as the Administrator establishes. Dixie or its Subsidiary may deduct, to the extent permitted by law, any such Tax Withholding Obligations from any payment of any kind otherwise due to the Participant or holder of an Award.

9. **TRANSFERABILITY OF AWARDS.**

- (a) Requirement for Administrator Permission. Except as otherwise determined by the Administrator, and in any event in the case of an Incentive Stock Option or a tandem stock appreciation right granted with respect to an Incentive Stock Option, no Award granted under the Plan shall be transferable by a Participant otherwise than by will or the laws of descent and distribution. The Administrator shall not permit any transfer of an Award for value except to the Company or in connection with a Change in Control. An Award may be exercised during the lifetime of the Participant, only by the Participant or, during the period the Participant is under a legal disability, by the Participant's guardian or legal representative, unless otherwise determined by the Administrator. Awards granted under the Plan shall not be subject in any manner to alienation, anticipation, sale, transfer, assignment, pledge, or encumbrance, except as otherwise determined by the Administrator; provided, however, that the restrictions in this sentence shall not apply to the Common Shares received in connection with an Award after the date that the restrictions on transferability of such Common Shares set forth in the applicable Award Agreement have lapsed. Nothing in this paragraph shall be interpreted or construed as overriding the terms of any Dixie stock ownership or retention policy, now or hereafter existing, that may apply to the Participant or Common Shares received under an Award.
- (b) Administrator Discretion to Permit Transfers Other Than For Value. Except as otherwise restricted by applicable law, the Administrator may, but need not, permit an Award, other than an Incentive Stock Option or a tandem stock appreciation

right granted with respect to an Incentive Stock Option, to be transferred to a Participant's Family Member (as defined below) as a gift or pursuant to a domestic relations order in settlement of marital property rights. The Administrator shall not permit any transfer of an Award for value except to the Company or in connection with a Change in Control. For purposes of this Section 9, "Family Member" means any child, stepchild, grandchild, parent, stepparent, grandparent, spouse, former spouse, sibling, niece, nephew, mother-in-law, father-in-law, son-in-law, daughter-in-law, brother-in-law, or sister-in-law, including adoptive relationships, any person sharing the Participant's household (other than a tenant or employee), a trust in which these persons have more than 50% of the beneficial interest, a foundation in which these persons (or the Participant) control the management of assets, and any other entity in which these persons (or the Participant) own more than 50% of the voting interests. The following transactions are not prohibited transfers for value: (i) a transfer under a domestic relations order in settlement of marital property rights; and (ii) a transfer to an entity in which more than 50% of the voting interests are owned by Family Members (or the Participant) in exchange for an interest in that entity.

10. **ADJUSTMENTS FOR CORPORATE TRANSACTIONS AND OTHER EVENTS.**

- (a) **Mandatory Adjustments.** In the event of a merger, consolidation, stock rights offering, statutory share exchange or other similar corporate transaction or event, which affects the Common Shares, or unusual or nonrecurring events affecting the Company, or the financial statements of the Company, or changes in applicable rules, rulings, regulations or other requirements of any governmental body or securities exchange or inter-dealer quotation system, accounting principles or laws affecting Dixie (each, a "Corporate Event") or a stock dividend, stock split, reverse stock split, separation, spinoff, reorganization, extraordinary dividend of cash or other property, share combination or subdivision, or recapitalization or similar event affecting the capital structure of Dixie (each, a "Share Change") that occurs at any time after adoption of this Plan by the Board (including any such Corporate Event or Share Change that occurs after such adoption and coincident with or prior to the Effective Date), the Administrator shall, with the approval of the Exchange or the shareholders of the Company (in each case, only if required), make equitable and appropriate substitutions or proportionate adjustments to (i) the aggregate number and kind of Common Shares or other securities on which Awards under the Plan may be granted to Eligible Individuals, (ii) the maximum number of Common Shares or other securities with respect to which Awards may be granted during any one (1) calendar year to any individual, (iii) the maximum number of Common Shares or other securities that may be issued with respect to Incentive Stock Options granted under the Plan, (iv) the number of Common Shares or other securities covered by each outstanding Award and the exercise price, base price or other price per Common Share, if any, and other relevant terms of each outstanding Award, and (v) all other numerical limitations relating to Awards, whether contained in this Plan or in Award Agreements; provided, however, that any fractional Common Shares resulting from any such adjustment shall be eliminated; and, provided further, that in no event shall the exercise price per Common Share of a stock option or stock appreciation right, or subscription price per Common

Share or any other Award, be reduced to an amount that is lower than the par value of a Common Share.

- (b) **Discretionary Adjustments.** In the case of a Corporate Event, the Administrator may, with the approval of the Exchange or the shareholders of the Company (in each case, only if required) and without the consent of any Participant, make such other adjustments to outstanding Awards as it determines to be appropriate and desirable, which adjustments may include, without limitation, (i) the cancellation of outstanding Awards in exchange for payments of cash, securities or other property or a combination thereof having an aggregate value equal to the value of such Awards, as determined by the Administrator in its sole discretion (it being understood that in the case of a Corporate Event with respect to which shareholders of Dixie receive consideration other than publicly traded equity securities of the ultimate surviving entity, any such determination by the Administrator that the value of a stock option or stock appreciation right shall for this purpose be deemed to equal the excess, if any, of the value of the consideration being paid for each Common Share pursuant to such Corporate Event over the exercise price or base price of such stock option or stock appreciation right shall conclusively be deemed valid and that any stock option or stock appreciation right may be cancelled for no consideration upon a Corporate Event if its exercise price or base price equals or exceeds the value of the consideration being paid for each Common Share pursuant to such Corporate Event), (ii) the substitution of securities or other property (including, without limitation, cash or other securities of Dixie and securities of entities other than Dixie) for the Common Shares subject to outstanding Awards, and (iii) the substitution of equivalent awards, as determined in the sole discretion of the Administrator, of the surviving or successor entity or a parent thereof ("Substitute Awards").
- (c) **Adjustments to Performance Objectives.** The Administrator may, in its discretion, adjust the Performance Objective applicable to any Award to reflect any unusual or infrequently occurring event or transaction, impact of charges for restructurings, discontinued operations and the cumulative effects of accounting or tax changes, each as defined by generally accepted accounting principles or as identified in Dixie's consolidated financial statements, notes to the consolidated financial statements, management's discussion and analysis or other Dixie filings with the Securities and Exchange Commission. If the Administrator determines that a change in the business, operations, corporate structure or capital structure of Dixie or the applicable Subsidiary, Affiliate, business segment or other operational unit of Dixie or any such entity or segment, or the manner in which any of the foregoing conducts its business, or other events or circumstances, render a Performance Objective to be unsuitable, the Administrator may modify such Performance Objective or the related applicable level of achievement, in whole or in part, as the Administrator deems appropriate and equitable.
- (d) **Statutory Requirements Affecting Adjustments.** Notwithstanding the foregoing: (A) any adjustments made pursuant to Section 10 to Awards that are considered "deferred compensation" within the meaning of Section 409A of the Code shall be made in compliance with the requirements of Section 409A of the Code; (B) any

adjustments made pursuant to Section 10 to Awards that are not considered "deferred compensation" subject to Section 409A of the Code shall be made in such a manner as to ensure that after such adjustment, the Awards either (1) continue not to be subject to Section 409A of the Code or (2) comply with the requirements of Section 409A of the Code; (C) in any event, the Administrator shall not have the authority to make any adjustments pursuant to Section 10 to the extent the existence of such authority would cause an Award that is not intended to be subject to Section 409A of the Code at the date of grant to be subject thereto; and (D) any adjustments made pursuant to Section 10 to Awards that are Incentive Stock Options shall be made in compliance with the requirements of Section 424 (a) of the Code.

- (e) Dissolution or Liquidation. Unless the Administrator determines otherwise, all Awards outstanding under the Plan shall terminate automatically and without further action by any party upon the dissolution or liquidation of Dixie.

11. **CHANGE IN CONTROL PROVISIONS.**

- (a) Termination of Awards. Notwithstanding the provisions of Section 11(b), in the event that any transaction resulting in a Change in Control occurs, outstanding Awards will terminate upon the effective time of such Change in Control unless provision is made in connection with the transaction for the continuation or assumption of such Awards by, or for the issuance therefor of Substitute Awards of, the surviving or successor entity or a parent thereof. Solely with respect to Awards that will terminate as a result of the immediately preceding sentence and except as otherwise provided in the applicable Award Agreement:
  - (i) the outstanding Awards of stock options and stock appreciation rights that will terminate upon the effective time of the Change in Control shall, immediately before the effective time of the Change in Control, become fully exercisable and the holders of such Awards will be permitted, immediately before the Change in Control, to exercise the Awards;
  - (ii) the outstanding Common Shares of Restricted Stock the vesting or restrictions on which are then solely time-based and not subject to achievement of any Performance Objective shall, immediately before the effective time of the Change in Control, become fully vested, free of all transfer and lapse restrictions and free of all risks of forfeiture;
  - (iii) the outstanding Common Shares of Restricted Stock the vesting or restrictions on which are then subject to and pending achievement of any Performance Objective shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting or lapsing of restrictions in a greater amount upon the occurrence of a Change in Control, become vested, free of transfer and lapse restrictions and risks of forfeiture in such amounts as if the applicable Performance Objective for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement;

- (iv) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then solely time-based and not subject to or pending achievement of any Performance Objective shall, immediately before the effective time of the Change in Control, become fully earned and vested and shall be settled in cash or Common Shares (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the Common Shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code; and
- (v) the outstanding Restricted Stock Units, Performance Shares and Performance Units the vesting, earning or settlement of which is then subject to and pending achievement of any Performance Objective shall, immediately before the effective time of the Change in Control and unless the Award Agreement provides for vesting, earning or settlement in a greater amount upon the occurrence of a Change in Control, become vested and earned in such amounts as if the applicable Performance Objective for the unexpired Performance Period had been achieved at the target level set forth in the applicable Award Agreement and shall be settled in cash or Common Shares (consistent with the terms of the Award Agreement after taking into account the effect of the Change in Control transaction on the Common Shares) as promptly as is practicable, subject to any applicable limitations imposed thereon by Section 409A of the Code.

Implementation of the provisions of this Section 11(a) shall be conditioned upon consummation of the Change in Control.

- (b) Continuation, Assumption or Substitution of Awards. The Administrator may specify, on or after the date of grant, in an award agreement or amendment thereto, the consequences of a Participant's Termination of Service that occurs coincident with or following the occurrence of a Change in Control, if a Change in Control occurs under which provision is made in connection with the transaction for the continuation or assumption of outstanding Awards by, or for the issuance thereof of Substitute Awards of, the surviving or successor entity or a parent thereof.
- (c) Other Permitted Actions. In the event that any transaction resulting in a Change in Control occurs, the Administrator may take any of the actions set forth in Section 10 with respect to any or all Awards granted under the Plan.
- (d) Section 409A Savings Clause. Notwithstanding the foregoing, if any Award is considered to be a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, this Section 11 shall apply to such Award only to the extent that its application would not result in the imposition of any tax or interest or the inclusion of any amount in income under Section 409A of the Code.



**12. SUBSTITUTION OF AWARDS IN MERGERS AND ACQUISITIONS.**

Awards may be granted under the Plan from time to time in substitution for assumed awards held by employees, officers, consultants or directors of entities who become employees, officers, consultants or directors of Dixie or a Subsidiary as the result of a merger or consolidation of the entity for which they perform services with Dixie or a Subsidiary, or the acquisition by Dixie of the assets or stock of the such entity. The terms and conditions of any Awards so granted may vary from the terms and conditions set forth herein to the extent that the Administrator deems appropriate at the time of grant to conform the Awards to the provisions of the assumed awards for which they are substituted and to preserve their intrinsic value as of the date of the merger, consolidation or acquisition transaction. To the extent permitted by applicable law and marketplace or listing rules of the primary securities market or exchange on which the Common Shares are listed or admitted for trading, any available shares under a shareholder-approved plan of an acquired company (as appropriately adjusted to reflect the transaction) may be used for Awards granted pursuant to this Section 12 and, upon such grant, shall not reduce the Share Pool.

**13. COMPLIANCE WITH SECURITIES LAWS; LISTING AND REGISTRATION.**

- (a) The obligation of Dixie to sell or deliver Common Shares with respect to any Award granted under the Plan shall be subject to all applicable laws, rules and regulations, including all applicable federal, state or foreign (non-United States) securities laws and the obtaining of all such approvals by governmental agencies as may be deemed necessary or appropriate by the Administrator. If at any time the Administrator determines that the delivery of Common Shares under the Plan is or may be unlawful under the laws of any applicable jurisdiction, or federal, state or foreign (non-United States) securities laws, the right to exercise an Award or receive Common Shares pursuant to an Award shall be suspended until the Administrator determines that such delivery is lawful. If at any time the Administrator determines that the delivery of Common Shares under the Plan would or may violate the rules of any exchange on which Dixie's securities are then listed for trading, the right to exercise an Award or receive Common Shares pursuant to an Award shall be suspended until the Administrator determines that such delivery would not violate such rules. If the Administrator determines that the exercise or nonforfeitability of, or delivery of benefits pursuant to, any Award would violate any applicable provision of securities laws or the listing requirements of any stock exchange upon which any of Dixie's equity securities are listed, then the Administrator may postpone any such exercise, nonforfeitability or delivery, as applicable, but Dixie shall use all reasonable efforts to cause such exercise, nonforfeitability or delivery to comply with all such provisions at the earliest practicable date. The inability of the Company to obtain from any regulatory body having jurisdiction the authority, if any, deemed by the Company's legal counsel to be necessary to the lawful issuance and sale of any Common Shares under the Plan shall relieve the Company of any liability in respect of the failure to issue or sell such Common Shares as to which such requisite authority shall not have been obtained.
- (b) Each Award is subject to the requirement that, if at any time the Administrator determines, in its absolute discretion, that the listing, registration or qualification

of Common Shares issuable pursuant to the Plan is required by any securities exchange or under any state, federal or foreign (non-United States) law, or the consent or approval of any governmental regulatory body is necessary or desirable as a condition of, or in connection with, the grant of an Award or the issuance of Common Shares, no such Award shall be granted or payment made or Common Shares issued, in whole or in part, unless listing, registration, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Administrator.

- (c) In the event that the disposition of Common Shares acquired pursuant to the Plan is not covered by a then current registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and is not otherwise exempt from such registration, such Common Shares shall be restricted against transfer to the extent required by the Securities Act or regulations thereunder, and the Administrator may require a person receiving Common Shares pursuant to the Plan, as a condition precedent to receipt of such Common Shares, to represent to Dixie in writing that the Common Shares acquired by such person is acquired for investment only and not with a view to distribution and that such person will not dispose of the Common Shares so acquired in violation of federal, state or foreign securities laws and furnish such information as may, in the opinion of counsel for the Company, be appropriate to permit the Company to issue the Common Shares in compliance with applicable federal, state or foreign securities laws. If applicable, all certificates representing such Common Shares shall bear applicable legends as required by federal, state or foreign securities laws or stock exchange regulation.

14. **SECTION 409A COMPLIANCE.**

It is the intention of Dixie that Awards either comply in all respects with the applicable requirements of Section 409A of the Code to avoid the imposition of any tax or interest or the inclusion of any amount in income pursuant to Section 409A of the Code or satisfy the requirements of an applicable exception thereto, and the terms of the Plan and each Award shall be construed, administered and deemed amended, if applicable, in a manner consistent with this intention. In no event does Dixie or any of its Subsidiaries or any of its or their directors, officers, employees, agents or other service providers guarantee any particular tax consequences, outcome or tax liability to any Participant or other person. Notwithstanding the foregoing, neither Dixie nor any of its Subsidiaries nor any of its or their directors, officers, employees, agents or other service providers will be liable for any taxes, penalties or interest imposed on any Participant or other person with respect to any amounts paid or payable (whether in cash, Common Shares or other property) under any Award, including any taxes, penalties or interest imposed under or as a result of Section 409A of the Code. Any payments described in an Award that are due within the "short term deferral period" as defined in Section 409A of the Code shall not be treated as deferred compensation unless applicable law requires otherwise. For purposes of any Award, each amount to be paid or benefit to be provided to a Participant that constitutes deferred compensation subject to Section 409A of the Code shall be construed as a separate identified payment for purposes of Section 409A of the Code. Whenever a payment under the Plan or an Award Agreement specifies a payment period, the actual date of payment within such specified period shall be within the sole discretion of Dixie, and no Participant shall have any right (directly or indirectly) to determine the year in which such

payment is made. For purposes of Section 409A of the Code, the payment of Dividend Equivalents under any Award shall be construed as earnings and the time and form of payment of such Dividend Equivalents shall be treated separately from the time and form of payment of the underlying Award. Notwithstanding any other provision of the Plan to the contrary, with respect to any Award that constitutes a "nonqualified deferred compensation plan" within the meaning of Section 409A of the Code, any payments (whether in cash, Common Shares or other property) to be made with respect to the Award that become payable on account of the Participant's separation from service, within the meaning of Section 409A of the Code, (i) in the event a payment period straddles two (2) consecutive calendar years, the payment shall be made in the later of such calendar years and (ii) while the Participant is a "specified employee" (as determined in accordance with the uniform policy adopted by the Administrator with respect to all of the arrangements subject to Section 409A of the Code maintained by Dixie and its Subsidiaries) and which would otherwise be paid within six (6) months after the Participant's separation from service shall be accumulated (without interest) and paid on the first day of the seventh (7<sup>th</sup>) month following the Participant's separation from service or, if earlier, within 15 days after the appointment of the personal representative or executor of the Participant's estate following the Participant's death. Notwithstanding anything in the Plan or an Award Agreement to the contrary, in no event shall the Administrator exercise its discretion to accelerate the payment or settlement of an Award where such payment or settlement constitutes deferred compensation within the meaning of Code section 409A unless, and solely to the extent that, such accelerated payment or settlement is permissible under Treasury Regulation section 1.409A-3(j)(4). In the event Dixie determines that any compensation payable hereunder may violate applicable requirements of Section 409A of the Code, Dixie (without any obligation to do so or obligation to indemnify any Participant for any failure to do so) may adopt, without the consent of any Participant, such amendments or take any other actions that Dixie, in its sole discretion, determines are necessary or appropriate for such compensation to either (a) be exempt from the applicable requirements of Section 409A of the Code or (b) comply with the applicable requirements of Section 409A of the Code.

15. **PLAN DURATION; AMENDMENT AND DISCONTINUANCE.**

- (a) **Plan Duration.** The Plan shall remain in effect, subject to the right of the Board or the Compensation Committee to amend or terminate the Plan at any time, until the (a) earliest date as of which all Awards granted under the Plan have been satisfied in full or terminated and no Common Shares approved for issuance under the Plan remain available to be granted under new Awards or (b) the tenth anniversary of the Effective Date. No Awards shall be granted under the Plan after such termination date. Subject to other applicable provisions of the Plan, all Awards made under the Plan on or before the tenth anniversary of the Effective Date, or such earlier termination of the Plan, shall remain in effect until such Awards have been satisfied or terminated in accordance with the Plan and the terms of such Awards.
- (b) **Amendment and Discontinuance of the Plan.** The Board or the Compensation Committee may, without shareholder approval, amend, alter or discontinue the Plan, but no amendment, alteration or discontinuation shall be made which would materially impair the rights of a Participant with respect to a previously granted Award without such Participant's consent, except such an amendment made to comply with applicable law or rule of any securities exchange or market on which

the Common Shares are listed or admitted for trading or to prevent adverse tax or accounting consequences to Dixie or the Participant. Notwithstanding the foregoing, no such amendment shall be made without the approval of Dixie's shareholders to the extent such amendment would (A) materially increase the benefits accruing to Participants under the Plan, (B) materially increase the number of Common Shares which may be issued under the Plan or to a Participant, (C) materially expand the eligibility for participation in the Plan, (D) eliminate or modify the prohibition set forth in Section 7(f) on repricing of stock options and stock appreciation rights, (E) lengthen the maximum term or lower the minimum exercise price or base price permitted for stock options and stock appreciation rights, or (F) modify the prohibition on the issuance of reload or replenishment options. Except as otherwise determined by the Board or Compensation Committee, termination of the Plan shall not affect the Administrator's ability to exercise the powers granted to it hereunder with respect to Awards granted under the Plan prior to the date of such termination.

- (c) Amendment of Awards. Subject to Section 7(f) and Section 14, the Administrator may unilaterally amend the terms of any Award theretofore granted, but no such amendment shall materially impair the rights of any Participant with respect to an Award without the Participant's consent, except such an amendment made to cause the Plan or Award to comply with applicable law, applicable rule of any securities exchange on which the Common Shares are listed or admitted for trading, or to prevent adverse tax or accounting consequences for the Participant or the Company or any of its Subsidiaries. For purposes of the foregoing sentence, an amendment to an Award that results in a change in the tax consequences of the Award to the Participant shall not be considered to be a material impairment of the rights of the Participant and shall not require the Participant's consent. Notwithstanding anything in this Plan to the contrary, the Administrator may not without the consent of the Participant amend the terms of any Award theretofore granted that, in accordance with such terms, may be settled solely in stock, to permit such Award to be settled for any other consideration.

16. **GENERAL PROVISIONS.**

- (a) Non-Guarantee of Employment or Service. Nothing in the Plan or in any Award Agreement thereunder shall confer any right on an individual to continue in the service of Dixie or any Subsidiary or shall interfere in any way with any right of Dixie or any Subsidiary may have to terminate such service at any time with or without cause or notice and whether or not such termination results in (i) the failure of any Award to vest or become payable; (ii) the forfeiture of any unvested or vested portion of any Award; and/or (iii) any other adverse effect on the individual's interests under any Award or the Plan. No person, even though deemed an Eligible Individual, shall have a right to be selected as a Participant, or, having been so selected, to be selected again as a Participant. To the extent that an Eligible Individual who is an employee of a Subsidiary receives an Award under the Plan, that Award shall in no event be understood or interpreted to mean that Dixie is the Participant's employer or that the Participant has an employment relationship with Dixie.

- (b) No Trust or Fund Created. Neither the Plan nor any Award shall create or be construed to create a trust or separate fund of any kind or a fiduciary relationship between Dixie and a Participant or any other person. To the extent that any Participant or other person acquires a right to receive payments from Dixie pursuant to an Award, such right shall be no greater than the right of any unsecured general creditor of Dixie.
- (c) Status of Awards. Awards shall be special incentive payments to the Participant and shall not be taken into account in computing the amount of salary or compensation of the Participant for purposes of determining any pension, retirement, death, severance or other benefit under (a) any pension, retirement, profit-sharing, bonus, insurance, severance or other employee benefit plan of Dixie or any Subsidiary now or hereafter in effect under which the availability or amount of benefits is related to the level of compensation or (b) any agreement between (i) Dixie or any Subsidiary and (ii) the Participant, except as such plan or agreement shall otherwise expressly provide.
- (d) Subsidiary Employees. In the case of a grant of an Award to an Eligible Individual who provides services to any Subsidiary, Dixie may, if the Administrator so directs, issue or transfer the Common Shares, if any, covered by the Award to the Subsidiary, for such lawful consideration as the Administrator may specify, upon the condition or understanding that the Subsidiary will transfer the Common Shares to the Eligible Individual in accordance with the terms of the Award specified by the Administrator pursuant to the provisions of the Plan. All Common Shares underlying Awards that are forfeited or canceled after such issue or transfer of Common Shares to the Subsidiary shall revert to Dixie.
- (e) Governing Law and Interpretation. The validity, construction and effect of the Plan, of Award Agreements entered into pursuant to the Plan, and of any rules, regulations, determinations or decisions made by the Administrator relating to the Plan or such Award Agreements, and the rights of any and all persons having or claiming to have any interest therein or thereunder, shall be determined exclusively in accordance with the laws of Ontario and the laws of Canada applicable therein without regard to its conflict of laws principles. The captions of the Plan are not part of the provisions hereof and shall have no force or effect. Except where the context otherwise requires: (i) the singular includes the plural and vice versa; (ii) a reference to one gender includes other genders; (iii) a reference to a person includes a natural person, partnership, corporation, association, governmental or local authority or agency or other entity; and (iv) a reference to a statute, ordinance, code or other law includes regulations and other instruments under it and consolidations, amendments, re-enactments or replacements of any of them.
- (f) Use of English Language. The Plan, each Award Agreement, and all other documents, notices and legal proceedings entered into, given or instituted pursuant to an Award shall be written in English, unless otherwise determined by the Administrator. If a Participant receives an Award Agreement, a copy of the Plan or any other documents related to an Award translated into a language other than

English, and if the meaning of the translated version is different from the English version, the English version shall control.

- (g) Recovery of Amounts Paid. Except as otherwise provided by the Administrator, Awards granted under the Plan shall be subject to any and all policies, guidelines, codes of conduct, or other agreement or arrangement adopted by the Board or Compensation Committee with respect to the recoupment, recovery or clawback of compensation (collectively, the "Recoupment Policy") and/or to any provisions set forth in the applicable Award Agreement under which Dixie may recover from current and former Participants any amounts paid or Common Shares issued under an Award and any proceeds therefrom under such circumstances as the Administrator determines appropriate. The Administrator may apply the Recoupment Policy to Awards granted before the policy is adopted to the extent required by applicable law or rule of any securities exchange or market on which Common Shares are listed or admitted for trading, as determined by the Administrator in its sole discretion.

## SCHEDULE "B" AUDIT COMMITTEE CHARTER

### GENERAL

#### ARTICLE 1

##### PURPOSE AND RESPONSIBILITIES OF THE COMMITTEE

###### 1.1 Purpose

The primary purpose of the Committee is to assist Board oversight of:

- (a) the integrity of the Corporation's financial statements;
- (b) the Corporation's compliance with legal and regulatory requirements;
- (c) the External Auditor's qualifications and independence; and
- (d) the performance of the Corporation's internal audit function and the External Auditor.

#### ARTICLE 2

##### DEFINITIONS AND INTERPRETATION

###### 2.1 Definitions

In this Charter:

- (a) "**Board**" means the board of directors of the Corporation;
- (b) "**Chair**" means the chair of the Committee;
- (c) "**Committee**" means the audit committee of the Board;
- (d) "**Corporation**" means Dixie Brands Inc.
- (e) "**Director**" means a member of the Board; and
- (f) "**External Auditor**" means the Corporation's independent auditor.

###### 2.2 Interpretations

The provisions of this Charter are subject to the provisions of the articles and bylaws of the Corporation and to the applicable provisions of the *Business Corporations Act* (Ontario), and any other applicable legislation.

**ARTICLE 3**  
**CONSTITUTION AND FUNCTIONING OF THE COMMITTEE**

3.1 Establishment and Composition of the Committee

(a) Establishment of the Audit Committee

The Committee is hereby continued with the constitution, function and responsibilities herein set forth.

3.2 Appointment and Removal of Members of the Committee

(a) *Board Appoints Members.* The members of the Committee shall be appointed by the Board, having considered the recommendation of the Nominating and Corporate Governance Committee of the Board.

(b) *Annual Appointments.* The appointment of members of the Committee shall take place annually at the first meeting of the Board after a meeting of the shareholders at which Directors are elected, provided that if the appointment of members of the Committee is not so made, the Directors who are then serving as members of the Committee shall continue as members of the Committee until their successors are appointed.

(c) *Vacancies.* The Board may appoint a member to fill a vacancy which occurs in the Committee between annual elections of Directors. If a vacancy exists on the Committee, the remaining members shall exercise all of their powers so long as a quorum remains in office.

(d) *Removal of Member.* Any member of the Committee may be removed from the Committee by a resolution of the Board.

3.3 Number of Members

The Committee shall consist of three or more Directors.

3.4 Independence of Members

A majority of the members of the Committee shall be independent for the purposes of all applicable regulatory and stock exchange requirements.

3.5 Financial Literacy

(a) *Financial Literacy Requirement.* At least one member of the Committee shall be financially literate or must become financially literate within a reasonable period of time after his or her appointment to the Committee.

(b) *Definition of Financial Literacy.* "Financially literate" means 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.

3.6 Qualifications

The Board will appoint to the Committee at least one Director who has accounting or financial management expertise.

**ARTICLE 4  
COMMITTEE CHAIR**

4.1 Board to Appoint Chair

The Board shall appoint the Chair from the members of the Committee who are unrelated directors (or, if it fails to do so, the members of the Committee shall appoint the Chair of the Committee from among its members).

4.2 Chair to be Appointed Annually

The designation of the Committee's Chair shall take place annually at the first meeting of the Board after a meeting of the members at which Directors are elected, provided that if the designation of Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

**ARTICLE 5  
COMMITTEE MEETINGS**

5.1 Quorum

A quorum of the Committee shall be two members.

5.2 Secretary

The Chair shall designate from time to time a person who may, but need not, be a member of the Committee, to be Secretary of the Committee.

5.3 Time and Place of Meetings

The time and place of the meetings of the Committee and the calling of meetings and the procedure in all things at such meetings shall be determined by the Committee; provided, however, the Committee shall meet at least quarterly.

5.4 In Camera Meetings

As part of each meeting of the Committee at which the Committee recommends that the Board approve the annual audited financial statements or at which the Committee approves the quarterly financial statements, the Committee shall meet separately with each of:

- (a) management; and
- (b) the External Auditor.

#### 5.5 Right to Vote

Each member of the Committee shall have the right to vote on matters that come before the Committee.

#### 5.6 Voting

Any matters to be determined by the Committee shall be decided by a majority of votes cast at a meeting of the Committee called for such purpose. Actions of the Committee may be taken by an instrument or instruments in writing signed by all of the members of the Committee, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Committee called for such purpose.

#### 5.7 Invitees

The Committee may invite Directors, officers, consultants and employees of the Corporation or any other person to attend meetings of the Committee to assist in the discussion and examination of the matters under consideration by the Committee. The External Auditor shall receive notice of each meeting of the Committee and shall be entitled to attend any such meeting at the Corporation's expense.

### **ARTICLE 6 AUTHORITY OF COMMITTEE**

#### 6.1 Retaining and Compensating Advisors

The Committee shall have the sole authority to engage independent counsel and any other advisors as the Committee may deem appropriate in its sole discretion and to set the compensation for any advisors employed by the audit committee. The Committee shall not be required to obtain the approval of the Board in order to retain or compensate such consultants or advisors.

#### 6.2 Funding

The Committee shall have the authority to authorize the payment of:

- (a) compensation to any external auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation (National Instrument 52-110 – *Audit Committees* requires disclosure of fees by category paid to the External Auditor);
- (b) compensation for any advisors employed by the Committee under Section 6.1 hereof; and

- (c) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties.

### 6.3 Recommendations to the Board

The Committee shall have the authority to make recommendations to the Board, but shall have no decision-making authority other than as specifically contemplated in this Charter.

### 6.4 Compensation

The Committee has the authority to communicate directly with External Auditors and the Internal Auditors.

## **ARTICLE 7 REMUNERATION OF COMMITTEE MEMBERS**

### 7.1 Remuneration of Committee Members

Members of the Committee and the Chair shall receive such remuneration for their service on the Committee as the Board may determine from time to time.

### 7.2 Directors' Fees

No member of the Committee may earn fees from the Corporation or any of its subsidiaries other than directors' fees (which fees may include cash and/or shares or Options or other in-kind consideration ordinarily available to directors, as well as all of the regular benefits that other directors receive). For greater certainty, no member of the Committee shall accept, directly or indirectly, any consulting, advisory or other compensatory fee from the Corporation.

## **ARTICLE 8 SPECIFIC DUTIES AND RESPONSIBILITIES**

### **INTEGRITY OF FINANCIAL STATEMENTS**

#### 8.1 Review and Approval of Financial Information

- (a) *Annual Financial Statements.* The Committee shall review and discuss with management and the External Auditor the Corporation's audited annual financial statements and related management's discussion and analysis ("**MD&A**") together with the report of the External Auditor thereon and, if appropriate, recommend to the Board that it approve the audited annual financial statements.
- (b) *Interim Financial Statements.* The Committee shall review and discuss with management and, if appropriate, approve the Corporation's interim unaudited financial statements and related MD&A.
- (c) *Procedures for Review.* The Committee shall be satisfied that adequate procedures are in place for the review of the Corporation's disclosure of financial information

*extracted* or derived from the Corporation's financial statements (other than financial statements, MD&A and profit or loss or earnings press releases, which are dealt with elsewhere in this Charter) and shall periodically assess the adequacy of those procedures.

- (d) *General.* The Committee shall review and discuss with management and the External Auditor:
- (i) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles;
  - (ii) major issues as to the adequacy of the Corporation's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies;
  - (iii) analyses prepared by management and/or the External Auditor setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative accounting methods on the financial statements;
  - (iv) the effect on the financial statements of the Corporation of regulatory and accounting initiatives, structures, obligations (including contingent obligations) and other relationships of the Corporation with unconsolidated entities or other persons that have a material current or future effect on the financial condition, changes in financial condition, results of operations, liquidity, capital resources, capital reserves or significant components of revenues or expenses of the Corporation;
  - (v) the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented;
  - (vi) any financial information or financial statements in prospectuses and other offering documents;
  - (vii) any other relevant reports or financial information submitted by the Corporation to any governmental body or the public; and
  - (viii) pension plan financial statements, if any.

## **ARTICLE 9 EXTERNAL AUDITOR**

### 9.1 External Auditor

- (a) *Authority with Respect to External Auditor.* As a representative of the Corporation's shareholders, the Committee shall be directly responsible for the

appointment, compensation and oversight of the work of the External Auditor engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. In the discharge of this responsibility, the Committee shall:

- (i) have sole responsibility for recommending to the Board the person to be proposed to the Corporation's shareholders for appointment as External Auditor for the above-described purposes and recommending such External Auditor's compensation;
  - (ii) determine at any time whether the Board should recommend to the Corporation's shareholders that the incumbent External Auditor be removed from office;
  - (iii) review the terms of the External Auditor's engagement, discuss the audit fees with the External Auditor and be responsible for approving such audit fees; and
  - (iv) if desired, require the External Auditor to confirm in its engagement letter each year that the External Auditor is accountable to the Board and the Committee as representatives of shareholders.
- (b) *Independence.* The Committee shall satisfy itself as to the independence of the External Auditor. As part of this process the Committee shall:
- (i) unless the Committee adopts pre-approval policies and procedures, it must approve any non-audit services provided by the External Auditor, provided that the Committee may delegate such approval authority to one or more of its independent members who shall report promptly to the Committee concerning their exercise of such delegated authority; and
  - (ii) review and approve the policy setting out the restrictions on the Corporation hiring partners, employees and former partners and employees of the Corporation's current or former External Auditor.
- (c) *Non-Audit Services.*
- (i) The Committee shall either:
    - (A) approve any non-audit services provided by the External Auditor or the external auditor of any subsidiary of the Corporation to the Corporation (including its subsidiaries); or
    - (B) adopt specific policies and procedures for the engagement of non-audit services, provided that such pre-approval policies and procedures are detailed as to the particular service, the Committee is informed of each non-audit

service and the procedures do not include delegation of the Committee's responsibilities to management.

- (ii) The Committee may delegate to one or more independent members of the Committee the authority to pre-approve non-audit services in satisfaction of the requirement in the previous section, provided that such member or members must present any non-audit services so approved to the full Committee at its first scheduled meeting following such pre-approval.
  - (iii) The Committee shall instruct management to promptly bring to its attention any services performed by the External Auditor which were not recognized by the Corporation at the time of the engagement as being non-audit services.
- (d) *Evaluation of External Auditor.* The Committee shall evaluate the External Auditor each year and present its conclusions to the Board. In connection with this evaluation, the Committee shall:
- (i) obtain and review a report by the External Auditor describing:
    - (A) the External Auditor's internal quality-control procedures;
    - (B) any material issues raised by the most recent internal quality-control review, or peer review, of the External Auditor's firm or by any inquiry or investigation by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the External Auditor's firm, and any steps taken to deal with any such issues; and
    - (C) all relationships between the External Auditor and the Corporation (for the purposes of assessing the External Auditor's independence);
  - (ii) review and evaluate the performance of the lead partner of the External Auditor; and
  - (iii) obtain the opinions of management and of the persons responsible for the Corporation's internal audit function with respect to the performance of the External Auditor.
- (e) *Review of Management's Evaluation and Response.* The Committee shall:
- (i) review management's evaluation of the External Auditor's audit performance;

- (ii) review the External Auditor's recommendations, and review management's response to and subsequent follow-up on any identified weaknesses; and
- (iii) recommend to the Board whether any new material strategies presented by management should be considered appropriate and approved.

**ARTICLE 10**  
**INTERNAL CONTROL AND AUDIT FUNCTION**

10.1 Internal Control and Audit

In connection with the Corporation's internal audit function, the Committee shall:

- (a) review the terms of reference of the internal auditor and meet with the internal auditor as the Committee may consider appropriate to discuss any concerns or issues; and
- (b) periodically review with the internal auditor any significant difficulties, disagreements with management or scope restrictions encountered in the course of the work of the internal auditor.

**ARTICLE 11**  
**OTHER**

11.1 Expense Accounts

The Committee shall review and make recommendations with respect to:

- (a) the expense account summaries submitted by the Chief Executive Officer on an annual basis;
- (b) the Corporation's expense account policy, and rules relating to the standardization of the reporting on expense accounts; and
- (c) the Director Expense Policy of the Corporation, as applicable.

11.2 Whistle Blowing

The Committee shall put in place 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.

**ARTICLE 12**  
**ANNUAL PERFORMANCE EVALUATION**

On an annual basis, the Committee shall follow the process established by the Board and overseen by the Nominating and Corporate Governance Committee for assessing the performance and effectiveness of the Committee.

**ARTICLE 13**  
**CHARTER REVIEW**

The Committee shall review and assess the adequacy of this Charter annually and recommend to the Board any changes it deems appropriate.