

## **CBD MED RESEARCH CORP.**

#1200 – 750 West Pender Street  
Vancouver, British Columbia  
Canada V6B 1N2

### **MANAGEMENT INFORMATION CIRCULAR**

as at **September 17, 2018**

**This Management Information Circular (“Information Circular”) is furnished in connection with the solicitation of proxies by management of CBD Med Research Corp. (the “Company”) for use at the annual general and special meeting (the “Meeting”) of shareholders of the Company (the “Shareholders”) to be held on October 24, 2018 and any adjournment thereof, for the purposes set forth in the attached Notice of Annual General and Special Meeting. Except where otherwise indicated, the information contained herein is stated as of September 17, 2018.**

In this Information Circular, references to the “**Company**” and “**we**” refer to CBD Med Research Corp. “**Common Shares**” means common shares without par value in the capital of the Company. “**Registered Shareholders**” means Shareholders whose names appear on the records of the Company as the registered holders of Common Shares. “**Non-Registered Shareholders**” means Shareholders who do not hold Common Shares in their own name. “**Intermediaries**” refers to brokers, investment firms, clearing houses and similar entities that own securities on behalf of Non-Registered Shareholders.

### **GENERAL PROXY INFORMATION**

#### **Solicitation of Proxies**

The solicitation of proxies will be primarily by mail, but proxies may be solicited personally or by telephone by directors, officers and regular employees of the Company. The Company will bear all costs of this solicitation. We have arranged to send meeting materials directly to Registered Shareholders, as well as Non-Registered Shareholders who have consented to their ownership information being disclosed by the Intermediary holding the Common Shares on their behalf (non-objecting beneficial owners). We have not arranged for Intermediaries to forward the meeting materials to Non-Registered Shareholders who have objected to their ownership information being disclosed by the Intermediary holding the Common Shares on their behalf (objecting beneficial owners) under National Instrument 54-101 *Communication with Beneficial Owners of Securities of a Reporting Issuer*. As a result, objecting beneficial owners will not receive the Information Circular and associated meeting materials unless their Intermediary assumes the costs of delivery.

#### **Appointment and Revocation of Proxies**

The individuals named in the accompanying form of proxy (the “**Proxy**”) are officers or directors of the Company. **If you are a Registered Shareholder, you have the right to attend the Meeting or vote by proxy and to appoint a person or company other than the person designated in the Proxy, who need not be a Shareholder, to attend and act for you and on your behalf at the Meeting.** You may do so either by inserting the name of that other person in the blank space provided in the Proxy or by completing and delivering another suitable form of Proxy. Registered Shareholders electing to submit a Proxy may do so by:

- (i) Completing, dating and signing the enclosed form of Proxy and returning it to the Company’s transfer agent, Computershare Investor Services Inc. (“**Computershare**”), by fax within North America at 1-866-249-7775, or by mail or hand delivery at 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, Canada; or
- (ii) Using a touch-tone phone to transmit voting choices to the toll-free number given in the Proxy. Registered Shareholders who choose this option must follow the instructions of the voice response system and refer to the enclosed Proxy for the toll-free number, the holder’s account number and the Proxy Control Number.

You should ensure that the Proxy is received at least 48 hours before the Meeting or the adjournment thereof at which the Proxy is to be used.

Every Proxy may be revoked by an instrument in writing:

- (i) executed by the Shareholder or by his/her attorney authorized in writing or, where the Shareholder is a company, by a duly authorized officer or attorney of the Company; and
- (ii) delivered either to the registered office of the Company 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 to the chairman of the Meeting on the day of the Meeting or any adjournment thereof,

or in any other manner provided by law.

**Only Registered Shareholders have the right to revoke a Proxy. Non-Registered Shareholders who wish to change their vote must, at least seven days before the Meeting, arrange for their respective Intermediaries to revoke the Proxy on their behalf.** If you are a Non-Registered Shareholder, see “Voting by Non-Registered Shareholders” below for further information on how to vote your Common Shares.

#### **Exercise of Discretion by Proxyholder**

If you vote by proxy, the persons named in the Proxy will vote or withhold from voting the Common Shares represented thereby in accordance with your instructions on any ballot that may be called for. If you specify a choice with respect to any matter to be acted upon, your Common Shares will be voted accordingly. The Proxy confers discretionary authority on the persons named therein with respect to:

- (i) each matter or group of matters identified therein for which a choice is not specified,
- (ii) any amendment to or variation of any matter identified therein,
- (iii) any other matter that properly comes before the Meeting, and
- (iv) the exercise of discretion of the proxyholder.

**In respect of a matter for which a choice is not specified in the Proxy, the persons named in the Proxy will vote the Common Shares represented by the Proxy for the approval of such matter.** Management is not currently aware of any other matters that could come before the Meeting.

#### **Voting by Non-Registered Shareholders**

The following information is of significant importance to Shareholders who do not hold Common Shares in their own name. Non-Registered Shareholders should note that the only Proxies that can be recognized and acted upon at the Meeting are those deposited by Registered Shareholders.

If Common Shares are listed in an account statement provided to a Shareholder by an Intermediary, then in almost all cases those Common Shares will not be registered in the Shareholder’s name on the records of the Company. Such Common Shares will more likely be registered under the name of the Shareholder’s Intermediary or an agent of that Intermediary. In the United States, the vast majority of such Common Shares are registered under the name of Cede & Co. (the registration name for as the Depository Trust Company, which acts as nominee for many U.S. brokerage firms), and in Canada, under the name of CDS & Co. (the registration name for the Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms).

If you have consented to disclosure of your ownership information, you will receive a request for voting instructions from the Company (through Computershare). If you have declined to disclose your ownership information, you may receive a request for voting instructions from your Intermediary if they have assumed the cost of delivering the Information Circular and associated meeting materials. Every Intermediary has its own mailing procedures and provides its own return instructions to clients. However, most Intermediaries now delegate responsibility for obtaining voting instructions from clients to Broadridge Financial Solutions, Inc. (“**Broadridge**”) in the United States and in Canada.

If you are a Non-Registered Shareholder, you should carefully follow the instructions on the voting instruction form received from Computershare or Broadridge in order to ensure that your Common Shares are voted at the Meeting. The voting instruction form supplied to you will be similar to the Proxy provided to the Registered Shareholders by the Company. However, its purpose is limited to instructing the Intermediary on how to vote on your behalf.

The voting instruction form sent by Computershare or Broadridge will name the same persons as the Company’s proxy to represent you at the Meeting. Although as a Non-Registered Shareholder you may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of your Intermediary, you, or a person designated by you (who need not be a Shareholder), may attend at the Meeting as Proxyholder for your Intermediary and vote your Common Shares in that capacity. To exercise this right to attend the meeting or appoint a Proxyholder of your own choosing, you should insert your own name or the name of the desired representative in the blank space provided in the voting instruction form. Alternatively, you may provide other written instructions requesting that you or your desired representative attend the Meeting as Proxyholder for your Intermediary. The completed voting instruction form or other written instructions must then be returned in accordance with the instructions on the form.

**If you receive a voting instruction form from Computershare or Broadridge, you cannot use it to vote Common Shares directly at the Meeting – the voting instruction form must be completed as described above and returned in accordance with its instructions well in advance of the Meeting in order to have the Common Shares voted.**

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

Except as disclosed herein, no person has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in matters to be acted upon at the Meeting other than the election of directors and as set out herein. For the purpose of this paragraph, “person” shall include each person: (a) who has been a director, senior officer or insider of the Company at any time since the commencement of the Company’s last fiscal year; (b) who is a proposed nominee for election as a director of the Company; or (c) who is an associate or affiliate of a person included in subparagraphs (a) or (b).

#### **RECORD DATE AND QUORUM**

The board of directors (the “**Board**”) of the Company has fixed the record date for the Meeting as the close of business on September 17, 2018 (the “**Record Date**”). Shareholders of record as at the Record Date are entitled to receive notice of the Meeting and to vote their Common Shares at the Meeting, except to the extent that any such Shareholder transfers any Common Shares after the Record Date and the transferee of those Common Shares establishes that the transferee owns the Common Shares and demands, not less than ten (10) days before the Meeting, that the transferee’s name be included in the list of Shareholders entitled to vote at the Meeting, in which case, only such transferee shall be entitled to vote such Common Shares at the Meeting.

Under the Company’s articles, the quorum for the transaction of business at a meeting of shareholders is at least one person who is, or who represents by proxy, one or more shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the Meeting.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS OF VOTING SECURITIES**

On the Record Date, there were 7,671,526 Common Shares issued and outstanding, with each Common Share carrying the right to one vote. Only Shareholders of record at the close of business on the Record Date will be entitled to vote in person or by Proxy at the Meeting or any adjournment thereof.

To the knowledge of the directors and executive officers of the Company, as of the date of this Information Circular, there are no Shareholders who beneficially own, or exercise control or direction over, directly or indirectly, Common Shares carrying 10% or more of the issued and outstanding Common Shares of the Company.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

To the knowledge of the Company's directors, the only matters to be placed before the Meeting are those set forth in the accompanying notice of Meeting and more particularly discussed below.

### **Presentation of Financial Statements**

The annual financial statements of the Company for the financial years ended December 31, 2016 and December 31, 2017, together with the auditor's reports thereon, will be placed before the Meeting. The Company's financial statements are available on the System of Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com).

### **Election of Directors**

The Company proposes to fix the number of directors of the Company at five (5) and to nominate the persons listed below for election as directors. Each director will hold office until the next annual general meeting of the Company or until his successor is elected or appointed, unless his office is earlier vacated. Management does not contemplate that any of the nominees will be unable to serve as a director. If, prior to the Meeting, any vacancies occur in the slate of nominees herein listed, it is intended that discretionary authority shall be exercised by the person named in the Proxy as nominee to vote the Common Shares represented by Proxy for the election of any other person or persons as directors.

The following table sets out the names of the management nominees; their positions and offices in the Company; principal occupations; the period of time that they have been directors of the Company; and the number of Common Shares which each beneficially owns or over which control or direction is exercised.

<b>Name, Residence and Present Position within the Company</b>	<b>Director Since</b>	<b>Number of Shares Beneficially Owned, Directly or Indirectly, or Over Which Control or Discretion is Exercised<sup>(1)</sup></b>	<b>Principal Occupation<sup>(1)</sup></b>
<b>Gary F. Zak<sup>(2)</sup></b> British Columbia, Canada <i>Director &amp; CEO</i>	August 15, 2001	346,692	Businessman, director and officer of several listed companies.
<b>Kenneth Phillippe</b> British Columbia, Canada <i>Director &amp; CFO</i>	April 8, 2012	350,364	Self-employed chartered accountant, director and officer of several listed companies.
<b>H. Barry Hemsworth<sup>(2)</sup></b> British Columbia, Canada <i>Director</i>	August 21, 2001	81,535	Retired Barrister and Solicitor, director and officer of several reporting companies.
<b>Dr. K. Sethu Raman<sup>(2)</sup></b> Ontario, Canada <i>Director</i>	May 27, 2014	125,000	Exploration geologist with over 45 years of international experience in all phases of exploration, mine development, exploration concepts and strategies leading to the discovery of 11 significant gold, silver, zinc, phosphate and uranium deposits
<b>Binyomin Posen</b> Ontario, Canada <i>Proposed Director</i>	Nominee	Nil	Senior analyst at Plaza Capital Limited. CEO, CFO and director of Academy Explorations Ltd. since June 26, 2018. President, CEO, CFO, director and secretary at Agau Resources Inc. since March 21, 2018. Director of Tova Ventures II Inc. since June 18, 2018.

**Notes:**

- (1) The information as to principal occupation, business or employment, and Common Shares beneficially owned or controlled is not within the knowledge of the management of the Company and has been furnished by the respective nominees. Unless otherwise stated above, any nominees named above not elected at the last annual general meeting have held the principal occupation or employment indicated for at least the five preceding years.
- (2) Member of the audit committee.

**Binyomin Posen** is a senior analyst at Plaza Capital Limited, specializing in corporate finance, capital markets and assisting private companies with going public transactions. Mr. Posen began his career as an analyst at a Toronto boutique investment bank where his role consisted of raising funds for IPOs and RTOs, business development for portfolio companies and client relations. Mr. Posen has several years' experience serving on the board of directors and acting as a senior executive officer for public companies.

Except as described in this Information Circular, no proposed director of the Company is, or has been, within the 10 years prior to the date of this Information Circular, a director or executive officer of any company that:

- (a) was subject to 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, that was issued while that person was acting in that capacity;

- (b) was subject to 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, that was issued after the proposed director ceased to act in that capacity, and which resulted from an event that occurred while that person was acting in that capacity; or
- (c) while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

Mr. Phillippe was serving as an officer of Amazon Goldsands Ltd. (“**Amazon**”) when on June 3, 2010 the British Columbia Securities Commission issued an order that trading in Amazon (as an OTC reporting issuer under BC Instrument 51-509 *Issuers Quoted in the U.S. Over-The-Counter Markets*), cease until Amazon files the required records. Mr. Phillippe resigned as officer of Amazon on July 21, 2010.

Mr. Phillippe served as a director and officer of MX Gold Corp. (“**MX**”) when on January 10, 2018 the Executive Director of the British Columbia Securities Commission issued an order that trading in MX cease until it files the technical reports required by National Instrument 43-101 *Standards of Disclosure for Mineral Projects*. The MX cease trade order is still in effect.

Dr. Raman is a director of SGX Resources Inc. (“**SGX**”) an issuer that was subject to a cease trade order imposed by the Manitoba Securities Commission and the British Columbia Securities Commission in May 2016 for failure to file annual financial statements and the annual management’s discussion and analysis for the year ended December 31, 2015 within the period required by securities legislation. The cease trade order was revoked in December 2017 after SGX filed the required records.

No proposed director of the Company is, or has been, within the 10 years prior to the date of this Information Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director.

### **Appointment of Auditor**

Management is recommending that Shareholders vote to appoint MNP LLP of Suite 2200, 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3, as auditors of the Company until the next annual meeting of Shareholders and to authorize the directors to fix their remuneration.

### **Voluntary Delisting**

The Shareholders will be asked at the Meeting to consider and, if deemed appropriate, to pass, with or without variation, a resolution (the “**Delisting Resolution**”) authorizing the Company to voluntarily delist the Company’s Common Shares from the TSX Venture Exchange (the “**TSXV**”) and apply to list the Common Shares on the Canadian Stock Exchange (the “**CSE**”). The implementation of the delisting is conditional upon the Company obtaining any necessary regulatory consents. The Delisting Resolution also provides that the Board is authorized, in its sole discretion, to determine not to proceed with the proposed delisting, without further approval of the Shareholders. In particular, the Board may determine not to present the Delisting Resolution to the Meeting or, if the Delisting Resolution is presented to the Meeting and approved by the Shareholders, the Board may determine after the Meeting not to proceed with completion of the proposed delisting.

The Company announced on August 15, 2018 that it had entered into a non-binding letter of intent dated August 8, 2018 and amended September 20, 2018 (the “**LOI**”) with World Class Extractions Inc. (“**WCE**”). Pursuant to the LOI, the Company agreed to acquire 100% of the issued and outstanding shares of WCE from the shareholders of WCE by way of a share exchange (the “**Transaction**”). WCE is a Canadian-based developer of an innovative single step continuous flow extraction process for the hemp and cannabis industry. WCE’s patent pending technology produces higher yields and better quality crude hemp oil at faster rates. This technology enables the extraction of cannabidiol oil (“**CBD oil**”) and other related extracts from wet or dried natural plants.

The Company proposes to complete the Transaction after delisting its Common Shares from the TSXV and prior to listing its Common Shares on the CSE. In accordance with the policies of the TSXV, the TSXV requires majority of the minority shareholder approval for the voluntary delisting application.

At the Meeting, Shareholders will be asked to consider and, if deemed appropriate, to approve a resolution to voluntarily delist the Company's Common Shares from the TSXV and apply to list the Common Shares on the CSE, as follows:

“BE IT RESOLVED THAT:

- (a) the Company is hereby authorized to voluntarily delist its securities from the TSX Venture Exchange;
- (b) the Company is further hereby authorized to seek approval from the Canadian Stock Exchange, or other qualified stock exchange, to list its securities for public trading;
- (c) notwithstanding that this resolution has been duly approved by the shareholders of the Company, the board of directors of the Company, in its sole discretion and without the requirement to obtain any further approval from the shareholders of the Company, is hereby authorized and empowered to revoke this resolution at any time before it is acted upon without further approval from the shareholders; and
- (d) any one or more directors or officers of the Company are hereby authorized and directed to do all acts and things, and to sign, execute and deliver all documents or writings necessary or desirable, as in the opinion of such director or officer may be appropriate in order to give effect to this resolution.”

To be approved, the Delisting Resolution requires a majority of the minority shareholder approval obtained in accordance with the requirements of the TSXV, being at least a majority of the votes cast on the Delisting Resolution at the Meeting, excluding votes attached to the Common Shares held by promoters, directors, officers and other insiders of the Company, whether in person or by proxy. To the knowledge of the Company, such persons own an aggregate of 903,591 Common Shares as of September 17, 2018, representing approximately 11.78% of all issued and outstanding Common Shares as of such date.

The Board recommends that Shareholders vote FOR the Delisting Resolution.

### **Adoption of New Articles**

The Board proposes to replace the Company's current articles (the “**Existing Articles**”) with new articles (the “**New Articles**”). The primary reason for replacing the Existing Articles with the New Articles is to provide the Company with modernized articles which provide greater flexibility to the Board in carrying out the business of the Company.

#### *Comparison of Existing Articles to New Articles*

The main differences between the Existing Articles and the New Articles are as follows: (i) the New Articles provide more flexible quorum requirements for Shareholders' meetings; (ii) the New Articles provide the chair of a Shareholders' meeting with a casting vote in the event of an equality of votes at the meeting; and (iii) the New Articles do not provide the chair of a directors' meeting with a casting vote in the event of an equality of votes at the meeting; and (iv) the New Articles provide an advance notice provision which will provide Shareholders, directors and management of the Company with direction on the procedure for Shareholder nomination of directors.

The New Articles change the quorum for the transaction of business at a Shareholders' meeting from, subject to the special rights and restrictions attached to the shares of any class or series of shares, at least one person who is, or who represents by proxy, one or more shareholders who, in the aggregate, hold at least 5% of the issued shares entitled to be voted at the meeting to, subject to the special rights and restrictions attached to the shares of any class or series of shares, one person who is a Shareholder, or who is otherwise permitted to vote shares of the Company at a Shareholders' meeting, present in person or by proxy.

The New Articles provide the chair of a Shareholders' meeting with a casting vote in the event of an equality of votes at the meeting. The Existing Articles did not provide the chair of a Shareholders' meeting with a casting vote in such circumstances. The New Articles do not provide the chair of a directors' meeting with a casting vote in the event of an equality of votes at the meeting. The Existing Articles did provide the chair of a directors' meeting with a casting vote in the event of an equality of votes at the meeting.

#### Advance Notice Provisions

The New Articles include an advance notice provision (the "**Advance Notice Provision**"), which will provide Shareholders, directors and management of the Company with direction on the procedure for Shareholder nomination of directors. The Advance Notice Provision is the framework by which the Company seeks to fix a deadline by which holders of record of Common Shares of the Company must submit director nominations to the Company prior to any annual or special meeting of Shareholders, and sets forth the information that a Shareholder must include in the notice to the Company for the notice to be in proper written form.

The purpose of adopting the Advance Notice Provision is to: (i) facilitate orderly and efficient annual general or special meetings; (ii) ensure that all Shareholders receive adequate notice of the director nominations and sufficient information with respect to all nominees; and (iii) allow Shareholders to register an informed vote. The full text of the Advance Notice Provision is set out at Section 14.12 of the New Articles and will be available for inspection by Shareholders at the Meeting and during normal business hours at any time up to the Meeting at the Company's registered office located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia.

#### *Summary of the Advance Notice Provision*

Subject to the *Business Corporations Act* (British Columbia) (the "**Act**"), only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Company. Nominations of persons for election to the Board may be made at any annual meeting of Shareholders, or at any special meeting of Shareholders if one of the purposes for which the special meeting was called was the election of directors. This nomination may be made:

- (i) by the Board, including pursuant to a notice of meeting;
- (ii) by or at the direction or request of one or more Shareholders pursuant to a proposal or requisition made in accordance with the provisions of the Act; or
- (iii) by any person who (A) at the close of business on the date of the giving of the notice provided for in the Advance Notice Provision and on the record date for notice of such meeting, is a registered or beneficial holder of one or more shares carrying the right to vote at such meeting; and (B) who complies with the notice procedures set forth in the Advance Notice Provision (a "**Nominating Shareholder**").

To be timely, a Nominating Shareholder's notice to the Company must be made:

- (i) in the case of an annual meeting of Shareholders, not less than 30 or more than 65 days prior to the date of the annual meeting, unless the Company chooses to use notice-and-access (as defined in NI 54-101) to deliver meeting materials, in which case the time frame will be not less than 40 nor more than 65 days, provided that if the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the meeting was made (the "**Notice Date**"), notice by the Nominating Shareholder may be made not later than the close of business on the 10th day following the Notice Date; and
- (ii) in the case of a special meeting of Shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the 15th day following the Notice Date.

In no event shall any adjournment or postponement of a meeting of Shareholders or the announcement thereof commence a new time period for the giving of a Nominating Shareholder's notice as described above.



To be in proper written form, a Nominating Shareholder's notice must include:

- (i) for each person whom the Nominating Shareholder proposes to nominate for election as a director: (A) the name, age, business address and residential address of the person; (B) the principal occupation or employment of the person; (C) the class or series and number of shares in the capital of the Company which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of Shareholders and as of the date of such notice; and (D) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws; and
- (ii) for the Nominating Shareholder giving the notice, any proxy, contract, arrangement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote any shares of the Company and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and applicable securities laws.

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

No person shall be eligible for election as a director of the Company unless nominated in accordance with the provisions of the Advance Notice Provision. However, nothing in the Advance Notice Provision shall be deemed to preclude discussion by a Shareholder at a meeting of Shareholders of any matter, other than the nomination of directors, in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chair of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in the Advance Notice Provision.

A copy of the New Articles will be available for inspection by Shareholders at the Meeting and during normal business hours at any time up to the Meeting at the Company's registered office located at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia.

Shareholders will be asked at the Meeting to approve, with or without variation, the following ordinary resolution to adopt the New Articles for the Company in replacement of the Existing Articles:

“BE IT RESOLVED THAT:

- (a) the Existing Articles of the Company are cancelled in their entirety and the New Articles as more particularly described in the Company's Information Circular dated September 17, 2018, be adopted as the articles of the Company in substitution for, and to the exclusion of, the existing articles of the Company;
- (b) the Board of Directors of the Company be authorized, in its absolute discretion, to determine whether or not to proceed with the foregoing resolution, without further approval, ratification or confirmation by the shareholders of the Company; and
- (c) any director or officer of the Company be authorized and directed to do all acts and things and to execute and deliver all documents required which, in the opinion of such director or officer, may be necessary or appropriate in order to give effect to the foregoing resolutions.”

**Proxies received in favor of management will be voted in favor of the New Articles of the Company, unless the Shareholder has specified in the Proxy that his or her Common Shares are to be voted against such resolution.**

The Board has concluded that the adoption of the New Articles is in the best interests of the Company and its Shareholders. Accordingly, the Board unanimously recommends that the Shareholders approve the New Articles of the Company by voting FOR the resolution adopting the New Articles at the Meeting.

### **Adoption of 2018 Stock Option Plan**

At the Meeting, Shareholders of the Company will be asked to implement a stock option plan (the “**Plan**”). The purpose of the Plan is to provide an incentive to directors, officers, employees and consultants to acquire a proprietary interest in, and greater concern for, the welfare and success of the Company and to encourage such individuals to remain with the Company, and to attract new directors, officers, employees and consultants to the Company.

The following summary of the Plan does not purport to be complete and is qualified in its entirety by reference to the Plan. A full copy of the Plan will be available at the Meeting for review by Shareholders. Shareholders may also obtain copies of the Plan from the Company prior to the Meeting on written request.

Eligible Participants. Options may be granted under the Plan to directors and senior officers of the Company or its subsidiaries, management company employees (collectively, the “**Directors**”), employees of the Company or its subsidiaries (collectively, the “**Employees**”) or consultants of the Company or its subsidiaries (collectively, the “**Consultants**”). The Board, in its discretion, determines which of the Directors, Employees or Consultants will be awarded options under the Plan.

Number of Shares Reserved. The number of Common Shares which may be issued pursuant to options granted under the Plan may not exceed 10% of the issued and outstanding Common Shares at the date of granting of options. Options that are exercised, cancelled or expire prior to exercise continue to be issuable under the Plan.

Limitations. Under the Plan, the aggregate number of options granted to any one person (including companies wholly-owned by that person) in a 12-month period must not exceed 5% of the issued and outstanding Common Shares of the Company, calculated on the date the option is granted. The aggregate number of options granted to any one Consultant in a 12-month period must not exceed 2% of the issued and outstanding Common Shares of the Company, calculated at the date the option is granted. The aggregate number of options granted to all persons retained to provide investor relations services to the Company (including Consultants and Employees or Directors whose role and duties primarily consist of providing investor relations services) must not exceed 2% of the issued and outstanding Common Shares of the Company in any 12-month period, calculated at the date an option is granted to any such person.

Exercise Price. The exercise price of options granted under the Plan is determined by the Board, provided that it is not less than the discounted market price, as that term is defined in the TSX Venture Exchange policy manual or such other minimum price as is permitted by the TSX Venture Exchange in accordance with the policies in effect at the time of the grant, or, if the Common Shares are no longer listed on the TSX Venture Exchange, then such other exchange or quotation system on which the Common Shares are listed or quoted for trading. The exercise price of stock options granted to insiders may not be decreased without disinterested Shareholder approval at the time of the proposed amendment.

Term of Options. Subject to the termination and change of control provisions noted below, the term of any options granted under the Plan is determined by the Board and may not exceed ten years from the date of grant.

Vesting. All options granted pursuant to the Plan will be subject to such vesting requirements as may be prescribed by the Exchange, if applicable, or as may be imposed by the Board. Options issued to persons retained to provide investor relations activities must vest in stages over 12 months with no more than one-quarter of the options vesting in any three month period.

Termination. Any options granted pursuant to the Plan will terminate upon the earliest of:

- (a) the end of the term of the option;
- (b) on the date the holder ceases to be eligible to hold the option (the “**Cessation Date**”), if the Cessation Date is as a result of dismissal for cause;
- (c) one year from the date of death or disability, if the Cessation Date is as a result of death or disability;
- (d) 90 days from the Cessation Date (or such other time, not to exceed one year, as shall be determined by the Board as at the date of grant or agreed to by the Board and the optionee at any time prior to the expiry of the option), only to the extent that such option was vested at the Cessation Date; or
- (e) 30 days from the Cessation Date, if the optionee was engaged in investor relations activities.

Shareholders will be asked at the Meeting to approve, with or without variation, the following ordinary resolution:

“BE IT RESOLVED THAT:

- (a) the Company’s Stock Option Plan be approved, and that in connection therewith a maximum of 10% of the issued and outstanding Common Shares at the time of each grant be approved for granting as options; and
- (b) any director or officer of the Company be authorized and directed to do all acts and things and to execute and deliver all documents required, as in the opinion of such director or officer may be necessary or appropriate in order to give effect to this resolution.”

A copy of the Plan is available at the records office of the Company at Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, Canada until the business day immediately preceding the date of the Meeting, and a copy will also be made available at the Meeting.

#### **OTHER BUSINESS**

As of the date of this Information Circular, the management of the Company knows of no other matters to be acted upon at the Meeting. However, should any other matters properly come before the Meeting, the Common Shares represented by the Proxy solicited hereby will be voted on such matters in accordance with the best judgment of the persons voting the Common Shares represented by the Proxy.

#### **STATEMENT OF EXECUTIVE COMPENSATION**

Set out below are particulars of compensation paid to the directors and the named executive officers of the Company. “**Named Executive Officer**” or “**NEO**” means each of the following individuals:

- (a) the Company’s chief executive officer (“**CEO**”);
- (b) the Company’s chief financial officer (“**CFO**”);
- (c) the Company’s most highly compensated executive officer other than the individuals identified in paragraphs (a) and (b) at the end of the most recently completed financial year whose total compensation was more than \$150,000 for that financial year; and
- (d) each individual who would be a NEO under paragraph (c) but for the fact that the individual was neither an executive officer of the Company or its subsidiaries, nor acting in a similar capacity, at the end of that financial year.

As at December 31, 2017, the end of the most recently completed financial year of the Company, the Company had two NEOs, whose name and positions held within the Company are set out in the summary compensation table below.

### Director and Named Executive Officer Compensation

The following table is a summary of compensation awarded to, earned by, paid to, or payable to the NEO and directors of the Company for the two most recently completed financial years.

Table of compensation excluding compensation securities							
Name and position	Year Ended <sup>(1)</sup>	Salary, consulting fee, retainer or commission (\$)	Bonus (\$)	Committee or meeting fees (\$)	Value of perquisites (\$)	Value of all other compensation (\$)	Total compensation (\$)
<b>Gary F. Zak</b> <sup>(2)</sup> <i>Director &amp; CEO</i>	2017	42,000	Nil	Nil	Nil	Nil	42,000
	2016	42,000	Nil	Nil	Nil	Nil	42,000
<b>Kenneth Phillippe</b> <sup>(3)</sup> <i>Director &amp; CFO</i>	2017	16,000	Nil	Nil	Nil	Nil	16,000
	2016	16,000	Nil	Nil	Nil	Nil	16,000
<b>H. Barry Hemsworth</b> <i>Director</i>	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil
<b>Dr. K. Sethu Raman</b> <i>Director</i>	2017	Nil	Nil	Nil	Nil	Nil	Nil
	2016	Nil	Nil	Nil	Nil	Nil	Nil

**Notes:**

- (1) Year ended December 31.
- (2) 100% of Mr. Zak's compensation is in connection with services provided to the Company as CEO.
- (3) 100% of Mr. Phillippe's compensation is in connection with services provided to the Company as CFO.

## Stock Options and Other Compensation Securities

Compensation Securities							
Name and position	Type of compensation security	Number of compensation securities, number of underlying securities and percentage of class <sup>(1)</sup>	Date of issue or grant	Issue, conversion or exercise price (C\$)	Closing price of security or underlying security on date of grant (C\$)	Closing price of security or underlying security at year end (C\$)	Expiry Date
<b>Gary F. Zak</b> <i>Director &amp; CEO</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Kenneth Phillippe</b> <i>Director &amp; CFO</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>H. Barry Hemsworth</b> <i>Director</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a
<b>Dr. K. Sethu Raman</b> <i>Director</i>	n/a	n/a	n/a	n/a	n/a	n/a	n/a

### Notes:

- (1) Mr. Zak did not hold any compensation securities on the last day of the most recently completed financial year.
- (2) Mr. Phillippe did not hold any compensation securities on the last day of the most recently completed financial year.
- (3) Mr. Hemsworth did not hold any compensation securities on the last day of the most recently completed financial year.
- (4) Dr. Raman did not hold any compensation securities on the last day of the most recently completed financial year.

No director or Named Executive Officer exercised any compensation securities during the most recently completed financial year, or the year ended December 31, 2016.

### Stock option plans and other incentive plans

See “Adoption of Stock Option Plan” above for the material terms of the Company’s Plan. The Company did not previously have a stock option plan in place.

### Employment, consulting and management agreements

Except as disclosed in this Information Circular, the Company does not have any agreement or arrangement under which compensation was provided during the most recently completed financial year, or the year ended December 31, 2016, or is payable in respect of services provided to the Company that were performed by a director or NEO.

On April 1, 2014 the Company entered into a services agreement with Mr. Zak to provide management services as the Company’s CEO for \$3,500 per month.

### Oversight and description of director and named executive officer compensation

The objective of the Company’s compensation program is to compensate the executive officers for their services to the Company at a level that is both in line with the Company’s fiscal resources and competitive with companies at a similar stage of development.

The Company compensates its executive officers based on their skill, qualifications, experience level, level of responsibility involved in their position, the existing stage of development of the Company, the Company’s resources, industry practice and regulatory guidelines regarding executive compensation levels.

The Board has implemented three levels of compensation to align the interests of the executive officers with those of the Shareholders. First, executive officers may be paid a monthly consulting fee or salary. Second, the Board may award executive officers long term incentives in the form of stock options. Finally, and only in special circumstances, the Board may award cash or share bonuses for exceptional performance that results in a significant increase in Shareholder value. The Company provides medical and dental benefits but it does not provide pension or other benefits to the executive officers.

The base compensation of the executive officers is reviewed and set annually by the Board. The CEO has substantial input in setting annual compensation levels. The CEO is directly responsible for the financial resources and operations of the Company. In addition, the CEO and Board from time to time determine the stock option grants to be made pursuant to the Company's stock option plan. Previous grants of stock options are taken into account when considering new grants. The Board awards bonuses at its sole discretion. The Board does not have pre-existing performance criteria or objectives.

Compensation for the most recently completed financial year should not be considered an indicator of expected compensation levels in future periods. All compensation is subject to and dependent on the Company's financial resources and prospects.

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

The Company did not have an equity compensation plan in place at the end of its most recently completed financial year, or the year ended December 31, 2016.

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

Since the beginning of the most recently completed financial year, or the beginning of the financial year ended December 31, 2016, none of the directors, executive officers, employees, proposed nominees for election as directors or their associates have been indebted to the Company.

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

Except as disclosed herein or above, no informed person (a director, officer or holder of 10% or more of the Common Shares) or nominee for election as a director of the Company or any associate or affiliate of any informed person or proposed director had any interest in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

#### **MANAGEMENT CONTRACTS**

Management functions of the Company are not to any substantial degree performed by anyone other than by the directors or executive officers of the Company. See "Employment, consulting and management agreements" above.

#### **STATEMENT OF CORPORATE GOVERNANCE**

##### **Corporate Governance**

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the Shareholders, and takes into account the role of the individual members of management who are appointed by the Board and charged with the day to day management of the Company. The Canadian Securities Administrators ("CSA") have adopted National Policy 58-201 Corporate Governance Guidelines, which provides non prescriptive guidelines on corporate governance practices for reporting issuers such as the Company. In addition, the CSA have implemented National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("NI 58-101"), which prescribes certain disclosure by the Company of its corporate governance practices. This disclosure is presented below.

## Board of Directors

The composition of the Board currently consists of the following four members: Gary F. Zak, Kenneth Phillippe, Barry Hemsworth and Sethu Raman. It is proposed that all four individuals will be nominated at the Meeting in addition to Binyomin Posen.

A director is independent if he or she has no direct or indirect “material relationship” with the Company. A “material relationship” is a relationship which could, in the view of the Board, be reasonably expected to interfere with the exercise of the director’s independent judgment. Of the proposed nominees, Gary F. Zak, CEO, and Kenneth Phillippe, CFO, are considered to be a non-independent directors.

## Other Directorships

The following table sets forth the directors of the Company who are directors of other reporting issuers as at September 17, 2018:

<i>Name</i>	<i>Name of other reporting issuer</i>
Gary F. Zak	Alto Ventures Ltd. Bold Ventures Inc.
Kenneth Phillippe	Cameo Cobalt Corp. MX Gold Corp.
Barry Hemsworth	Primary Cobalt Corp.
Dr. K. Sethu Raman	Northern Graphite Corporation 55 North Mining Inc.
Binyomin Posen	Academy Explorations Limited Agau Resources, Inc. SENTERNET PHI GAMMA INC. Tova Ventures II Inc.

## Orientation and Continuing Education

Orientation of new members of the Board is conducted informally by Management and members of the Board. The Company has not adopted formal policies respecting continuing education for Board members.

## Ethical Business Conduct

The Board has not adopted a formal code of business conduct and ethics. The Board is of the view that the fiduciary duties placed on individual directors by the Company’s governing legislation and common law together with corporate statutory restrictions on an individual director’s participation in Board decisions in which the director has an interest are sufficient to ensure that the Board operates independently of management and in the best interests of the Company.

## Nomination of Directors

The Board considers its size each year when it considers the number of directors to recommend to the shareholders for election at the annual general meeting. The Board takes into account the number of directors required to carry out the Board’s duties effectively and to maintain diversity of views and experience.

The Board has not established a nominating committee and this function is currently performed by the Board as a whole.

## **Compensation**

The Board has not established a formal compensation committee. Rather, the independent Board members are responsible for reviewing and determining the adequacy and form of compensation paid to the Company's directors, executives and key employees. The independent Board members evaluate the performance of senior management measured against the Company's business goals and industry compensation levels.

## **Board Committees**

The Board has no committees other than the Audit Committee.

## **Assessments**

The Board annually, and at such other times as it deems appropriate, reviews the performance and effectiveness of the Board, the directors and its committees to determine whether changes in size, personnel or responsibilities are warranted. To assist in its review, the Board conducts informal surveys of its directors and receives reports from each committee respecting its own effectiveness. As part of the assessments, the Board or the individual committee may review their respective mandate or charter and conduct reviews of applicable corporate policies.

## **AUDIT COMMITTEE**

### **Audit Committee Disclosure**

Pursuant to Section 224(1) of the *Business Corporations Act* (British Columbia) and National Instrument 52-110 of the Canadian Securities Administrators ("NI 52-110") the Company is required to have an audit committee (the "**Committee**") comprised of not less than three directors, a majority of whom are not officers, control persons or employees of the Company or an affiliate of the Company. NI 52-110 requires the Company, as a venture issuer, to disclose annually in its Information Circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as set forth below.

The primary function of the Committee is to assist the Board in fulfilling its financial oversight responsibilities by: (i) reviewing the financial reports and other financial information provided by the Company to regulatory authorities and Shareholders; (ii) reviewing the systems for internal corporate controls which have been established by the Board and management; and (iii) overseeing the Company's financial reporting processes generally. In meeting these responsibilities the Committee monitors the financial reporting process and internal control system; reviews and appraises the work of external auditors and provides an avenue of communication between the external auditors, senior management and the Board. The Committee is also mandated to review and approve all material related party transactions.

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

The Committee is comprised of the following members: Gary F. Zak, H. Barry Hemsworth and Dr. K. Sethu Raman. Each member of the Committee is considered to be financially literate, as defined by NI 52-110, in that they have 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 presumably be expected to be raised by the Company's financial statements.

The members of the Committee are elected by the Board at its first meeting following the annual shareholders' meeting. Unless a chair is elected by the full Board, the members of the Committee designate a chair by a majority vote of the full Committee membership.



## **Relevant Education and Experience**

All three Committee members have the ability to read and understand 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 Company's financial statements and are therefore considered "financially literate".

*Gary F. Zak* – Mr. Zak attended Camsoun College and is a business consultant with 35 years of public company management experience. Mr. Zak is considered to meet the requirements of being financially literate as defined by NI 52-110.

*H. Barry Hemsworth* – Mr. Hemsworth is a graduate of UBC Law and practiced as a Barrister and Solicitor. With 40 years with public company experience, Mr. Hemsworth is considered to meet the requirements of being financially literate as defined by NI 52-110.

*Dr. K. Sethu Raman* – Dr. Raman holds a Ph.d Geology from Carleton University and has 45 years of international experience in all phases of exploration and mine development. Dr. Raman is considered to meet the requirements of being financially literate as defined by NI 52-110.

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

The Company has adopted a Charter of the Audit Committee, a copy of which is attached hereto as Schedule "A".

## **Audit Committee Oversight**

Since the commencement of the Company's most recently completed financial year, the Board has not failed to adopt a recommendation of the Committee to nominate or compensate an external auditor.

## **Reliance on Certain Exemptions**

Since the effective date of NI 52-110, the Company has not relied on the exemptions contained in sections 2.4, 6.1.1(4), 6.1.1(5), 6.1.1(6) or 8 of NI 52-110. Section 2.4 provides an exemption from the requirement that the audit committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed 5% of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Sections 6.1.1(4) to 6.1.1(6) relate to the composition of the Committee. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

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

The Committee has not adopted specific policies and procedures for the engagement of non-audit services. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable the Committee, on a case-by-case basis.

## **External Auditor Service Fees**

In the following table, "audit fees" are fees billed by the Company's external auditor for services provided in auditing the Company's annual financial statements for the subject year. "Audit-related fees" are fees not included in audit fees that are billed by the auditor for assurance and related services that are reasonably related to the performance of the audit or review of the Company's financial statements. "Tax fees" are fees billed by the auditor for professional services rendered for tax compliance, tax advice and tax planning. "All other fees" are fees billed by the auditor for products and services not included in the foregoing categories.

The fees paid by the Company to its auditor in each of the last two fiscal years, by category, are as follows:

Financial Year Ending	Audit Fees	Audit Related Fees	Tax Fees	All Other Fees
December 31, 2017	\$18,725	Nil	Nil	Nil
December 31, 2016	\$19,890	Nil	Nil	Nil

### **Exemption**

The Company is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Company, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

### **ADDITIONAL INFORMATION**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com).

Financial information is provided in the Company's comparative annual audited financial statements and management's discussion and analysis ("MD&A") for its most recently completed financial year, and will be available online at [www.sedar.com](http://www.sedar.com). Shareholders may request additional copies by mail to Suite 1200 – 750 West Pender Street, Vancouver, British Columbia, V6C 2T8.

### **DIRECTORS' APPROVAL**

The contents and the sending of the accompanying Notice of Meeting and this Information Circular have been approved by the Board.

DATED at Vancouver, British Columbia, this 17<sup>th</sup> day of September, 2018

### **ON BEHALF OF THE BOARD OF DIRECTORS**

*"Gary F. Zak"*

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Gary F. Zak  
Chief Executive Officer & Director

## Schedule "A"

### Charter of the Audit Committee of the Board of Directors of CBD Med Research Corp. (the "Company")

#### MANDATE AND OBJECTIVE

The board of directors (the "**Board**") of CBD Med Research Corp. (the "**Company**") has delegated, to the Audit Committee (the "**Committee**"), the Board's responsibility for oversight of the nature and scope of the annual audit; management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures; financial reporting and statements; and approval of interim financial statements and other mandatory disclosure releases containing financial information. The Committee shall also recommend to the Board approval of the annual audited financial statements and Management's Discussion and Analysis.

The primary objectives of the Committee are:

1. To assist the Board to meet their responsibilities in respect of the preparation and disclosure of the financial statements of the Company and related matters;
2. To provide better communication amongst the Board, management and the independent auditor;
3. To enhance the auditor's independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the independent directors by facilitating in depth discussions between directors on the Committee, management and the independent auditor.

#### MEMBERSHIP OF COMMITTEE

1. The Committee shall comprise at least three (3) directors of the Company, at least two of whom shall be independent as defined in applicable securities legislation and policies and all of whose qualifications shall comply with applicable securities legislation.
2. Unless designated by the Board, the members of the Committee shall elect a Chair from among the members who shall preside at all meetings of the Committee.
3. Any member of the Committee may be removed or replaced at any time by the Board, and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board shall fill vacancies on the Committee but, until the vacancy is filled the remaining members may exercise all the Committee's powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee.

#### RESPONSIBILITIES OF COMMITTEE

1. The responsibilities of the Committee include:
  - a. overseeing the work of the independent auditor, including resolution of disagreements, if any, between management and the auditor regarding financial reporting;
  - b. satisfying itself with respect to, and periodically assessing, the adequacy of the Company's internal control systems for:
    - i. identifying, monitoring and mitigating business risks;
    - ii. ensuring compliance with the policies of the Board and with the law;
    - iii. reviewing public disclosure of financial information extracted or derived from the Company's financial statements, and

- iv. ensuring that all public reporting and securities filings, financial or otherwise, is timely, accurate and complete, and presented in compliance with all applicable law;
  - c. reviewing all financial statements, related management's discussion and analysis (MD&A) and earnings press releases prior to public disclosure thereof, and reviewing the annual audited financial statements of the Company and related MD&A prior to their submission to the Board for approval;
  - d. communicating directly with the internal and external auditors.
2. With respect to the independent auditor, the Committee shall:
  - a. recommend to the Board the nomination of the independent auditor;
  - b. recommend to the Board the terms of engagement of the auditor, including the compensation of the auditor;
  - c. confirm that the auditor shall communicate directly with the Committee;
  - d. review and discuss annually with the auditor all significant relationships such auditor has with the Company to determine the auditor's independence;
  - e. if there is to be a change in auditor, review the issues related to the change and the information to be included in the required notice to securities regulators of such change;
  - f. review and approve any non-audit services to be provided to the Company or its subsidiaries by the auditor and consider the impact on the independence of the auditor. The Committee may delegate to one or more members the authority to approve the provision of non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval; and
  - g. review and approve the Company's hiring policies regarding employees and former employees of the present and former independent auditors of the Company.
3. The Committee shall review the independent auditor's assessment of the internal controls of the Company, its written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review the annual audit plan and, upon completion of the audit, the auditor's reports upon the financial statements of the Company and its subsidiaries.
4. The Committee shall review and discuss with management, the auditors and the Company's legal counsel, as appropriate, any legal, regulatory or compliance matters that could have a significant impact on the Company's financial statements, including off balance sheet structures, applicable changes in accounting standards or rules, or compliance with applicable laws and regulations, inquiries received from regulators or government agencies and any pending material litigation.
5. The Committee shall review risk management policies and procedures of the Company and receive regular reports on insurance claims and litigation.
6. The Committee shall establish procedures for:
  - a. the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters; and
  - b. the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.
7. The Committee may engage, at the Company's expense, such advisors as it determines necessary to carry out its duties, and may set the compensation for such advisors.
8. The Committee shall have the authority to investigate any financial activity of the Company, and all employees of the Company shall cooperate as requested by the Committee.

## **MEETINGS AND ADMINISTRATIVE MATTERS**

1. At all meetings, every question shall be decided by a majority of the votes cast. In case of an equality of votes, the Chairman of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Committee or the Board.
4. The Committee shall meet at least four times per year. Minutes of all meetings of the Committee shall be taken, and shall be circulated to directors who are not members of the Committee.
5. The Chief Financial Officer shall attend meetings of the Committee as requested by the Chairman.
6. The Committee shall meet with the independent auditor at least once per year (in connection with the preparation of the year end financial statements) and at such other times as the auditor and the Committee consider appropriate.
7. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
8. The Committee may invite such officers, directors and employees of the Company as it may see fit to attend its meetings and assist in the discussion and consideration of the matters being considered by the Committee.