

CONSOLIDATED HCI HOLDINGS CORPORATION

MANAGEMENT INFORMATION CIRCULAR

Solicitation of Proxies

This management information circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of CONSOLIDATED HCI HOLDINGS CORPORATION (the "Corporation") for use at the annual and special meeting of shareholders of the Corporation (the "Meeting") to be held at the time and place and for the purposes set forth in the attached **Notice of Annual and Special Meeting of Shareholders**. It is expected that the solicitation will be by mail primarily, but proxies may also be solicited personally by regular employees of the Corporation. The cost of such solicitation will be borne by the Corporation.

Appointment and Revocation of Proxies

Registered Shareholders

A shareholder has the right to appoint a person (who need not be a shareholder) to attend and act for him and on his behalf at the Meeting other than the persons designated in the enclosed form of proxy. Such right may be exercised by striking out the names of the persons designated in the enclosed form of proxy and by inserting in the blank space provided for that purpose the name of the desired person or by completing another proper form of proxy and, in either case, delivering the completed and executed proxy to the Corporation or its transfer agent prior to the time of the Meeting or any adjournment thereof.

A shareholder who has given a proxy may revoke it at any time insofar as it has not been exercised. A proxy may be revoked, as to any matter on which a vote shall not already have been cast pursuant to the authority conferred by such proxy, by instrument in writing executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a body corporate by an officer or attorney thereof duly authorized, and deposited either with the Corporation or its transfer agent at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof, at which the proxy is to be used or with the Chairman of such Meeting on the date of the Meeting or any adjournment thereof, and upon either of such deposits the proxy is revoked. A proxy may also be revoked in any other manner permitted by law.

Non-Registered Holders

Only registered holders of Class B shares or the persons they appoint as their proxies, are permitted to attend and vote at the Meeting. However, in many cases Class B shares beneficially owned by a holder (a "**Non-Registered Holder**") are registered either:

- (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the shares, such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators or self-administered RRSPs, RRIFFs, RESPs and similar plans; or
- (b) in the name of a depository such as The Canadian Depository for Securities Limited (a "**Depository**") of which the Intermediary is a participant.

In accordance with the requirements of Canadian securities law, the Corporation has distributed copies of the Notice of Annual and Special Meeting of Shareholders, this Circular, the form of proxy, the 2018 annual report (collectively, the "**Meeting Materials**") to Depositories and Intermediaries for onward distribution to Non-Registered Holders.

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

- (a) be given a proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature) which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise uncompleted. This form of proxy need not be signed by the Non-Registered Holder. In this case, the Non-Registered Holder who wishes to submit a proxy should otherwise properly complete the form of proxy and deposit it with the Secretary of the Corporation c/o Computershare Investor Services Inc., 100 University Avenue, 9th Floor, Toronto, Ontario, M5J 2Y1, as described above; or
- (b) more typically, be given a voting instruction form which must be completed and signed by the Non-Registered Holder in accordance with the directions on the voting instruction form (which may in some cases permit the completion of the voting instruction form by telephone).

The purpose of these procedures is to permit Non-Registered Holders to direct the voting of the shares they beneficially own. Should a Non-Registered Holder wish to attend and vote at the Meeting in person (or have another person attend and vote on behalf of the Non-Registered Holder), the Non-Registered Holder should strike out the names of the persons named in the proxy and insert the name of the Non-Registered Holder (or such other person) in the blank space provided or, in the case of a voting instruction form, follow the corresponding instructions on the form. ***In either case, Non-Registered Holders should carefully follow the instructions of their Intermediaries and their service companies.***

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

Voting Securities and Principal Holders Thereof

On February 20, 2019, 20,575,866 Class B shares of the Corporation were issued and outstanding. Each Class B share entitles the holder thereof to one vote on all matters to be acted upon at the Meeting.

The Corporation has fixed February 20, 2019, as the record date for the purpose of determining holders of Class B shares entitled to receive notice of the Meeting. In accordance with the provisions of the *Canada Business Corporations Act* (the "**Act**"), the Corporation has prepared a list of holders of Class B shares at the close of business on the record date. Each holder of Class B shares named in the list will be entitled to vote at the Meeting the Class B shares shown opposite the shareholder's name on the list with respect to those matters with respect to which the holders of Class B shares are entitled to vote except to the extent that: (a) the shareholder has transferred any of such shares after the date on which the list was prepared, and (b) the transferee of those shares produces properly endorsed share certificates or otherwise establishes that such shareholder owns such shares and demands not later than 10 days before the Meeting that such shareholder's name be included in the list before the Meeting, in which case the transferee is entitled to vote such Class B shares at the Meeting.

To the knowledge of the directors and senior officers of the Corporation, the only persons, firms or corporations who beneficially own, directly or indirectly, or exercise control over equity shares of the Corporation carrying more than 10% of the voting rights attached to all equity shares of the Corporation are as follows:

<u>Name and Address</u>	<u>Number of Class B Shares Held</u>	<u>Percentage of Class B Shares Issued</u>
Marc Muzzo 50 Confederation Parkway Concord, Ontario L4K 4T8	4,526,749.5	22%
Stanley Goldfarb 400 Bradwick Drive Suite 125 Concord, Ontario L4K 5V9	3,547,013.5	17.2%
Richard Gambin 26 Tangiers Road Downsview, Ontario M3J 2B2	2,985,232	14.5%
Rudolph Bratty 7501 Keele Street Suite 200 Vaughan, Ontario L4K 1Y2	2,449,777	11.9%
The families of Angelo De Gasperis and the late Alfredo De Gasperis 30 Floral Parkway Concord, Ontario L4K 4R1	2,436,014	11.23%

Election of Directors

The Board of Directors of the Corporation have set the number of directors to be elected at the Meeting at six and **unless authority to do so is withheld, the persons named in the enclosed form of proxy for the Class B shares intend to vote for the election of the nominees whose names are set forth below.** Management does not contemplate that any of the nominees will be unable to serve as a director but if that should occur for any reason prior to the Meeting, it is intended that discretionary authority shall be exercised by the persons named in the enclosed form of proxy to vote the proxy for the election of any other person or persons in place of any nominee or nominees unable to serve. Each director elected will hold office until the close of business of the first annual meeting of shareholders of the Corporation following his election unless his office is earlier vacated in accordance with the Corporation's by-laws.

The statement as to the shares of the Corporation beneficially owned or over which control or direction is exercised by the nominees for election as directors hereinafter named is in each instance based upon information furnished by the person concerned.

The Corporation has adopted a majority voting policy (the "Majority Voting Policy") in order to promote enhanced director accountability. The Majority Voting Policy provides that each director should be elected by the vote of a majority of the Class B shares, represented in person or by proxy, at any meeting for the election of directors. The Chairman of the meeting will ensure that the number of Class B shares voted "for" or "withheld" for each director nominee is recorded and promptly made public after the meeting. If any nominee for election as a director received, from the Class B shares voted at the meeting in person or by proxy, a greater number of votes "withheld" than votes "for" his or her election, the director will promptly tender his or her resignation to the Chairman of the Board following the meeting, to take effect upon acceptance by the Board which resignation must be accepted except in exceptional circumstances. The Corporate Governance and Nominating Committee will expeditiously consider whether exceptional circumstances exist which would justify not accepting the resignation of such director and shall make a

recommendation to the Board whether to accept the resignation. Within 90 days of the meeting of the shareholders, the Board will make a final decision concerning the acceptance of the director's resignation and announce that decision by way of a news release and, should the Board determine that due to exceptional circumstances the resignation should not be accepted, the press release will disclose in detail the reasons for that decision. A copy of the press release shall be provided forthwith to the Toronto Stock Exchange. Any director who tenders his or her resignation will not participate in the deliberations of the Board or any of its committees pertaining to the resignation.

If any director fails to tender his or her resignation as contemplated in the policy, the Board will not re-nominate that director in the future. Subject to any corporate law restrictions, where the Board accepts the resignation of a director, the Board may exercise its discretion with respect to the resulting vacancy and may, without limitation, leave the resultant vacancy unfilled until the next annual meeting of shareholders, fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or call a special meeting of shareholders to elect a new nominee to fill the vacant position. The policy does not apply to a contested election of directors, that is, where the number of nominees exceeds the number of directors to be elected.

The Corporation does not have a share ownership policy for directors. However, the directors as a group hold in excess of 65% of the outstanding Class B shares of the Corporation thus aligning their interests with Class B Shareholders.

<u>Name</u>	<u>Present principal occupation or employment</u>	<u>Year first became a director</u>	<u>Number of Class B shares beneficially owned directly or indirectly or over which control or direction is exercised</u>
Rudolph Peter Bratty Q.C. ⁽²⁾⁽³⁾⁽⁴⁾ Vaughan, Ontario	President of Ruland Realty Limited	1986	2,449,777 ⁽¹⁾
John Hunter Craig ⁽⁴⁾ Toronto, Ontario	Solicitor and Senior Counsel, Cassels Brock & Blackwell LLP	1985	2,500
John Henry Daniels ⁽²⁾ Toronto, Ontario	Chief Executive Officer of The Daniels Corporation	1990	1,250
Richard Michael Gambin ⁽²⁾⁽⁴⁾ Downsview, Ontario	President of Ricgam Investments Ltd. ⁽⁵⁾	2006	2,985,232 ⁽¹⁾
Stanley Goldfarb Toronto, Ontario	President, Chief Executive Officer and Treasurer of the Corporation; President of Logpin Investments Limited	1986	3,547,013.5 ⁽¹⁾
Marc Muzzo Woodbridge, Ontario	Director of Marel Contractors	2005	4,526,749.5 ⁽¹⁾

- (1) Certain of these shares are held in private companies controlled by the respective individual in certain circumstances together with other family members.
- (2) Member of the Audit and Compensation Committee.
- (3) Non-Executive Chairman of the Board
- (4) Member of the Corporate Governance and Nominating Committee.
- (5) Prior thereto, Solicitor and Partner, Gambin RDQ, LLP, Barristers and Solicitors.

Statement of Executive Compensation

- (a) For the purposes of this statement "executive officer" of the Corporation means the President and Chief Executive Officer, the Chief Financial Officer, any Vice-President in charge of a principal business unit such as sales, finance or production and any officer of the Corporation or a subsidiary who performs a policy-making function in respect of the Corporation whether or not such officer is also a director of the Corporation or the subsidiary.
- (b) There were three executive officers of the Corporation (the "named executive officers"), Stanley Goldfarb, President and CEO, Arnold Resnick, CFO, and Marc Muzzo, Vice-President, for the Corporation's most recently completed financial year and for the previous two years.
- (c) The named executive officers do not have contracts of employment and do not have any compensation plan or arrangement in respect of resignation, retirement, termination or change in control of the Corporation. However, consulting companies which two of the named executive officers controlled during the year are parties to the management contract described under "Report on Executive Compensation."
- (d) The Corporation has not granted any options to purchase or acquire securities of the Corporation or any of its subsidiaries nor were there any freestanding Stock Appreciation Rights made during the most recently completed financial year. There were no unexercised options to purchase or acquire securities of the Corporation or any of its subsidiaries nor were there any freestanding Stock Appreciation Rights outstanding as of the most recently completed financial year end.
- (e) There are no pension plan benefits in place for any executive officers or directors of the Corporation and none of the executive officers or directors of the Corporation is indebted to the Corporation or has been indebted to the Corporation at any time since the beginning of the most recently completed financial year of the Corporation.

Summary Compensation Table

The following table contains information about the compensation paid to, or earned by, those who served during the year ended September 30, 2018 as the Corporation's Chief Executive Officer and the Corporation's Chief Financial Officer, and the Vice-President of the Corporation (collectively, the "**Named Executive Officers**") whose total salary and bonus exceeded \$150,000.

Name and Principal Position	Annual Compensation				Long-Term Compensation	All Other Compensation
	Year Ended September 30	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options Granted (#)	
Stanley Goldfarb President and CEO	2018	Nil	Nil	(1)	Nil	Nil
	2017	Nil	Nil	(1)	Nil	Nil
	2016	Nil	Nil	(1)	Nil	Nil

Name and Principal Position	Annual Compensation				Long-Term Compensation	All Other Compensation
	Year Ended September 30	Salary (\$)	Bonus (\$)	Other Annual Compensation (\$)	Securities Under Options Granted (#)	
Arnold Resnick CFO	2018	93,461	15,000	Nil	Nil	\$90,000 ⁽³⁾
	2017	180,000	15,000	Nil	Nil	\$690,000 ⁽²⁾
	2016	175,000	10,000	Nil	Nil	Nil
Marc Muzzo Vice-President	2018	Nil	Nil	⁽¹⁾	Nil	Nil
	2017	Nil	Nil	⁽¹⁾	Nil	Nil
	2016	Nil	Nil	⁽¹⁾	Nil	Nil

- (1) During the applicable years, under the terms of a management agreement between the Corporation and Circle M Consulting Limited Partnership and Logpin Investments Limited (the "Consultants"), the Consultants provided the services of Stanley Goldfarb and Marc Muzzo to the Corporation. The total fees payable during the applicable years were as follows: 2016: \$250,000; 2017: \$250,000; 2018: \$250,000. The management fee was based on 3% of the Corporation's pre-tax profits with a minimum of \$250,000.
- (2) Accrued retiring allowance paid in 2018.
- (3) Accounting, financial reporting and office management services in a month to month arrangement.

Compensation of Directors

A. Standard Compensation Arrangements

Non-executive directors of the Corporation are entitled to be paid a director's fee of \$7,500 annually plus \$1,000 per directors' meeting attended and \$1,000 per committee meeting attended. Chairmen of Committees are paid an additional \$500 per meeting. The non-executive Chairman of the Board is paid an additional \$7,500 per annum.

B. Other Arrangements

None of the directors of the Corporation was compensated in his capacity as a director by the Corporation and its subsidiaries during the most recently completed financial year pursuant to any other arrangement or in lieu of any standard arrangement.

C. Compensation for Services

None of the directors of the Corporation was compensated by the Corporation during the most recently completed financial year for services as consultants or experts.

Report on Executive Compensation

The responsibilities for the determination of the level of compensation in respect of the Corporation's senior executive officers was assigned by the Board of Directors (the "**Board**") to the Audit and Compensation Committee which is comprised of three independent directors. It is the Committee's responsibility to provide recommendations to the Board for the compensation of such executive officers having regard to their performance, the performance of the Corporation and industry standards. The services of Stanley Goldfarb, the President and CEO, and Marc Muzzo, the Vice-President, are provided

to the Corporation under a Management Agreement between the Corporation and Circle M Consulting Limited Partnership and Logpin Investments Limited (the "**Consultants**").

With regard to the year ending September 30, 2018, the Committee reviewed the terms of the Management Agreement having regard to the contemplated operations of the Corporation in the forthcoming year particularly the ongoing process undertaken by the Board to consider all options for the creation of shareholder value. With this in mind the Committee recommended and, with the agreement of the Consultants, the Management Agreement was renewed for the year ending September 30, 2018, to provide for a fee of 3% of pre-tax profits with a minimum of \$250,000. As the compensation payable under the Management Agreement is totally dependent on audited financial statements the Committee is confident that any risks associated with such compensation based on inaccurate information is adequately addressed.

For the year ending September 30, 2019, the terms of the Management Agreement provide for a fee of 3% of the Corporation's pre-tax profits with a minimum of \$250,000.

In recommending the compensation to be payable to the senior management under the Management Agreement the Audit and Compensation Committee considered a number of factors including: the historical arrangement between the Corporation and the Consultants and the reduced activity level of the Corporation following the sale of assets completed in 2007 and subsequently. They also considered the fact that management has historically been provided with no other compensation enhancements such as options, bonuses (with the exception of the one-time bonus paid for 2007) or similar compensation components usual in other public companies. No outside consultants were engaged to assist the Audit and Compensation Committee in determining the Compensation of Named Executive Officers for the year ended September 30, 2018 as the members of the Audit and Compensation Committee have years of experience in the real estate development industry and are familiar with comparable compensation arrangements in the industry.

Submitted on behalf of the Audit and Compensation Committee
Rudolph P. Bratty Q.C.
Chairman

Disclosure of Corporate Governance Practices Pursuant to National Instrument 58-101

Board of Directors

The Board has considered the relationship of each director to the Corporation. Two directors, namely Marc Muzzo and Stanley Goldfarb, were not independent by virtue of their holding senior management positions. John H. Craig, through a firm in which he is a partner, periodically provides legal services to the Corporation. He is, however, considered to be independent because of the size of his fees for such services relative to the overall fee income of his practice. Although Messrs. Rudolph Bratty, John Daniels and Richard Gambin had, and, in some cases, continue to have, business relationships with members of senior management and their associates with respect to certain real estate developments, partnerships and joint ventures in which they are mutually involved, this is quite common in the real estate industry in the Greater Toronto Area. In fact, any party having any significant involvement in the real estate industry in the Greater Toronto Area is likely to have some involvement, direct or indirect, with other parties having similar interests. The Board is confident that such business relationships do not materially affect the ability of the aforesaid directors to carry out their duties in an impartial and independent manner and therefore have determined that such directors are independent directors as contemplated in the Governance Guidelines.

The Board has functioned, and is of the view that it can continue to function, independently of management, as required. The Board has appointed Rudolph Bratty, as non-executive Chairman of the Board. Directors are free to add items to agendas or to request the calling of Board meetings where deemed necessary and all members of the Board are invited to raise issues not on the agenda at Board meetings. Board meetings are held at least four times a year. During the year ended September 30,

2018, the Board met four times. The attendance record of the directors during that period was as follows: Marc Muzzo: 2; Stanley Goldfarb: 4; Rudolph Bratty: 4; John Craig 4; John Daniels: 2; and Richard Gambin: 4.

The Board on occasion has met without management present where deemed appropriate. The Audit and Compensation Committee does meet with the auditors without management present.

The Corporation has no women on the Board and no women in senior executive positions. The Board is fully aware that boards of public companies in Canada and elsewhere are being encouraged to address board renewal and the representation of women on boards and at the senior executive level. However the Corporation has been gradually winding down its activities and distributing cash by way of dividends to its shareholders. As of December 31, 2017 the Corporation had sold substantially all of its residential land inventory and all of its industrial land holdings and investment properties.

Given this reduced activity level, the Board determined that it was not advisable at this time to consider term limits or other mechanisms for change to the make-up of the Board or at the senior executive level. For the same reasons, it was determined not to seek out women to fill any of such roles or to set targets for the representation of women in such roles. Should the Corporation's activity level increase, the Board intends to review such matters again.

Board Relationships With Other Reporting Issuers

Several of the directors serve as directors of other reporting issuers more particularly described below:

<u>Director</u>	<u>Other Reporting Issuers</u>
Rudolph Bratty	Brampton Brick Limited
John H. Craig	Africa Oil Corp. Corsa Coal Corp. Lundin Mining Corporation
Stanley Goldfarb	Firm Capital Mortgage Investment Trust Firm Capital Property Trust

None of the directors of the Corporation

- (a) is, as at the date hereof or has been within 10 years before the date hereof, a director or executive officer of any company, that while that person was acting in that capacity:
- (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (ii) was subject to an event that resulted, after the director or executive officer ceased to be a director or executive officer, in the company being the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days;
 - (iii) or within a year of that person ceasing to act in that capacity, become a 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, state the fact; or

- (b) has, within the 10 years before the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director.

save and except as follows:

John Craig was a director of Sirocco Mining Inc. ("Sirocco") until November 8, 2013. On October 13, 2014, RB Energy Inc. ("RB Energy") a successor company to Sirocco filed for protection under the Companies' Creditors Arrangement Act ("CCAA"). Although John Craig was never a director, officer or insider of RB Energy, he was a director of Sirocco within the 12 month period prior to RB Energy filing under the CCAA.

Board Mandate

The Mandate of the board is attached as Schedule "A" to this Management Information Circular.

Position Descriptions

The Corporation has developed position descriptions for the Board under the terms of the Charter of the Board of Directors and for the Chief Executive Officer. The Corporation has developed a position description for a Lead Director but, as the Board has a Non-Executive Chairman, it currently does not have a lead director. Any responsibility which is not delegated to management or a Board committee remains with the Board.

Orientation and Continuing Education

Given the extensive experience of senior management in the real estate development business in the Greater Toronto Area, it has not been necessary for the Board to encourage senior management to participate in appropriate professional and personal development activities, courses and programs relative to the Corporation's business. In addition, from the standpoint of governance, the Board has adopted a standard Charter for the Board of Directors, a Code of Business Conduct for all Directors, Officers and Senior Employees, a Timely Disclosure, Confidentiality and Insider Trading Policy and a Whistleblower Policy. It has also developed a Role Statement for the Corporation's Chief Executive Officer and has created a Corporate Governance and Nominating Committee. In addition, each director is provided with a corporate handbook which includes copies of relevant National Instruments and Policies relative to the responsibilities of directors of reporting issuers.

The Board, as presently constituted and the proposed nominees for election, bring together a mix of skills, background, ages and attitudes that the Board considers appropriate to the stewardship of the Corporation. In particular, the Board represents many years of considerable experience in the real estate industry in the Greater Toronto Area where the Corporation's business activities are concentrated. The periodic review of this issue has been mandated to the Corporate Governance and Nominating Committee.

The Board has constituted the Corporate Governance and Nominating Committee to be comprised exclusively of outside directors, all of whom are independent directors, to assess the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors, as well as the orientation and education for new members of the Board.

Ethical Business Conduct

The Corporation has adopted a code of Business Conduct for directors, officers and employees, a copy of which can be obtained from the Corporation by contacting the Chief Financial Officer at the Corporation's offices located at 400 Bradwick Drive, Suite 125, Concord, Ontario L4K 5V9.

Copies of the Code have been provided to each director, officer and senior employee, each of whom have acknowledged that they have received and read the Code.

On those occasions where the Board of the Corporation is considering any matter where a Board member may have a personal interest that might constitute a conflict of interest, the Board member affected declares his interest and refrains from participating in the discussions or voting on the issue.

Corporate Governance and Nominating Committee

The Board has created a Corporate Governance and Nominating Committee which consists of three members: John H. Craig, Richard Gambin, Jr. and Rudolph Bratty. The Committee is responsible for monitoring corporate governance issues and for proposing new nominees to the Board and for assessing the performance of directors on an ongoing basis as well as the orientation of new directors.

The Mandate of the Corporate Governance and Nominating Committee includes:

- Assessing the effectiveness of the Board of Directors as a whole as well as discussing the contribution of individual members;
- Assessing and improving the Corporation's governance practices;
- Proposing new nominees for appointment to the Board of Directors as required; and
- Orienting new Directors.

The Corporate Governance and Nominating Committee did not meet during the year ended September 30, 2018.

Audit and Compensation Committee

The Audit and Compensation Committee is currently composed of three directors, all of whom are independent. Having regard to new corporate governance standards developed with regard to the makeup and responsibilities of audit committees, the Board requested the Corporation's outside legal counsel to analyze the independence and skill set of the members of the Audit and Compensation Committee. As a result of this analysis, it was determined that all of the existing members of the Audit and Compensation Committee were independent and financially literate, as that term is defined in the new standards.

Following is the educational background and business background relevant to the ability of the current members of the Audit and Compensation Committee to perform their duties:

Rudolph Bratty: Member of or previously a member of several audit committees including The Toronto Sun, C.T. Financial, Brampton Brick Limited; President and Chief Executive Officer of Ruland Realty Limited, and Chairman of The Erin Mills Development Corporation, both real estate development companies; holds an LLB.

John Daniels: Chairman of Daniels Corporation, a real estate development company; holds a B. Arch, M.R.A.I.C..

Richard Gambin: President of Ricgam Investments Ltd., formerly Solicitor and Partner, Gambin RDQ, LLP, and acted for major financial institutions in land acquisitions, land development and construction financing; holds a BA (Administrative and Commercial Studies) and an LLB.

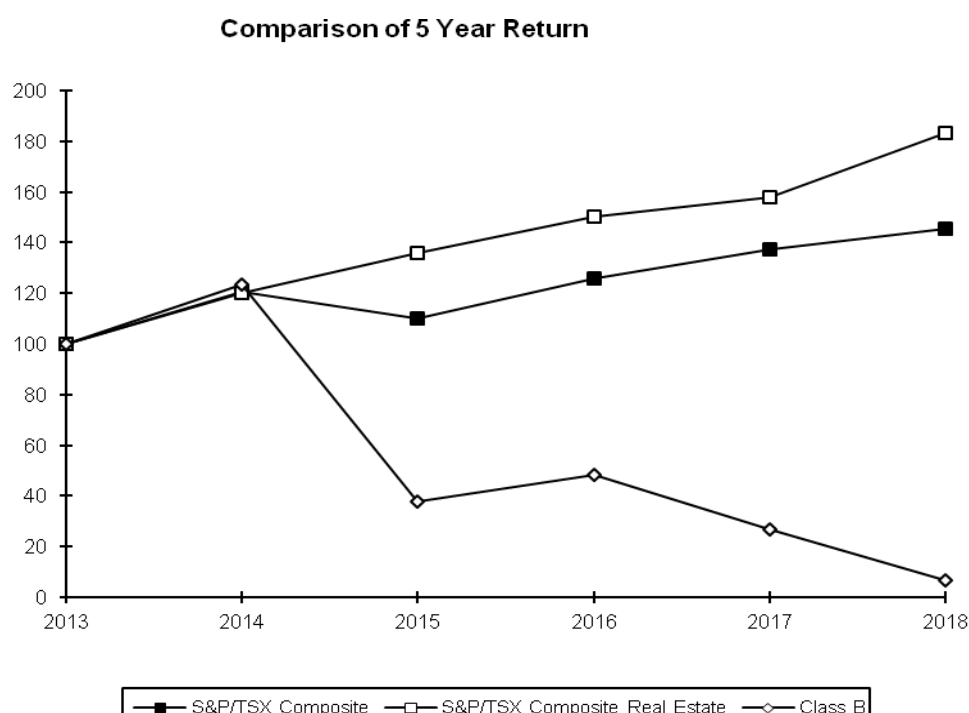
The Audit and Compensation Committee met on four occasions during year ended September 30, 2018. The attendance record was as follows: Rudolph Bratty: 4; Richard Gambin: 4; and John Daniels: 2.

The roles and responsibilities of the Audit and Compensation Committee have been specifically defined under its Charter which includes responsibility for reviewing all financial information, including annual and quarterly financial statements, reviewing reports prepared by the external auditors relating to the Corporation's accounting policies and procedures as well as internal control procedures and systems. The Audit and Compensation Committee has direct communication channels with the external auditors. Due to its size, the Corporation has no formal internal audit process. The Charter of the Audit and Compensation Committee meets the new standards established by securities regulators.

Assessments of Board Effectiveness

See "Corporate Governance and Nominating Committee".

Performance Graph of the Corporation



September 30	2013	2014	2015	2016	2017	2018
S&P/TSX Composite	100.00	120.38	110.29	125.96	137.53	145.61
S&P/TSX Composite Real Estate	100.00	120.24	135.67	150.44	158.01	183.17
Class B	100.00	123.66	37.63	48.39	26.88	6.72

Appointment of Auditors

Unless authority to do so is withheld, the persons named in the enclosed form of proxy intend to vote for the appointment of the firm of PricewaterhouseCoopers LLP, the Corporation's current auditors, as auditors of the Corporation, to hold office until the next annual meeting of shareholders.

A copy of the Audit Committee Charter is attached hereto as Schedule "B".

The following table sets forth the aggregate amount of fees paid and accrued to PricewaterhouseCoopers LLP, the Corporation's external auditors for the fiscal years 2018 and 2017:

<u>Year</u>	<u>Audit Fees</u>	<u>Tax Fees</u>
2018	\$19,500	\$6,000
2017	\$36,000	\$15,000

Interest of Insiders in Material Transactions

In the normal course of business, the Corporation may purchase lots within housing joint ventures from companies partly owned by insiders of the Corporation and certain insiders are also participants in some of the land owned by the joint ventures and in the joint ventures themselves. The quantum of these various involvements is set forth in detail in the Notes to the Corporation's year end financial statements and the accompanying Management's Discussion and Analysis.

Interim Financial Statements

Pursuant to National Instrument 51-102 published by the Canadian Securities Administrators, the Corporation no longer has an obligation to mail interim financial statements to registered holders of its securities if the Corporation sends the interim financial statements to the registered holders and beneficial holders whose names appear on a supplemental mailing list. The Corporation will maintain a supplemental mailing list containing the names of the holders of the securities of the Corporation to whom the interim financial statements of the Corporation will be mailed for such purposes. A return card is enclosed with the material accompanying this Circular permitting shareholders to request that they be placed on the supplemental mailing list in accordance with the foregoing.

Consolidation

As at February 20, 2019, there were 20,575,866 Class B shares issued and outstanding. The Corporation considers it advisable to have the ability to consolidate the issued and outstanding Class B shares on the basis of one (1) "new" Class B share (the "**New Shares**") for up to every twenty (20) "old" Class B shares then issued and outstanding at the applicable time (the "**Consolidation**"). The Corporation believes that completion of a share consolidation may facilitate the ability of the Corporation to effect future financings and seek out other business opportunities.

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to pass, with or without variation, a special resolution in substantially the form set out in Schedule "C" hereto (the "**Consolidation Resolution**"), subject to such amendments, variations or additions as may be approved at the Meeting, to approve the Consolidation. The Board recommends the adoption of the Consolidation Resolution. To be effective, the Consolidation Resolution must be approved by not less than two-thirds of the votes cast by the Shareholders present in person or represented by proxy at the Meeting. The Consolidation remains subject to the receipt of all applicable regulatory approvals, including the TSX-V (NEX) and there can be no assurance that such approvals can be obtained.

Non-registered shareholders holding their Class B shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have various procedures for processing the Consolidation. If a shareholder holds Class B shares with such a bank, broker or other nominee and has any questions in this regard, the shareholder is encouraged to contact its nominee. No fractional shares will be issued upon the Consolidation. If as a result of the Consolidation a shareholder becomes entitled to a fractional New Class B Share, such fraction will be rounded down to the nearest whole number.

In the event that the Corporation proceeds with the Consolidation (as defined below), a letter of transmittal will be distributed by the Corporation to be utilized by shareholders in transmitting their share certificates to the Corporation's registrar and transfer agent, Computershare Investor Services Inc. in exchange for new certificates reflecting the Consolidation. **Please do not send the letter of transmittal or share certificates to Computershare Investor Services Inc. until the Corporation announces by press release that the Consolidation will become effective.** No delivery of a certificate evidencing a new share certificate reflecting the Consolidation to a shareholder will be made until the shareholder has surrendered its current issued certificates. In the event that a Consolidation is completed, until surrendered, each certificate formerly representing old Class B shares shall be deemed for all purposes to represent the number of New Class B shares to which the holder is entitled as a result of the Consolidation.

Risk Associated with the Share Consolidation

There can be no assurance that the market price of the consolidated Class B shares will increase as a result of the Consolidation. The marketability and trading liquidity of the consolidated Class B shares of the Corporation may not improve and could be adversely affected. The Consolidation may result in some shareholders owning "odd lots" of less than 100 or 1,000 shares which may be more difficult for such shareholders to sell or which may require greater transaction costs per Class B share to sell.

Principal Effects of the Consolidation

The Consolidation will not have a dilutive effect on the Corporation's Class B shareholders since each shareholder will hold the same percentage of Class B shares outstanding immediately following the Consolidation as such Class B shareholders held immediately prior to the Consolidation.

Should the board of directors decide to proceed with the Consolidation at the time they deem appropriate, the principal effects of the Consolidation would include the following:

- (i) based on the number of issued and outstanding Class B shares at February 20, 2019, the number of issued and outstanding Class B shares would be reduced from 20,575,866 Class B shares to 1,025,793 Class B shares based on a consolidation ratio of 1 new Class B share for each 20 existing Class B shares; and
- (ii) as the Corporation currently has an unlimited number of Class B shares authorized for issuance, the Consolidation will not have any effect on the number of Class B shares of the Corporation available for issuance.

Approval of the Consolidation Resolution will be obtained if two-thirds of the votes cast by the Shareholders are in favour thereof. The Board has concluded that the ability to complete the Consolidation as described above is in the best interests of the Corporation and the Shareholders. Accordingly, the Board recommends that Shareholders vote IN FAVOUR of the Consolidation Resolution. The management representatives named in the attached form of proxy intend to vote the Class B shares represented by such proxy IN FAVOUR of the approval of the Consolidation Resolution unless a Shareholder specifies in the proxy that their Class B shares are to be voted against the approval of the Consolidation Resolution.

General

Management knows of no matters to come before the Meeting other than the matters referred to in the Notice of Annual meeting of Shareholders. However, if any other matters which are not now known to

Management should properly come before the Meeting, the proxy solicited hereby will be voted on such matters in accordance with the best judgment of the person voting the proxy.

Directors' Approval

The contents and the sending of this Circular to shareholders of the Corporation have been approved by the Board.

DATED: February 20, 2019.

(signed) John H. Craig
Secretary

SCHEDULE A

MANDATE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Board of Directors is responsible for the stewardship of the business and for acting in the best interests of the Company and its shareholders. The Board of Directors will discharge its responsibilities directly and through its committees, currently consisting of the Audit and Compensation Committee, and the Corporate Governance and Nominating Committee. The Board of Directors shall meet at least quarterly to review the business operations, corporate governance and financial results of the Company. Meetings of the Board of Directors shall also include meetings as required of the independent members of the Board without management being present.

II. COMPOSITION

The Board of Directors shall be constituted at all times of a majority of independent directors in accordance with Multilateral Instrument 58-201. The Chairman of the Board should also be independent or alternatively the Board will appoint an independent lead director. A director is considered to be "independent" if he or she has no direct or indirect material relationship which could in the view of the Board of Directors reasonably interfere with the exercise of a director's independent judgment. Notwithstanding the foregoing, a director shall be considered to have a material relationship with the Company (and therefore shall be considered a "dependent" director) if he or she falls in one of the categories listed in Schedule A-1 attached hereto.

III. RESPONSIBILITIES

The Board of Directors' mandate is the stewardship of the Company and its responsibilities include, without limitation to its general mandate, the following specific responsibilities:

- The assignment to the various committees of directors the general responsibility for developing the Company's approach to: (i) corporate governance and nomination of directors related issues; (ii) financial reporting and internal controls; and (iii) issues relating to compensation of officers and employees.
- With the assistance of the Corporate Governance and Nominating Committee:
 - Developing the Company's approach to corporate governance, including developing a set of corporate governance principles and guidelines specific to the Company.
 - Reviewing the composition of the Board of Directors and ensuring it respects its independence criteria.
 - Satisfying itself as to the integrity of the Chief Executive Officer and other senior officers and that such officers create a culture of integrity throughout the organization.
 - The assessment, at least annually, of the effectiveness of the Board of Directors as a whole, the committees of the Board of Directors and the contribution of individual directors, including, consideration of the appropriate size of the Board of Directors.
 - Ensuring that an appropriate review selection process for new nominees to the Board of Directors is in place.

- Ensuring that an appropriate orientation and education program for new members of the Board of Directors is in place.
- Approving disclosure and securities compliance policies, including communications policies of the Company.
- With the assistance of the Audit and Compensation Committee:
 - Recommending the appointment of the auditors and assessing the performance of the auditors.
 - Ensuring the integrity of the Company's internal controls and management information systems.
 - Ensuring the Company's ethical behaviour and compliance with laws and regulations, audit and accounting principles and the Company's own governing documents.
 - Identification of the principal risks of the Company's business and ensuring that appropriate systems are in place to manage these risks.
 - Reviewing and approving significant operational and financial matters and the provision of direction to management on these matters.
 - As required and agreed upon, providing assistance to shareholders concerning the integrity of the Company's reported financial performance.
- With the assistance of the Audit and Compensation Committee and the Chief Executive Officer, the establishment of appropriate performance criteria for the senior management team and the approval of the compensation of the senior management team.
- With the assistance of the Chief Executive Officer, monitor and review feedback provided by the Company's various stakeholders.
- Succession planning and the selection, appointment, monitoring evaluation and, if necessary, the replacement of the senior management to ensure management succession.
- The adoption of a strategic planning process, approval at least annually of a strategic plan that takes into account business opportunities and business risks identified by the Board and/or the Audit and Compensation Committee and monitoring performance against such plans.
- The review and approval of corporate objectives and goals applicable to the Company's senior management and monitoring realization of those objectives.
- Reviewing with senior management:
 - major corporate decisions which require Board approval and approving such decisions as they arise.
 - major capital expenditure decisions in excess of thresholds previously authorized in a budget or by resolution of the Board of Directors.

- material decisions relating to senior personnel, major property acquisitions or divestments, major investments, etc.
- Performing such other functions as prescribed by law or assigned to the Board of Directors in the Company's constating documents and by-laws.

IV. MISCELLANEOUS

1. The members of the Board are expected to attend all meetings of Board of Directors unless prior notification of absence is provided.
2. The members of the Board are required to have reviewed board materials in advance of the meeting and be prepared to discuss such materials at the meeting, to actively participate in Board deliberations, and to take full responsibility for Board decisions.
3. Board members will treat their fellow board members with respect.
4. The members of the Board should endeavour to avoid conflicts between their own personal interests and those of the Company and, where conflicts exist, to fully disclose such conflicts to the Board and refrain from participating in decisions relating to the subject matter of such conflicts.
5. The Board shall provide contact information on the website of the Company or, if no website exists, in the Company's Annual Information Form, of an independent director responsible for receiving feedback from shareholders and such director will report to the whole Board on a regular basis on the feed back received.

February 10, 2005

Schedule A-1

Subject to the exemptions available under Multilateral Instrument 52-110 Audit Committees, the following individuals are considered to have a material relationship with the Company:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Company;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
- (c) an individual who:
 - (i) is a partner of a firm that is the Company's internal or external auditor;
 - (ii) is an employee of that firm; or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the Company's internal or external auditor;
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Company's audit within that time;
- (e) an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the Company's current executive officers serves or served at the same time on the entity's compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the Company received, more than \$75,000 in direct compensation from the Company during any 12 month period within the last three years, other than as remuneration for acting in his or her capacity as a member of the Board of Directors or any Board committee, or the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service for the Company if the compensation is not contingent in any way on continued service.

Schedule "B"

CONSOLIDATED HCI HOLDINGS CORPORATION

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The Audit Committee is a committee of the Board of Directors of Consolidated HCI Holdings Corporation (the "Corporation"). The primary function of the Audit Committee is to assist the Board of Directors in fulfilling its financial reporting and controls responsibilities to the shareholders of the Corporation and the investment community. The external auditors will report directly to the Audit Committee. The Audit Committee's primary duties and responsibilities are:

- overseeing the integrity of the Corporation's financial statements and reviewing the financial reports and other financial information provided by the Corporation to any governmental body or the public and other relevant documents;
- recommending the appointment and reviewing and appraising the audit efforts of the Corporation's independent auditor, overseeing the independent auditor's qualifications and independence and providing an open avenue of communication among the independent auditor, financial and senior management and the Board of Directors;
- serving as an independent and objective party to oversee and monitor the Corporation's financial reporting process and internal controls, the Corporation's processes to manage business and financial risk, and its compliance with legal, ethical and regulatory requirements;
- encouraging continuous improvement of, and fostering adherence to, the Corporation's policies, procedures and practices at all levels.

II. COMPOSITION AND MEETINGS

The Audit Committee shall be comprised of at least three directors. Unless otherwise authorized by the Board of Directors, each Committee member shall be:

- an "unrelated director" as such term is defined in Schedule A; and
- "independent" as such term is defined in Schedule A.

In addition, unless otherwise authorized by the Board of Directors, no director shall be qualified to be a member of the Audit Committee if such director receives (or his/her immediate family member or the entity for which such director is a director, member, partner or principal and which provides consulting, legal, investment banking, financial or other similar services to the Corporation), directly or indirectly, any consulting, advisory, or other compensation from the Corporation other than compensation for serving in his or her capacity as member of the Board and as a member of Board committees.

All members shall, to the satisfaction of the Board of Directors, be "financially literate" as defined in Schedule A, and at least one member shall have accounting or related financial management expertise to qualify as a "financial expert" as defined in Schedule A.

The members of the Committee shall be appointed by the Board at the annual organizational meeting of the Board or until their successors shall be duly appointed and qualified. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.

The Committee shall meet at least four times annually, or more frequently as circumstances require. The Committee shall meet within 45 days following the end of each of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related Management Discussion & Analysis and shall meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the year and related Management Discussion & Analysis prior to their publishing.

The Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their audit related duties, members of the Committee shall have full access to all corporate information and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and independent auditors of the Corporation.

As part of its job to foster open communication, the Committee should meet at least annually with management and the independent auditor in separate executive sessions to discuss any matters that the Committee or each of these groups believe should be discussed privately. In addition, the Committee should meet with management quarterly to review the Corporation's financial statements with access to the independent auditor if it so requires.

Quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as the Audit Committee or the Chairman of the Committee shall determine upon 48 hours notice to each of members. The notice period may be waived by a quorum of the Committee. Each of the Chairman of the Committee, members of the Committee, Chairman of the Board, independent auditors, Chief Executive Officer, Chief Financial Officer or Secretary shall be entitled to request that the Chairman of the Audit Committee call a meeting which shall be held within 48 hours of receipt of such request.

III. RESPONSIBILITIES AND DUTIES

To fulfill its responsibilities and duties the Audit Committee shall:

1. Create an agenda for the ensuing year.
2. Review and update this Charter at least annually, as conditions dictate.
3. Describe briefly in the Corporation's annual report and more fully in the Corporation's Management Information Circular the Committee's composition and responsibilities and how they were discharged.
4. Report periodically to the Board of Directors.

Documents/Reports Review

5. Review with management and the independent auditors, the organization's interim and annual financial statements, management discussion and analysis and any reports or other financial information to be submitted to any governmental body, or the public, including any certification, report, opinion, or review rendered by the independent auditor for the purpose of recommending their approval to the Board of Directors prior to their filing, issue or publication.
6. Review with financial management and the independent auditor the Corporation's financial statements, MD&A's and earnings releases and any filings which contain financial information, to

be filed with regulatory bodies such as securities commissions prior to filing or prior to the release of earnings. The Chair of the Committee may represent the entire Committee for purposes of this review in circumstances where time does not allow the full Committee to be available.

Independent Auditor

7. Recommend to the Board of Directors the selection of the independent auditor, consider the independence and effectiveness and approve the fees and other compensation to be paid to the independent auditor.
8. Monitor the relationship between management and the independent auditor including reviewing any management letters or other reports of the independent auditor and discussing any material differences of opinion between management and the independent auditor.
9. Review and discuss, on an annual basis, with the independent auditor all significant relationships they have with the Corporation to determine their independence and report to the Board of Directors.
10. Review and approve requests for any management consulting engagement to be performed by the independent auditor and be advised of any other study undertaken at the request of management that is beyond the scope of the audit engagement letter and related fees.
11. Review the performance of the independent auditor and approve any proposed discharge and replacement of the independent auditor when circumstances warrant. Consider with management and the independent auditor the rationale for employing accounting/auditing firms other than the principal independent auditor.
12. Periodically consult with the independent auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the organization's financial statements. Particular emphasis should be given to the adequacy of internal controls to expose any payments, transactions, or procedures that might be deemed illegal or otherwise improper.
13. Arrange for the independent auditor to be available to the Audit Committee and the full Board of Directors as needed. Ensure that the auditors report directly to the Audit Committee and are made accountable to the Board and the Audit Committee, as representatives of the shareholders to whom the auditors are ultimately responsible.
14. Oversee the work of the independent auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services.
15. Ensure that the independent auditors are prohibited from providing the following non-audit services and determining which other non-audit services the independent auditors are prohibited from providing:
 - a. bookkeeping or other services related to the accounting records or financial statements of the Corporation;
 - b. financial information systems design and implementation;
 - c. appraisal or valuation services, fairness opinions, or contribution-in-kind reports;
 - d. actuarial services;
 - e. internal audit outsourcing services;
 - f. management functions or human resources;
 - g. broker or dealer, investment adviser or investment banking services;
 - h. legal services and expert services unrelated to the audit; and
 - i. any other services which the Public Company Accounting Oversight Board determines to be impermissible.
16. Approve any permissible non-audit engagements of the independent auditors, in accordance with applicable legislation.

Financial Reporting Processes

17. In consultation with the independent auditor review the integrity of the organization's financial and accounting controls and reporting processes, both internal and external.
18. Consider the independent auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
19. Consider and approve, if appropriate, major changes to the Corporation's accounting principles and practices as suggested by management with the concurrence of the independent auditor and ensure that the accountants' reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

20. At least annually obtaining and reviewing a report prepared by the independent auditors describing (i) the auditors' internal quality-control procedures; and (ii) any material issues raised by the most recent internal quality-control review, or peer review, of the auditors, 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 auditors, and any steps taken to deal with any such issues.
21. Establish regular and separate systems of reporting to the Audit Committee by each of management and the independent auditor regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
22. Review the scope and plans of the independent auditor's audit and reviews prior to the audit and reviews being conducted. The Committee may authorize the independent auditor to perform supplemental reviews or audits as the Committee may deem desirable.
23. Following completion of the annual audit and quarterly reviews, review separately with each of management and the independent auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the independent auditor received during the course of the audit and reviews.
24. Review any significant disagreements among management and the independent auditor in connection with the preparation of the financial statements.
25. Where there are significant unsettled issues the Committee shall ensure that there is an agreed course of action for the resolution of such matters.
26. Review with the independent auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
27. Review activities, organizational structure, and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning within the Corporation are raised for consideration at the full Board of Directors.

Ethical and Legal Compliance

28. Review management's monitoring of the Corporation's system in place to ensure that the

Corporation's financial statements, reports and other financial information disseminated to governmental organizations, and the public satisfy legal requirements.

29. Review, with the organization's counsel, legal and regulatory compliance matters, including corporate securities trading policies, and matters that could have a significant impact on the organization's financial statements.

Risk Management

30. Make inquiries of management and the independent auditors to identify significant business, political, financial and control risks and exposures and assess the steps management has taken to minimize such risk to the Corporation.
31. Ensure that the disclosure of the process followed by the Board of Directors and its committees, in the oversight of the Corporation's management of principal business risks, is complete and fairly presented.
32. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage.

General

33. Conduct or authorize investigations into any matters within the Committee's scope of responsibilities. The committee shall be empowered to retain independent counsel, accountants and other professionals to assist it in the conduct of any investigation.
34. Perform any other activities consistent with this Charter, the Corporation's By-laws and governing law, as the Committee or the Board of Directors deems necessary or appropriate.

May 18, 2004

Schedule A

Unrelated Director – TSX Proposed Corporate Governance Guidelines

An "unrelated director", in accordance with the proposed *Corporate Governance Guidelines* of the Toronto Stock Exchange, means a director who is:

- (a) not a member of management and is free from any interest and any business, family or other relationship which could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from holdings in the Corporation;
- (b) not currently, or has not been (and who does not have an immediate family member who is currently or has been) within the last five years, an officer, employee of or material service provider (which includes without limitation, the auditors of the Corporation) to the Corporation or any of its subsidiaries or affiliates; and
- (c) not a director (or similarly situated individual) officer, employee or significant shareholder of an entity that has a material business relationship with the Corporation.

Independence Requirement of Proposed Multilateral Instrument 52-110

A member of the Audit Committee shall be considered "independent", in accordance with *Proposed Multilateral Instrument 52-110 - Audit Committees* ("MI 52-110") if that member has no direct or indirect relationship with the issuer, which could reasonably interfere with the exercise of the member's independent judgment. The following persons are considered to have a material relationship with the issuer and, as such, can not be a member of the Audit Committee:

- (a) a person who is, or whose immediate family member is, or at any time during the prescribed period has been, an officer or employee of the issuer, its parent, or of any of its subsidiary entities or affiliated entities;
- (b) a person who is, or has been, an affiliated entity of, a partner of, or employed by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- (c) a person whose immediate family member is, or has been, an affiliated entity of, a partner of, or employed in a professional capacity by, a current or former internal or external auditor of the issuer, unless the prescribed period has elapsed since the person's relationship with the internal or external auditor, or the auditing relationship, has ended;
- (d) a person who is, or has been, or whose immediate family member is or has been, employed as an executive officer of any entity if any of the issuer's current executives serve on the entity's compensation committee, unless the prescribed period has elapsed since the end of the service or employment;
- (e) a person who accepts, or has accepted at any time during the prescribed period, directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the audit committee, the board of directors, or any other board committee; and
- (f) a person who is an affiliated entity of the issuer or any of its subsidiary entities.

Financial Literacy Under Proposed Multilateral Instrument 52-110

"Financially literate", in accordance with MI 52-110, means that the director has 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.

Financial Expert Under Proposed Multilateral Instrument 52-110

A person will qualify as "financial expert", in accordance with MI 52-110, if he or she possesses the following attributes:

- (a) an understanding of financial statements and generally accepted accounting principles used by the Corporation to prepare its financial statements;
- (b) an ability to assess the general application of such principles in connection with the accounting for estimates, accruals and reserves;
- (c) 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 one or more persons engaged in such activities;
- (d) an understanding of internal controls and procedures for financial reporting; and
- (f) an understanding of audit committee functions.

SCHEDULE "C"

CONSOLIDATION RESOLUTION

BE IT HEREBY RESOLVED AS A SPECIAL RESOLUTION THAT:

1. the Articles of the Corporation be amended to provide that the issued and outstanding Class B shares of the Corporation immediately upon the effective date of such action, be consolidated on the basis of one "new" Class B share for up to every twenty Class B shares then issued and outstanding, such final basis of consolidation to be determined at the discretion of the board of directors of the Corporation (the "**Consolidation**");
2. the preparation, execution and filing of the articles of amendment evidencing the Consolidation, be and is hereby authorized and approved in such form as may be approved by any director or officer, the execution and filing of such articles of amendment being conclusive evidence of such approval;
3. notwithstanding the approval of this special resolution, the directors of the Corporation be and are hereby authorized and empowered to revoke this special resolution at any time prior to the filing of such articles of amendment to effect the Consolidation without further approval of the shareholders of the Corporation;
4. any director or officer of the Corporation be, and such director or officer of the Corporation hereby is, authorized, instructed and empowered, acting for, in the name of and on behalf of the Corporation, to do or to cause to be done all such other acts and things in the opinion of such director or officer of the Corporation as may be necessary or desirable in order to fulfill the intent of this special resolution; and
5. upon the articles of amendment giving effect to the Consolidation becoming effective in accordance with the provisions of the *Canada Business Corporations Act*, the Articles of the Corporation shall be amended accordingly.