

## NORTHERN FINANCIAL CORPORATION

### Management Information Circular

This circular (the “Information Circular”) is furnished in connection with the solicitation by the management of Northern Financial Corporation (the “Corporation”) of the proxies to be used at the annual and special meeting of shareholders of the Corporation (the “Meeting”) referred to in the accompanying notice of meeting (the “Notice of Meeting”) to be held at the time and place and for the purposes set forth in the Notice of Meeting. The solicitation will be made primarily by mail, but proxies may be solicited personally or by telephone by officers, directors or employees of the Corporation at nominal cost. The cost of solicitation will be borne by the Corporation. The information contained herein is given as of August 13, 2012, except as otherwise noted. No director or officer of the Corporation intends to oppose any action taken by management at the Meeting.

*In accordance with National Instrument 54-101 Communications with Beneficial Owners of Securities of a Reporting Issuer, arrangements have been made with brokerage houses and other intermediaries, clearing agencies, custodians, nominees and fiduciaries to forward solicitation materials to the beneficial owners of the common shares held of record by such persons and the Corporation may reimburse such persons for reasonable fees and disbursements incurred by them in doing so. The costs thereof will be borne by the Corporation. The record date to determine the registered shareholders entitled to receive notice of and vote at the Meeting is August 13, 2012.*

#### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are directors or officers of the Corporation. Each shareholder has the right to appoint a person other than the persons named in the enclosed form of proxy, who need not be a shareholder of the Corporation, to represent the shareholder at the Meeting. This right may be exercised by inserting that person’s name in the blank space provided in the form of proxy or by completing another proper form of proxy. All instruments of proxy must be deposited with Equity Financial Trust Company at 200 University Avenue, Suite 400, Toronto, Ontario, M5H 4H1 or by fax at (416) 595-9593 not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays) prior to the Meeting or any adjournment thereof. The Chairman of the Meeting may refuse to recognize any instrument of proxy received after such time.

A shareholder who has given a form of proxy has the power to revoke it as to any matter on which a vote has not already been cast pursuant to the authority conferred by such form of proxy and, in addition to revocation in any other manner permitted by law, may do so by depositing an instrument in writing revoking the form of proxy executed by such shareholder or such shareholder’s attorney authorized in writing at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment thereof at which the form of proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting or any adjournment thereof.

#### EXERCISE OF DISCRETION BY PROXIES

Shares represented by properly executed forms of proxy in favour of the persons named in the enclosed form of proxy will be voted on any ballot that may be called for, and where the person whose proxy is solicited specifies a choice with respect to the matters identified in the form of proxy, the shares will be voted for or against the matters set out in the form of proxy in accordance with the specification so made. **Where shareholders have not specified in the form of proxy the manner in which the named proxy holders are required to vote the shares represented thereby, such shares will be voted for the approval of the matters identified in the proxy.**

**The enclosed form of proxy confers discretionary authority with respect to amendments or variations to the matters identified in the Notice of Meeting and with respect to the other matters that may properly come before the Meeting.** As at the date hereof, management of the Corporation knows of no such amendments, variations, or other matters to come before the Meeting.

## ADVICE TO BENEFICIAL HOLDERS

**The information set forth in this section is of significant importance to many shareholders, as a substantial number of shareholders do not hold common shares in the capital of the Corporation ("Common Shares") in their own name.** Shareholders who hold their Common Shares through their brokers, intermediaries, trustees or other persons, or who otherwise do not hold their Common Shares in their own name (referred to herein as "**Beneficial Shareholders**") should note that only proxies deposited by shareholders who appear on the records maintained by the Corporation's registrar and transfer agent as registered holders of Common Shares will be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Beneficial Shareholder by a broker, those Common Shares will, in all likelihood, not be registered in the Shareholder's name. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The CDS Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers (or their agents or nominees) on behalf of a broker's client can only be voted or withheld at the direction of the Beneficial Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the broker's clients. **Therefore, each Beneficial Shareholder should ensure that voting instructions are communicated to the appropriate person well in advance of the Meeting.**

Existing regulatory policy requires brokers and other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. The various brokers and other intermediaries have their own mailing procedures and provide their own return instructions to clients, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. The form of proxy supplied to a Beneficial Shareholder by its broker (or the agent of the broker) is substantially similar to the instrument of proxy provided directly to registered Shareholders by the Corporation. However, its purpose is limited to instructing the registered Shareholder (i.e., the broker or agent of the broker) how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. **A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Common Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Common Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Common Shares voted. If you have any questions respecting the voting of Common Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.**

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of their broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered Shareholder and vote the Common Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Common Shares as proxyholder for the registered Shareholder should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

These Meeting materials are being sent to both registered and non-registered owners of the securities. If you are a non-registered owner, and the issuer or its agent has sent these materials directly to you, your name and address and information about your holdings of securities, have been obtained in accordance with applicable securities regulatory requirements from the intermediary holding on your behalf. By choosing to send these materials to you directly, the issuer (and not the intermediary holding on your behalf) has assumed responsibility for (i) delivering these materials to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

All references to Shareholders in this Circular and the accompanying instrument of proxy and Notice of Meeting are to registered Shareholders unless specifically stated otherwise.

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

Other than as set forth herein, the Corporation is not aware of any persons who have a material interest in any of the specific matters to be acted upon at the Meeting.

## **VOTING SHARES AND PRINCIPAL HOLDERS OF VOTING SHARES**

41,111,008 Common Shares are entitled to be voted at the Meeting, which number represents all of the issued and outstanding Common Shares of the Corporation as of August 13, 2012. Each Common Share carries the right to one vote per Common Share so that there are a maximum of 41,111,008 votes attached to this class of shares. Holders of Common Shares registered on the books of the Corporation at the close of business on August 13, 2012, (the "**Record Date**") are entitled to vote their shares at the Meeting or at any adjournment thereof.

To the knowledge of the directors and executive officers of the Corporation, there are no persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation other than Vic Alboini who owns or has control or direction over 11,570,332 Common Shares which represents approximately 28.1% of the total issued Common Shares. The officers and directors of the Corporation together beneficially own, directly or indirectly, or exercise control or direction over, approximately 37.6% of the issued and outstanding Common Shares of the Corporation.

## **PART I**

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

#### **1. FINANCIAL STATEMENTS**

The Shareholders will receive and consider the audited consolidated financial statements of the Corporation for the fiscal year ended March 31, 2012 together with the auditor's report thereon.

#### **2. ELECTION OF DIRECTORS**

The persons named in the enclosed form of proxy intend to cast the votes to which the shares represented by such proxy are entitled in favour of setting the number of directors at three and in favour of all the proposed nominees whose names are set forth below, unless the shareholder who has given the proxy has directed that the shares be otherwise voted or withheld from voting in respect of the election of the directors. Management does not contemplate that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons named in the enclosed form of proxy reserve the right to vote for other nominees at their discretion. Each director elected will hold office until the next annual meeting of shareholders or until his successor is duly elected or appointed. Ian Bradley, who has served on the Corporation's board of directors (the "**Board**") for 14 years since November 27, 1998, has decided to not stand for re-election to the Board in order to pursue other interests. The Board thanks Ian for his valuable and extensive service to the Corporation and wishes him every success.

The following table sets out the names of management's nominees for election as directors of the Corporation, each nominee's municipality of residence, all major offices and positions with the Corporation and any of its significant affiliates each now holds, each nominee's principal occupation, business or employment for the five preceding years for new director nominees, the period of time during which each has been a director of the Corporation and the number of Common Shares beneficially owned by each, directly or indirectly, or over which each exercised control or direction, as at the date of this Information Circular. The following information relating to the nominees as directors is based on information received by the Corporation from said nominees.

| <b>Name and Municipality of Residence</b>                          | <b>Principal Occupation(s) for Last Five Years<sup>(1)</sup></b>  | <b>Position with the Corporation</b> | <b>Director Since</b> | <b>Number of Common Shares Beneficially Owned or Controlled<sup>(2)</sup></b> |
|--|---|--------------------------------------|-----------------------|---|
| Vic Alboini <sup>(3)</sup><br><i>Toronto, Ontario, Canada</i>      | Chairman, President and Chief Executive Officer of the Corporation; Chairman, President and Chief Executive Officer, Northern Securities Inc.; Chairman and Chief Executive Officer, Jaguar Financial Corporation; Former Chairman and Chief Executive Officer, Lakeside Steel Inc. | President, CEO, and Director         | October 24, 1997      | 11,570,332 <sup>(5)</sup>   |
| William Grant <sup>(3)(4)</sup><br><i>Toronto, Ontario, Canada</i> | Consultant; former Insurance Broker; former Director, Lakeside Steel Inc.; formerly President and Director, Loyalist Insurance Company; formerly Director, Commonwealth Insurance Company and Federated Insurance Company; formerly President, Markel Insurance Company.            | Director                             | September 1, 2005     | 76,000 <sup>(6)</sup>   |
| John Reid <sup>(3)(4)</sup><br><i>Toronto, Ontario, Canada</i>     | Principal, Woodard and Company Ltd.   | Director                             | February 14, 2012     | 3,795,210   |

Notes:

- (1) The information as to principal occupation, business or employment of the respective nominees is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees. Unless otherwise indicated, each nominee has held the same or a similar principal occupation with the organization indicated or a predecessor thereof for the last five years.
- (2) The information as to Common Shares beneficially owned or controlled is not within the knowledge of the management of the Corporation and has been furnished by the respective nominees. Information regarding voting securities held does not include voting securities issuable upon the exercise of options, warrants or other convertible securities of the Corporation. Information furnished by the respective director nominees.
- (3) Current member of the Audit Committee.
- (4) Current member of the Compensation Committee
- (5) Includes 107,829 Common Shares owned by Mr. Alboini's spouse, Lesley Alboini.
- (6) Includes 9,750 Common Shares owned by Mr. Grant's spouse, Emily Grant.

*Penalties and Sanctions*

As of the date hereof, other than as set out below, no director to be nominated for election at the Meeting:

- (a) is at the date of this Information Circular, or has been, within 10 years before the date hereof, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:
  - (i) was subject to an order that was issued while the proposed director was acting in the capacity as director, chief executive officer or chief financial officer; or
  - (ii) was subject to an order that was issued after the proposed director ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer,
- (b) is at the date of this Information Circular, or has been, within 10 years before the date hereof, a director or executive officer of any company (including the Corporation) that, while such nominee was acting in that capacity, or within a year of such nominee ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or
- (c) has, within ten 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 such nominee.

For the purposes of the above section, the term "order" means:

- (a) a cease trade order;
- (b) an order similar to a cease trade order; or

- (c) an order that denied the relevant company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

In addition, as of the date hereof, no director to be nominated for election at the Meeting has been subject to:

- (a) penalties or sanctions imposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or has entered into a settlement agreement with a Canadian securities regulatory authority; or
- (b) other penalties or sanctions imposed by a court or regulatory body that would be likely to be considered important to a reasonable investor making an investment decision.

Vic Alboini was formerly a director of Blue Note Mining Inc. (“**Blue Note**”) until his resignation from the Blue Note board on February 19, 2009. On June 12, 2009, after Mr. Alboini ceased to hold any position with Blue Note, Blue Note announced that it had obtained an initial order from the Quebec Superior Court providing for creditor protection under the *Companies’ Creditors Arrangement Act*.

#### *Conflicts of Interest*

The directors are required by law to act honestly and in good faith with a view to the best interests of the Corporation and to disclose any interests that they may have in any project or opportunity of the Corporation. If a conflict of interest arises at a meeting of the Board, any director in a conflict will disclose his interest and abstain from voting on such matter.

To the best of the Corporation's knowledge, and other than disclosed herein, there are no known existing or potential conflicts of interest among the Corporation, its promoters, directors and officers or other members of management of the Corporation or of any proposed promoter, director, officer or other member of management as a result of their outside business interests, except that certain of the directors and officers serve as directors and officers of other companies, and therefore it is possible that a conflict may arise between their duties to the Corporation and their duties as a director or officer of such other companies.

**IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF SETTING THE BOARD AT THREE AND FOR THE ELECTION OF SAID PERSONS TO THE BOARD UNLESS OTHERWISE DIRECTED.**

### **3. APPOINTMENT OF AUDITORS**

The persons named in the enclosed form of proxy intend to vote the shares represented by such proxy in favour of a resolution appointing Grant Thornton LLP as auditors of the Corporation, to hold office until the next annual meeting of shareholders, and authorizing the directors to fix the remuneration of the auditors, unless the shareholder who has given the proxy has directed that the shares be withheld from voting in the appointment of auditors.

The Directors first appointed Grant Thornton LLP to be auditor of the Corporation on April 7, 2011. Prior to the appointment of Grant Thornton LLP, Deloitte & Touche LLP served as the Corporation’s auditor from March 9, 2007 until April 7, 2011.

Aggregate fees paid to Grant Thornton LLP and Deloitte & Touche LLP during the fiscal years ended March 31 2012 and March 31, 2011 are set out below.

**IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF THE APPOINTMENT OF GRANT THORNTON LLP AS AUDITORS OF THE CORPORATION FOR THE ENSUING YEAR UNLESS OTHERWISE DIRECTED.**

### **4. APPROVAL OF EMPLOYEE SHARE PURCHASE PLAN**

The Corporation has an Employee Share Purchase Plan (the “**ESPP**”) designed to (i) support employee investment in the Corporation; (ii) attract new employees; and (iii) retain and compensate existing employees.

The ESPP allows employees of the Corporation and Northern Securities Inc. (collectively, “**Northern**”) to participate in the ESPP once they have completed six (6) months of employment at Northern (the “**Qualifying Employees**”).

On August 1 in each year, Qualifying Employees are entitled to purchase Common Shares from treasury for an aggregate subscription price of up to eight percent (8%) of their compensation received from Northern in the six (6) month period ending June 30 of that year, subject to a maximum subscription of \$4,000. Similarly, on February 1 in each year, Qualifying Employees are entitled to purchase Common Shares from treasury for an aggregate subscription price of up to eight percent (8%) of their compensation received from Northern in the six (6) month period ending December 31 of the preceding year, subject to a maximum subscription of \$4,000. Accordingly, the maximum amount that can be invested by a Qualifying Employee under the ESPP in any calendar year is \$8,000. The subscription price of the Common Shares under the ESPP is the volume weighted average price for the twenty (20) trading day period ending on June 30 or December 31, as applicable.

On each of August 1 and February 1, the Corporation will issue to each participating Qualifying Employee the same number of Common Shares (the “**Matching Shares**”) as were subscribed for by the Qualifying Employee at no cost to the Qualifying Employees. The Matching Shares will be issued to Qualifying Employees in equal annual instalments over a three (3) year period following the date of the subscription of the Common Shares by the Qualifying Employee, as long as the Qualifying Employee is an employee of Northern at that time (subject to certain exceptions).

The ESPP includes the following restrictions applicable to insiders:

- (a) the number of securities issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities; and
- (b) the number of securities issued to insiders, within any one-year period, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities.

Under the ESPP, the Corporation may issue Common Shares to participating employees who meet certain conditions as set out in the ESPP. On September 25, 2008, shareholders approved an amendment to the ESPP to give the Corporation the ability to, in its discretion, provide shares to eligible participating employees under the ESPP through open market purchases as well as through issuances from treasury.

On September 16, 2010, shareholders approved amendments to the ESPP to, without further requirement to seek shareholder approval, provide the Board with the authority to waive or increase the maximum participation limit applicable to participants, from time to time, subject to the condition that the aggregate maximum participation under the ESPP is not exceeded and subject to compliance with the restrictions on insider participation set out in the ESPP. Shareholders also approved amendments to the ESPP to, without further requirement to seek shareholder approval, provide the Board with the authority to set participation dates and vesting periods for the issuance of matching shares under the ESPP provided that, under no circumstances shall the Board be entitled to lengthen the vesting periods for the issuance of Matching Shares in respect of ESPP participation that occurred prior to the date hereof, and the purchase price of the Common Shares under the ESPP is the volume weighted average price for the 20 trading day period ending 30 days prior to the participation date. Shareholders also approved an amendment to more clearly set out that the maximum number of Common Shares that can be issued under the ESPP in a given fiscal year cannot exceed 10% of the Corporation’s issued and outstanding shares calculated at the last day of the prior fiscal year.

As at March 31, 2012, 899,987 Common Shares were reserved for issuance under the ESPP, representing approximately 2.8% of the then total issued and outstanding Common Shares.

Shareholders are being asked to approve the ESPP. Insiders are entitled to vote their Common Shares in respect of the approval of the ESPP.

The ESPP and the shares authorized for issuance thereunder have been approved by resolutions of the Board and the ESPP is believed by the Board to be in the best interest of the Corporation. The ESPP must be approved by ordinary resolution of the Corporation’s shareholders in order to remain effective. To pass, an ordinary resolution requires the affirmative vote of not less than a simple majority of the votes cast by the Corporation’s shareholders present at the Meeting in person or by proxy. The complete text of the proposed ordinary resolution which management intends to place before the Meeting, for approval, confirmation and adoption, with or without modification, including the full text of the ESPP, is set out at **Schedule A** hereto (the “**ESPP Resolution**”).

**IT IS THE INTENTION OF THE MANAGEMENT DESIGNEES, IF NAMED AS PROXY, TO VOTE IN FAVOUR OF THE APPROVAL OF THE ESPP RESOLUTION UNLESS OTHERWISE DIRECTED.**

## 5. OTHER MATTERS

Management of the Corporation knows of no amendment, variation or other matter to come before the Meeting other than the matters referred to in the Notice of Meeting accompanying the Information Circular. However, if any other matter properly comes before the Meeting, the instruments of proxy furnished by the Corporation will be voted on such matters in accordance with the best judgment of the person or persons voting the proxy.

### PART II

## INFORMATION CONCERNING THE CORPORATION

### COMPENSATION DISCUSSION AND ANALYSIS

The Corporation is required, under applicable securities laws, to disclose to shareholders details of compensation paid to its directors and officers. The following fairly reflects all material information regarding compensation paid to the Corporation's directors and executive officers.

Compensation of the Corporation's executive officers and senior management consists of these elements: (1) base salaries; (2) commissions; and (3) bonuses. Previously the Corporation issued stock options as compensation under the Corporation's Stock Incentive Plan (the "**Plan**"); however, effective August 28, 2003, the Corporation discontinued the issuance of stock options under the Plan. Options granted prior to August 28, 2003, continue to be exercisable in accordance with their terms.

The Corporation's executive compensation policies are designed to support an appropriate relationship between executive pay and the creation of shareholder value. Essentially, the objectives of the policies are as follows:

- to provide compensation comparable to similar investment banking firms, thereby enabling the Corporation to attract and retain talented executives critical to the Corporation's long-term success;
- to align the interests of executives with the long-term interests of shareholders by providing executives with equity incentives, the value of which depends over time on the market value of the Corporation's Common Shares;
- to award cash bonuses to senior employees based on meritorious performance; and
- to motivate and retain key officers to achieve strategic business initiatives and reward them for their achievement.

The directors believe that the Corporation's executive compensation facilitates the long-term success and growth of the Corporation through the attraction, motivation and retention of outstanding executives.

Each year, the Board reviews the base salaries of all executive officers to determine whether adjustments are appropriate to bring their salaries to a competitive level and to reflect their responsibilities as executives of a public corporation. In conducting this review, the Board considers comparative data for executives having similar responsibilities in competitive organizations, taking into account size, location and appropriate differentiating factors.

The compensation committee of the Corporation (the "Compensation Committee") and the Board of Directors have considered the implications of the risks associated with Northern's compensation policies and practices and believe that such policies and practices are unlikely to expose Northern to inappropriate or excessive risks.

#### *Bonus Compensation*

The amount of bonus compensation awarded to employees is determined on an exceptional basis for outstanding performance.

#### *Chief Executive Officer's Compensation*

Vic Alboini has served as Chief Executive Officer of the Corporation since August 2000. Pursuant to his employment contract, Mr. Alboini is entitled to a base salary of \$300,000. Mr. Alboini is entitled to variable compensation for the overall performance of the Corporation as well as a variable commission based on his

participation in fees and commissions. Effective June 1, 2008, Mr. Alboini's annual base salary was adjusted to \$100,000 and further adjusted to nil effective April 1, 2009. Mr. Alboini is entitled to an annual salary of \$80,000 from Northern Securities.

### Summary Compensation Table

The following table sets forth, to the extent required by applicable securities laws, information with respect to executive compensation paid by the Corporation to the Named Executive Officers indicated for the financial years ended March 31, 2012, 2011 and 2010. "Named Executive Officers" means the Chief Executive Officer ("CEO"), the Chief Financial Officer ("CFO"), regardless of the amount of compensation of those individuals, the Corporation's three most highly compensated executive officers or individuals acting in similar capacities, other than the CEO and CFO, who were serving as such on March 31, 2012, and whose total compensation exceeded \$150,000, and any individual who would have been a Named Executive Officer but was not serving as an executive officer, or acting in a similar capacity, on March 31, 2012.

| Name and Principal Position          | Year Ended Mar. 31 | Salary (\$)           | Share-Based Awards (\$) <sup>(5)</sup> | Option-Based Awards (\$) | Non-Equity Incentive Plan Compensation (\$) |                           | Pension Value (\$) | All Other Compensation (\$) <sup>(4)</sup> | Total Compensation (\$) |
|--------------------------------------|--------------------|-----------------------|--|--------------------------|---|---------------------------|--------------------|--|-------------------------|
|                                      |                    |                       |  |                          | Non-Equity Incentive Plans                  | Long-Term Incentive Plans |                    |  |                         |
| Vic Alboini<br>CEO                   | 2012               | 58,500 <sup>(2)</sup> | 25,152                                 | Nil                      | 155,000                                     | Nil                       | Nil                | 406,298                                    | 644,950                 |
|                                      | 2011               | Nil                   | 149,210 <sup>(3)</sup>                 | Nil                      | Nil   | Nil                       | Nil                | 610,169                                    | 759,379                 |
|                                      | 2010               | Nil                   | 3,682                                  | Nil                      | Nil   | Nil                       | Nil                | 386,863                                    | 390,545                 |
| Doug Chornoboy <sup>(1)</sup><br>CFO | 2012               | 164,583               | 1,137                                  | Nil                      | 65,000                                      | Nil                       | Nil                | 12,000                                     | 242,720                 |
|                                      | 2011               | 150,000               | 3,135                                  | Nil                      | 20,000                                      | Nil                       | Nil                | 12,000                                     | 185,135                 |
|                                      | 2010               | 150,000               | 3,682                                  | Nil                      | Nil   | Nil                       | Nil                | 12,000                                     | 165,682                 |

- Mr. Chornoboy resigned from the Corporation on June 15, 2012.
- Compensation amounts payable to Mr. Alboini include amounts payable to Stature Inc., a corporation wholly-owned by Mr. Alboini, and also include payments made on behalf of Northern Securities. On April 1, 2008, Mr. Alboini's annual base salary was adjusted to \$240,000, adjusted further to \$100,000 on June 1, 2008, and adjusted further to nil on April 1, 2009. On May 1, 2011, Mr. Alboini's salary within Northern Securities was increased to \$80,000.
- Awards made under the Equity Incentive Plan of which \$50,000 vested on July 20, 2010 and \$8,477 vested on February 15, 2011. Of the remaining amount, \$50,000 vested on July 20, 2011, \$8,477 vests on August 15, 2011, and \$8,476 vested on February 15, 2012. Includes \$125,430 in contributions from the EIP. This amount had previously been reported as \$102,540 in the Corporation's 2011 Management Information Circular.
- Includes amounts attributed to Mr. Alboini's entitlement to variable commissions based on his participation in fees and commissions, and includes amounts received on account of automobile reimbursement expenses.
- Amounts shown under Share-Based Awards include the Corporation's contributions under the ESPP, including for the 2011 and 2010 fiscal years which have been adjusted from the management information circulars previously filed for those years

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

The following table summarizes all awards outstanding at the end of the most recently completed financial year for the Named Executive Officers.

| Name           | Option-Based Awards                                     |                            |                        |  | Share-Based Awards   |  |
|----------------|---|----------------------------|------------------------|--|--|--|
|                | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised in-the-money Options (\$) | Number of Shares or Units of Shares That Have Not Vested (#) | Current Market or Payout Value of Share-Based Awards That Have Not Vested (\$) |
| Vic Alboini    | 20,000  | \$3.50                     | Jan. 21, 2013          | Nil  | Nil  | Nil  |
| Doug Chornoboy | Nil   | N/A                        | N/A                    | Nil  | Nil  | Nil  |

### Stock Option Plan

The Plan was originally established to attract and retain key employees of the Corporation, whereby key employees were granted options by the Board, from time to time, to acquire Common Shares of the Corporation at an exercise price corresponding to the prevailing market price at the time of grant. Effective August 28, 2003, the Corporation ceased to grant new stock options under the Plan. Options that were granted prior to August 28, 2003, continue to be exercisable in accordance with their terms.

Under the Plan, 35,320 Common Shares have been granted but remain unexercised. The following is a summary of options outstanding under the Plan as of March 31, 2012:

| Range of Exercise Prices | Stock Options # | Weighted Average Remaining Life (Years) | Weighted Average Price |
|--------------------------|-----------------|---|------------------------|
| \$3.50-5.00              | 35,320          | 0.73                                    | \$3.58                 |



### ***Equity Incentive Plan***

In connection with listing the Common Shares on the TSX Venture Exchange, Northern has terminated its **Equity Incentive Plan** (the “**EIP**”). Awards under the EIP which were outstanding and unvested as of March 15, 2012, continue to vest in accordance with the terms of the respective awards and the terms of the EIP, subject to a maximum aggregate of 1,546,063 Common Shares. No new awards may be granted under the EIP. Below is a description of the EIP which is being provided due to the fact that certain previously granted awards remain outstanding.

Under the Corporation’s EIP, Common Shares of the Corporation may be granted, issued and distributed, subject to conditions, to certain new or existing employees of the Corporation or its subsidiaries, at the discretion of the Board, as a means of attracting and retaining exceptional employees.

The deemed issue price for any Common Shares granted and issued under the EIP is the closing market price on the trading day immediately preceding the later of (i) the date of the grant of the award to the employee; and (ii) the date of receipt of all applicable regulatory approvals. Any employee of Northern is entitled to participate in the EIP.

Awards granted to employees will vest on such terms as are specified by the Board at the time of the grant. Upon vesting, an award is immediately convertible into one Common Share (subject to certain adjustments). In the event the Corporation terminates the employment of an employee without cause or as a result of his or her death or disability, any unvested awards remain in full force and effect and will vest in accordance with their terms. In the event an employee resigns from the Corporation or is terminated for cause, any unvested awards will terminate as of the date of such resignation or termination.

Any Common Shares issuable under the EIP pursuant to awards granted in a particular fiscal year must be issued within 9 months of the end of that fiscal year unless the vesting period extends beyond such period. Any awards issued under the EIP are non-transferable.

The EIP may be amended by the Board at any time, subject to receipt of any required regulatory approvals. The EIP includes the following restrictions applicable to insiders:

- (a) the number of securities issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities; and
- (b) the number of securities issued to insiders, within any one-year period, under all security based compensation arrangements, cannot exceed 10% of the Corporation’s issued and outstanding securities.

On September 25, 2008, shareholders approved amendments to the EIP to give the Corporation the ability to, in its discretion, provide shares under the EIP to eligible parties through open market purchases as well as through issuances from treasury.

On September 16, 2010, in order to provide the Corporation with additional flexibility in respect of the EIP and to further encourage employee share ownership, shareholders approved amendments to the EIP to increase the maximum number of Common Shares issuable from treasury in a given year under the EIP from 6% of the issued and outstanding Common Shares to 10%.

### ***Securities Authorized for Issuance Under Equity Compensation Plans***

The following table sets out information regarding outstanding options, warrants and rights under the Plan as of March 31, 2012.

| <b>Plan Category</b>                                      | <b>Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights</b> | <b>Weighted Average Exercise Price of Outstanding Options, Warrants and Rights</b> | <b>Number of Securities Available for Future Issuance under Equity Compensation Plans</b> |
|---|--|--|---|
| Equity compensation plans approved by securityholders     | 35,320<br>Common Shares Issuable on Exercise of Outstanding Options                                | \$3.58   | Nil   |
| Equity compensation plans not approved by securityholders | N/A  | N/A  | Nil   |
| <b>Total</b>  | 35,320<br>Common Shares  | \$3.58   | Nil   |

## ***Termination of Employment, Change in Responsibilities and Employment Contracts***

### ***Vic Alboini***

Vic Alboini is employed as the Chairman, President and Chief Executive Officer of the Corporation and Chairman, President and Chief Executive Officer of Northern Securities Inc. (“**Northern Securities**”). Pursuant to Mr. Alboini’s employment contract, he is entitled to an annual base salary of \$300,000. In addition, Mr. Alboini is entitled to variable compensation for the overall performance of the Corporation as well as a variable commission based on his participation in fees and commissions. Effective April 1, 2009, Mr. Alboini’s annual base salary was adjusted to nil. Mr. Alboini is entitled to an annual salary of \$80,000 from Northern Securities.

In the event of the voluntary resignation or termination of Mr. Alboini for any reason including with cause or without cause or due to death or disability (as defined in his employment contract), Mr. Alboini shall be entitled to exercise his vested options for a period of three years from the date of such termination, during which period any options then held shall continue to vest.

In the event of termination by the Corporation or Northern Securities without cause, Mr. Alboini is entitled to receive as a severance payment payable on the date of termination an amount equal to two times his average annual compensation from the Corporation and Northern Securities over the previous two years, including any bonuses or commissions. If Mr. Alboini is terminated without cause at any time following a change of control, he is entitled to receive as a severance payment payable on the date of termination an amount equal to three times his average annual compensation from the Corporation and Northern Securities over the previous three years, including any bonuses or commissions. For the purposes of his employment contract, a change of control is defined as being the acquisition by a third party or third parties acting in concert of at least 40% of the issued and outstanding Common Shares or, otherwise, of a sufficient number of Common Shares to enable the third party or third parties to cause the election of the majority of the Board.

### ***Compensation of Directors***

The Corporation’s Board currently consists of three directors. Prior to July 27, 2009, Directors who were not executive officers of the Corporation received an annual fee of \$10,000 and an additional fee of \$500 for each meeting attended. Directors are reimbursed for out-of-pocket expenses incurred in attending Board and committee meetings. Directors are entitled to receive compensation from the Corporation to the extent that they provide services to the Corporation. Any such compensation is based on rates that would be charged by such directors for similar services to arm’s length parties. A director who is also an employee of the Corporation receives no additional consideration for serving as a director. The Corporation paid an aggregate of \$57,750 to the Directors in respect of the period ended March 31, 2012.

On July 27, 2009, the Board approved an increase to the annual fee from \$10,000 to \$12,500 and an increase to the meeting fee from \$500 per meeting to \$750 per meeting.

The following table summarizes the compensation provided to the directors for the Corporation’s most recently completed financial year.

| <b>Name</b>   | <b>Fees Earned (\$)</b> | <b>Share-Based Awards (\$)</b> | <b>Option-Based Awards (\$)</b> | <b>Non-Equity Incentive Plan Compensation (\$)</b> | <b>Pension Value (\$)</b> | <b>All Other Compensation (\$)</b> | <b>Total (\$)</b> |
|---------------|-------------------------|--------------------------------|---------------------------------|--|---------------------------|------------------------------------|-------------------|
| Vic Alboini   | Nil                     | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | Nil               |
| Ian Bradley   | \$19,250                | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | \$19,250          |
| William Grant | \$19,250                | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | \$19,250          |
| Wes Roitman   | \$17,750                | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | \$17,750          |
| John Reid     | \$1,500                 | Nil                            | Nil                             | Nil  | Nil                       | Nil                                | \$1,500           |

Notes: 1. Mr. Roitman resigned from the Board on January 23, 2012.  
2. Mr. Reid joined the Board on February 14, 2012.

| OUTSTANDING SHARE-BASED AWARDS AND OPTION-BASED AWARDS |   |                            |                        |  |  |  |  |
|--|---|----------------------------|------------------------|--|--|--|--|
| Option-based Awards                                    |   |                            |                        |  | Share-based Awards   |  |  |
| Name of Director                                       | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of unexercised in-the-money options (\$) | Number of shares or units of shares that have not vested (#) | Market or payout value of share-based awards that have not vested (\$) | Market or payout value of vested share-based awards not paid out or distributed (\$) |
| Vic Alboini  | 20,000  | 3.50                       | January 21, 2013       | Nil  | Nil  | Nil  | Nil  |
| Ian Bradley  | Nil   | Nil                        | Nil                    | Nil  | Nil  | Nil  | Nil  |
| William Grant  | Nil   | Nil                        | Nil                    | Nil  | Nil  | Nil  | Nil  |
| Wes Roitman  | Nil   | Nil                        | Nil                    | Nil  | Nil  | Nil  | Nil  |
| John Reid  | Nil   | Nil                        | Nil                    | Nil  | Nil  | Nil  | Nil  |

| INCENTIVE PLAN AWARDS – VALUE VESTED OR EARNED DURING YEAR |   |  |  |
|--|---|--|--|
| Name of Director   | Option-based awards – Value vested during year (\$) | Share-based awards – Value vested during year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
| Vic Alboini  | Nil   | Nil  | Nil  |
| Ian Bradley  | Nil   | Nil  | Nil  |
| William Grant  | Nil   | Nil  | Nil  |
| Wes Roitman  | Nil   | Nil  | Nil  |
| John Reid  | Nil   | Nil  | Nil  |

### *Indebtedness of Directors and Executive Officers*

There are no outstanding loans granted by the Corporation to any director or executives nor has any guarantee been provided by the Corporation for the benefit of any director or executive.

## **CORPORATE GOVERNANCE**

Corporate governance relates to the activities of the Board of Directors, 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 who are charged with the day-to-day management of the Corporation. National Policy 58-201 Corporate Governance Guidelines (“**NP 58-201**”) establishes corporate governance guidelines which apply to all public companies. These guidelines are not intended to be prescriptive but to be used by issuers in developing their own corporate governance practices. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

Pursuant to National Instrument 58-101 Disclosure of Corporate Governance Practices (“**NI 58-101**”), the Corporation is required to disclose its corporate governance practices, as summarized below. The Board will continue to monitor such practices on an ongoing basis and, when necessary, implement such additional practices as it deems appropriate.

### **Board of Directors**

- (a) The independent directors of the Board are William Grant and John Reid.
- (b) The non-independent director is Vic Alboini, who is the Chairman, President and Chief Executive Officer of the Corporation.
- (c) A majority of the Board members are independent.
- (d) The small size of the Board facilitates open and candid discussion amongst its members. The Compensation Committee, which is made up entirely of outside, unrelated directors, meets independently of management members of the Board to discuss and approve executive compensation related matters, and any other matters deemed significant in their discretion, on at least an annual basis.
- (e) Although the Chairman of the Board is an insider, related director, a majority of the Board is made up of outside, unrelated directors. The Board considers it important that the individual serving as its Chairman has

a management-level understanding of the day-to-day operations of the Corporation. As the Board currently has only one representative of management, and that representative is the Chief Executive Officer, this individual serves the roles of Chairman, President and Chief Executive Officer. The Board does not have an independent “lead director”, but the small size of the Board provides the ability for the independent directors to perform their duties appropriately.

- (f) The following table sets forth the number of Board and committee meetings held and attendance by directors for the year ended March 31, 2012:

| <u>Director</u>            | <u>Board of Directors and Committee Meetings<br/>Attended (in person or by telephone)</u> |
|----------------------------|---|
| Vic Alboini                | 4 of 4  |
| Ian Bradley                | 9 of 9  |
| William Grant              | 9 of 9  |
| Wes Roitman <sup>(1)</sup> | 7 of 7  |
| John Reid <sup>(2)</sup>   | 2 of 2  |

1. Mr. Roitman resigned from the Board on January 23, 2012.
2. Mr. Reid joined the Board on February 14, 2012.

### **Board Mandate**

The mandate of the Board is to supervise the management of the business and affairs of the Corporation and to act with a view to the best interests of the Corporation and its shareholders. The Board fulfils its mandate directly and through committees. To assist it in fulfilling this responsibility, the Board has specifically recognized its responsibility for the following areas:

- (a) reviewing and approving the Corporation’s strategic plan and business initiatives and monitoring the implementation by management of the strategic plan;
- (b) reviewing and approving the Corporation’s expenditure policy as well as those expenditures which exceed the limits for management approval;
- (c) reviewing and approving significant operational and financial matters and providing direction to management on these matters;
- (d) overseeing the Corporation’s integrity, ethics and compliance with laws and financial reporting requirements;
- (e) ensuring that appropriate succession planning and management development plans are in place;
- (f) monitoring the Corporation’s operating results and financial condition;
- (g) understanding and assessing the risks facing the Corporation and monitoring the management of those risks; and
- (h) assessing the performance of the officers and senior management of the Corporation and setting executive compensation accordingly, as well as reviewing and approving corporate objectives and goals applicable to senior management.

### **Position Descriptions**

- (a) Board and Committee Chairs

The Board has not developed written position descriptions for the chair and the chairs of its two committees (Audit Committee and Compensation Committee). The Board operates within the mandate noted above. The Audit Committee operates within its written mandate. The Chair of the Board and of each of the committees is responsible for establishing the agenda for each meeting in consultation with other Board members and executive management.

- (b) Chief Executive Officer

The Board has not developed a written position description for the Chief Executive Officer. The Chief Executive Officer is a director of the Corporation. The mandate of the Board includes setting objectives for executive management and assessing performance against these objectives.

## **Orientation and Continuing Education**

Management, along with the Board, provides all new directors with a briefing on the history of the Corporation, the current financial position and operational strategy of the Corporation, and the structure and operation of the Board. Senior management and the Corporation's auditors make periodic presentations to the Board to ensure they are aware of business conditions, industry practices and emerging issues.

## **Ethical Business Conduct**

The Board has adopted a written Code of Ethics ("Code") of the Corporation, which guides all directors, officers, and employees of the Corporation. The Code forms part of the Corporation's Policy and Procedures Manual and addresses the following issues:

- |  |  |
|--|--|
| (a) compliance with laws, rules and regulations; | (m) anti-money laundering/terrorist financing;                         |
| (b) compliance with the Code;                    | (n) fraud;   |
| (c) fair and honest dealing;                     | (o) record retention;  |
| (d) anti-discrimination and harassment;          | (p) access to information;   |
| (e) substance abuse;                             | (q) conflicts of interest;   |
| (f) safety and security;                         | (r) outside activities;  |
| (g) supervision of employees;                    | (s) gifts and entertainment;   |
| (h) inside information;                          | (t) personal trading, borrowing and lending;                           |
| (i) improper use of knowledge;                   | (u) privacy and confidentiality;                                       |
| (j) use of client information;                   | (v) protection and proper use of company assets;                       |
| (k) standard of care in investment management;   | (w) internal and external examinations, audits and investigations; and |
| (l) improper influence;                          | (x) reporting of potential violations of the Code.                     |

The Board is responsible for monitoring the Code, reviewing management's monitoring of compliance with the Code, and receiving reports from the Chief Financial Officer of the Corporation and the Chief Compliance Officer of Northern Securities with regard to the Code.

A copy of the code is available for review at the Corporation's registered office.

To ensure that directors exercise independent judgement in considering transactions and agreements in respect of which a director or executive officer has a material interest, the Board's practice is that the interested director is not permitted to vote on any resolution to approve the matter.

## **Nomination of Directors**

The Board does not currently have a formal committee for nominating new directors or assessing directors. In the event a new director is required, the Board considers a nominee's track record in business management, special expertise in an area of interest to the Corporation, the nominee's ability to devote sufficient time, and whether the nominee has shown support for the Corporation's mission and strategic objectives.

## **Compensation**

The Board has appointed a Compensation Committee comprised entirely of independent directors. Each year, the Compensation Committee and the Board review the base salaries of all executive officers to determine whether adjustments are appropriate to bring their salaries to a competitive level and to reflect their responsibilities as executives of a public corporation. In conducting this review, the Board considers comparative data for executives having similar responsibilities in competitive organizations, taking into account size, location and appropriate differentiating factors.

## **Assessments**

The Board as a whole assesses the effectiveness of the Board and individual members at least annually. The process by which this assessment is done is on an informal basis. Due to the small size of the Board, a formal committee has not been considered necessary or efficient to conduct this assessment.

## **Board Committees**

The Corporation presently has an Audit Committee and a Compensation Committee.

## *Audit Committee*

The Audit Committee assists the Board in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Corporation's process for monitoring compliance with laws and regulations and the code of conduct.

The responsibilities of the Audit Committee include:

- Being available to assist and provide direction in the audit planning process when and where appropriate;
- Meeting with the auditors as necessary and prior to release and approval of the consolidated financial statements to review audit, disclosure and compliance issues;
- Where necessary, reviewing matters raised by the auditors with appropriate levels of management, and reporting back to the auditors their findings;
- Making known to the auditors any issues of disclosure, corporate governance, fraud or illegal acts, non-compliance with laws or regulatory requirements that are known to them, where such matters may impact the consolidated financial statements or auditors report;
- Providing guidance and direction to the auditors on any additional work they feel should be undertaken in response to issues raised or concerns expressed;
- Making such enquiries as appropriate into the findings of the auditors with respect to corporate governance, management conduct, cooperation, information flow and systems of internal controls;
- Reviewing the draft consolidated financial statements prepared by management including the presentation, disclosures and supporting notes and schedules, for accuracy, completeness and appropriateness, and approve same to be passed to directors for approval; and
- Pre-approving all professional services and allowable consulting services to be provided by the auditors.

At no time since the commencement of the Corporation's most recently completed fiscal year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the Board.

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services.

The Audit Committee members are Mr. Reid, Mr. Grant and Mr. Alboini. Other than Mr. Alboini each of the members of the committee are independent, as such term is defined in Multilateral Instrument 52-110 Audit Committees.

All the members of the Committee are "financially literate" and have:

- (a) an understanding of the accounting principles used by the Corporation to prepare its financial statements;
- (b) the ability to assess the general application of such accounting 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 individuals engaged in such activities; and
- (d) an understanding of internal controls and procedures for financial reporting.

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

- **Mr. Reid** – Mr. John Reid is the principal of Woodward and Company Ltd., since 1998, a sales agency operating in the marine, recreational vehicle and industrial markets. Mr Reid was employed by Progressive Packaging in various positions Sales and Marketing, General Manager from 1991-1997, and Condor Laminations as General Manager 1989-1991( Both divisions of the Jim Pattison Group).
- **Mr. Alboini** – Mr. Alboini has been in the securities industry for a total of 18 years and is experienced in mergers and acquisitions in his role as an investment banker and as an officer and director. Mr. Alboini has been a securities lawyer at McCarthy & McCarthy (now McCarthy Tetrault), President of Prenor Financial Inc., Managing Director Loewen, Ondaatje & McCutcheon, Executive Vice President. Mergers and Acquisitions at Yorkton Securities Inc. and Chairman and Chief Executive Officer of the Corporation and

Northern Securities. Mr. Alboini is also Chairman and Chief Executive officer of Jaguar Financial Corporation. Mr. Alboini has a Masters of Law (Corporate Finance) from Osgoode Hall, a Bachelor of Laws from the University of Toronto, and a Bachelor of Arts (Political Science) at the University of Toronto.

- **Mr. Grant** – Mr. Grant is an active investor in many companies with financial experience resulting from his long career in the insurance industry. Mr. Grant was formerly the President and a Director of Loyalist Insurance Company, formerly a Director of Commonwealth Insurance Company and Federated Insurance Company, and formerly the President of Markel Insurance Company.

The Audit Committee meets on a quarterly basis and holds special meetings, as circumstances require.

#### *Audit Fees*

The fees charged to the Corporation by its external auditor in each of the last two fiscal years are as follows:

|                                   | <b>Fiscal Year Ended<br/>March 31, 2012</b> | <b>Fiscal Year Ended<br/>March 31, 2011</b> |
|-----------------------------------|---|---|
| Audit Fees <sup>(1)</sup>         | <b>\$147,000</b>                            | <b>\$305,000</b>                            |
| Audit-Related Fees <sup>(2)</sup> | <b>Nil</b>                                  | <b>Nil</b>                                  |
| Tax Fees <sup>(3)</sup>           | <b>Nil</b>                                  | <b>Nil</b>                                  |
| All Other Fees                    | <b>Nil</b>                                  | <b>Nil</b>                                  |

Notes:

- (1) Audit fees include fees for services related to the audit of the Corporation's financial statements or other services that are normally provided by the external auditors in connection with statutory or regulatory filings or engagements. These fees also include fees for comfort letters, statutory audits, attest services, consents and assistance with the preparation and review of documents filed with regulators, as well as in connection with the interpretation of accounting and financial reporting standards.
- (2) Audit-related fees include assurance and related services that are performed by the Corporation's auditors. These services also include accounting consultations in connection with divestitures and internal control reviews.
- (3) Tax fees include fees for assistance with tax planning, during restructurings and when taking a tax position, as well as preparation and review of income and other tax returns and tax opinions.

The Corporation is relying on the exemption in section 6.1 of National Instrument 52-110 – *Audit Committees* and Audit Committee charter is attached hereto as Schedule "B".

#### *Compensation Committee*

The Corporation's Compensation Committee is comprised entirely of independent directors. The members of the Compensation Committee are William Grant and John Reid. The members of the Compensation Committee have had significant business management experience, which provides them with an understanding of the factors that are required in evaluating compensation.

## **INSURANCE COVERAGE**

The Corporation's directors and officers are not covered under directors and officers' insurance policies.

## **ADDITIONAL INFORMATION**

Additional information about the Corporation, including the Corporation's current annual information form, MD&A and financial statements can be found on the SEDAR website for Canadian regulatory filings at [www.sedar.com](http://www.sedar.com). Shareholders may also contact the Corporation at (416) 644-8100 to request copies of the Corporation's financial statements and MD&A. Financial information is provided in the Corporation's comparative financial statements and MD&A for its most recently completed financial year.

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

By Order of the Board.

August 21, 2012

Vic Alboini  
Chairman and Chief Executive Officer

## SCHEDULE A

### ORDINARY RESOLUTION OF THE SHAREHOLDERS OF NORTHERN FINANCIAL CORPORATION (the “Corporation”)

#### RE-APPROVAL OF EMPLOYEE SHARE PURCHASE PLAN

**BE IT RESOLVED** as an ordinary resolution of the Corporation that:

1. The ESPP, the text of which is set out below, is hereby confirmed, approved and adopted; and
2. Any one or more directors or officers be and are hereby authorized, upon the board of directors of the Corporation resolving to give effect to this resolution, to take all necessary acts and proceedings, to execute and deliver and file any and all applications, declarations, documents and other instruments and to do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to the provisions of this resolution.

Text of Employee Share Purchase Plan:

#### “EMPLOYEE SHARE PURCHASE PLAN

1. Northern Financial Corporation (“NFC”) has established an Employee Share Purchase Plan (“ESPP”) for the benefit of the employees of NFC and Northern Securities Inc. (“NSI”). NFC and NSI are sometimes collectively referred to as “Northern”.
2. Employees qualify to participate in the ESPP once they have completed six months of employment at Northern. These employees are referred to as “Qualifying Employees”.
3. On August 1 in each year, Qualifying Employees can purchase common shares of NFC up to 8% of their compensation in the six-month period ending June 30, subject to a maximum amount of \$4,000.
4. Similarly on February 1 in each year, Qualifying Employees can purchase common shares of NFC up to 8% of their compensation in the six-month period ending December 31, subject to a maximum amount of \$4,000.
5. Accordingly, the maximum amount that can be invested by a Qualifying Employee in any year is \$8,000.
6. The purchase price of the NFC shares under the ESPP is the volume weighted average price for the 20 trading day period ending on the applicable June 30 or December 31 date.
7. On each August 1 and February 1 NFC will match the number of common shares purchased by Qualifying Employees (the “Employee Shares”) by issuing the same number of common shares (the “Matching Shares”) at no cost to the Qualifying Employees.



8. The Matching Shares are issued to Qualifying Employees equally over a three-year period following the date of the purchase of the Employee Shares, as long as the Qualifying Employee is an employee of Northern at that time. Therefore Qualifying Employees earn one-third of their Matching Shares one year following the date of issue of the Employee Shares, a further one-third of their Matching Shares two years following the date of issue of the Employee Shares, and the final one-third of their Matching Shares three years following the date of issue of the Employee Shares.
9. If the employment of any Qualifying Employee is terminated for any reason whatsoever, including voluntary resignation, termination by Northern with or without cause, the Matching Shares that have not been issued to the Qualifying Employee are forfeited by such Employee. Despite the foregoing, upon the death of a Qualifying Employee, Matching Shares that would have been issued to such employee as a result of the purchase of Employee Shares as at the date of death will continue to be issued by NFC to the estate of such Qualifying Employee over the three year period referred to above.
10. The Employee Shares are freely tradable by Qualifying Employees on or after the date of their issue. Matching Shares may not be traded by Qualifying Employees until the dates such shares are issued as noted above.
11. The number of securities issuable to insiders, at any time, under all security based compensation arrangements, cannot exceed 10% of issued and outstanding securities and the number of securities issued to insiders, within any one year period, under all security based compensation arrangements, cannot exceed 10% of issued and outstanding securities.
12. NFC may satisfy its obligations under the ESPP to issue Employee Shares and Matching Shares, in whole or in part, through the issuance of securities from treasury and/or by delivery of previously issued common shares acquired on a public market such as the TSX. NFC reserves the right to discharge any and all of its obligations under the ESPP through the use of a plan administrator or other third party service provider.
13. The ESPP may be amended from time to time by the directors of the Corporation. For greater certainty and without limiting the foregoing, without requirement to seek shareholder approval:
  - i) the directors of the Corporation may, from time to time, waive or increase the participation limits set out in any of paragraphs 3, 4, and 5 of the ESPP provided that the aggregate participation of all eligible employees in respect of the participation date on which the waiver or increase applies shall not exceed the aggregate maximum participation that would otherwise apply had the waiver or increase not been granted and the restrictions set out in paragraph 11 are complied with; and
  - ii) the directors of the Corporation may, from time to time, set participation dates and vesting periods for the issuance of Matching Shares under the ESPP different than those set out in paragraphs 3, 4, 7 and 8 of the ESPP provided that, (A) under no circumstances shall the Board be entitled to lengthen the vesting periods for the issuance of Matching Shares in respect of ESPP participation that occurred prior to the date hereof, and (B) the purchase price of the NFC shares under the ESPP is the volume weighted average price for the 20 trading day period ending 30 days prior to the participation date.
14. The maximum number of Common Shares that can be issued under the ESPP in a given fiscal year cannot exceed 10% of the Corporation's issued and outstanding shares calculated at the last day of the prior fiscal year."

**SCHEDULE “B”**  
**CHARTER**  
**OF THE AUDIT COMMITTEE OF**  
**NORTHERN FINANCIAL CORPORATION (the “Corporation”)**

**Mandate**

To assist the board of directors of the Corporation in fulfilling its oversight responsibilities for the financial reporting process, the system of internal control over financial reporting, the audit process, and the Corporation’s process for monitoring compliance with laws and regulations and the code of conduct.

**Authority**

The audit committee has authority to conduct or authorize investigations into any matters within its mandate. It is empowered to:

- Retain outside counsel, accountants or others to advise the committee.
- Seek any information it requires from employees – all of whom are directed to co-operate with the committee’s requests – or external parties.
- Meet with the Corporation’s officers, external auditors or outside counsel and review Corporation books and records, as necessary.

**Composition**

The audit committee will consist of three members of the board of directors. The board will appoint committee members and the committee chair. In the absence of the chair at any particular meeting, the other committee members shall appoint a member for such purpose. 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 upon ceasing to be a director. Subject to the foregoing, each member of the committee shall hold office as such until the next annual meeting of shareholders.

Subject to applicable exemptions, each committee member will be both independent of management and is an unrelated director, and shall be able to read and understand a balance sheet, an income statement and a cash flow statement. At least one member shall have accounting or related financial expertise, which shall be defined as having sufficient experience, in the opinion of the board, to be able to appreciate the significance of the information in the financial statements.

**Meetings**

The committee will meet at least four times a year, with authority to convene additional meetings, as circumstances require. All committee members are expected to attend each meeting, in person or via teleconference; however, two members of the audit committee, present in person or via teleconference, will constitute a quorum. The committee will invite members of management, auditors or others to attend meetings and provide pertinent information, as necessary. It will hold private meetings with auditors and meetings with management. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials. Minutes will be prepared by the secretary of the committee (who shall be appointed from among its members and may include the chair of the committee). Subject to the foregoing, the times of meetings and the places where meetings of the committee shall be held and the calling of, and procedures at, such meetings shall be determined from time to time by the committee, provided that meetings shall be convened with the auditors of the Corporation whenever requested by them in accordance with the *Business Corporations Act* (Ontario) and generally accepted auditing standards. Meetings with the Corporation’s auditors shall, in any event, occur at least annually and with the Corporation’s management, at least four times a year.

## **Duties**

The committee will carry out the following duties in furtherance of its mandate:

### *Financial Statements*

- Review significant accounting and reporting issues, including complex or unusual transactions and highly judgmental areas, and recent professional and regulatory pronouncements, and understanding their impact on the financial statements.
- Review with management and the external auditors the results of the audit, including any difficulties encountered, and resolving disagreements between management and the external auditors regarding financial reporting.
- Review the annual financial statements, and consider whether they are complete, consistent with information known to committee members, and reflect appropriate accounting principles.
- Review other sections of the annual report (including annual management discussion and analysis) and related securities regulatory filings (including the annual information form) before release and consider the accuracy and completeness of the information.
- Review with management and the external auditors all matters which the external auditors communicate to the committee pursuant to generally accepted auditing standards.
- Understand how management develops interim financial information, and the nature and extent of external auditor involvement.
- Review interim financial reports (including interim management discussion and analysis) with management and the external auditors, before filing with regulators, and consider whether they are complete and consistent with the information known to committee members.

### *Internal Control*

- Consider effectiveness of the Corporation's internal control over the conduct of financial transactions and over annual and interim financial reporting, including information technology security and control.
- Understand the scope of external auditors' review of internal control over the conduct of financial transactions and over financial reporting, and obtain reports on significant findings and recommendations, together with management's responses.

### *External Audit*

- Review the external auditors' proposed audit scope and approach.
- Review the performance of the external auditors, and exercise final approval on the recommended appointment or discharge of the auditors, who are ultimately accountable to the board and the audit committee as representatives of shareholders.
- Review and confirm the independence of the external auditors by obtaining written statements, at least annually, from the auditors on all relationships between the auditors and the Corporation, including non-audit services, and the fees paid or payable with respect thereto, and discussing the relationships with the auditors.
- Pre-approve all non-audit services to be provided to the Corporation or its subsidiaries by the Corporation's external auditors, delegate a member of the committee to perform such pre-approval function, or establish policies and procedures with respect to the provision of non-audit services in accordance with applicable law.
- On a regular basis, meet separately with the external auditors to discuss any matters that the committee or auditors believe should be discussed privately.

### *Compliance*

- Review the effectiveness of the system of monitoring compliance with laws and regulations relating to financial reporting and securities law matters and the results of management's investigation and follow-up (including disciplinary action) of any instances of non-compliance.
- Review the findings of any examinations by regulatory agencies, and any auditor observations.
- Review the process for communicating the code of conduct to Corporation personnel, and for monitoring compliance therewith.
- Review the procedures relating to the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential submissions by employees of concerns regarding questionable accounting or auditing matters.
- Obtain regular updates from management and Corporation's legal counsel regarding compliance with laws and regulations relating to financial reporting and securities law matters and other matters that may have a material impact on financial statements.

### *Reporting Responsibilities*

- Regularly report to the board of directors about committee activities, issues and related recommendations.
- Provide an open avenue of communication between the external auditors and the board of directors.
- Review any other reports the Corporation issues that relate to committee responsibilities.
- Other Responsibilities
- Perform other activities related to this charter as requested by the board of directors and as required by law.
- Institute and oversee special investigations as needed.
- Review and assess the adequacy of the committee charter annually, requesting board approval for proposed changes.
- Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the Corporation's present and former external auditors.
- Confirm annually that all responsibilities outlined in this charter have been carried out.
- Evaluate the committee's and individual members' performance on a regular basis.

### **Limitations**

While the committee has the responsibilities and powers set forth in this charter, it is not the duty of the committee to plan or conduct audits or to determine that generally accepted accounting principles have been utilized in generating the Corporation's financial statements. This is the responsibility of management and the independent auditor. Nor is it the duty of the committee to conduct investigations or to assure compliance with laws and regulations and the business conduct guidelines of the Corporation.