



## MANAGEMENT INFORMATION CIRCULAR

### For the Annual Meeting of Shareholders to be held on May 11, 2017

Dated: March 31, 2017

PFB Corporation (the “**Corporation**”) is utilizing the “notice-and-access” process that came into effect on February 11, 2013, under National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“**NI 54-101**”) and National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”), for distribution of meeting materials, including this management information circular (the “**Circular**”), to non-registered holders (“**Beneficial Shareholders**”) of common shares (“**Common Shares**”) of the Corporation. Further information on notice-and-access, including how Beneficial Shareholders may obtain a paper copy of this Circular, is contained below under the heading “NOTICE-AND-ACCESS”.

#### PURPOSE OF SOLICITATION

This Circular is furnished in connection with the solicitation of proxies by or on behalf of the management of the Corporation for use at the annual meeting (the “**Meeting**”) of holders of Common Shares (the “**Shareholders**”) of the Corporation. The Meeting will be held at the office of the Corporation located at 100, 2886 Sunridge Way N.E., Calgary, Alberta, on Thursday, May 11, 2017, at 11:00 a.m. (Mountain Daylight Time) or at any adjournment thereof, for the purposes set forth in the notice of meeting (“**Notice of Meeting**”) accompanying this Circular.

#### GENERAL PROXY INFORMATION

This Circular provides the information you need to vote at the Meeting. Registered Shareholders will receive paper copies of all Meeting materials. Beneficial Shareholders will receive, by prepaid mail, a notice package under the new notice-and-access rules, including the Notice of Meeting, a voting instruction form (“**VIF**”) and a supplemental mail card (collectively, the “**Notice Package**”), as described below under the heading “NOTICE-AND-ACCESS”. The Circular will not be included in the Notice Package. The Circular will be available to Beneficial Shareholders on the Corporation’s website at [www.pfbcorp.com](http://www.pfbcorp.com) under Investors/Shareholder Information, or on SEDAR at [www.sedar.com](http://www.sedar.com). Beneficial Shareholders will also have the option to contact the Corporation’s transfer agent, Alliance Trust Company, at the contact information described under the heading “NOTICE-AND-ACCESS” below. Alternatively, you may contact the Corporation’s Chief Executive Officer by e-mail at [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com) for a full set of paper copies of the Meeting materials. Please ensure that requests for paper copies are made by Thursday April 27, 2017.

This solicitation of proxies for use at the Meeting is made on behalf of the management of the Corporation. The solicitation is being made primarily by mail and may also be solicited in person by telephone or other electronic communication by directors, officers and regular or temporary employees of the Corporation. The total cost of preparing and mailing this Circular and the cost of soliciting proxies will be borne by the Corporation.

The holders of Common Shares are entitled to vote and are encouraged to participate in the Meeting.

Unless otherwise stated, the information contained herein is given as of March 31, 2017.

#### NOTICE-AND-ACCESS

Canadian securities laws allow the Corporation to post its Circular, the audited consolidated financial statements for the years ended December 31, 2016 and 2015 to be approved at the Meeting (the “**Financial Statements**”) and management’s discussion and analysis for the year ended December 31, 2016 (“**MD&A**”) online rather than mailing paper copies of such materials to certain Shareholders. This process is known as the “notice-and-access” rule and the Corporation is distributing its Meeting materials to Beneficial Shareholders by way of the “notice-and-access” rule and the procedures known as “stratification”.

The rule allows the Corporation to post electronic copies of the Circular, Financial Statements and MD&A online on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com), on the Corporation's website at [www.pfbcorp.com](http://www.pfbcorp.com) under Investors/Shareholder Information, and at [www.alliancetrust.ca/shareholders](http://www.alliancetrust.ca/shareholders).

The Corporation has elected to use procedures known as "stratification" in relation to its use of the notice-and-access rule. Stratification occurs when the Corporation, while using the notice-and-access rule, provides paper copies of the Meeting materials to certain Shareholders. In relation to the Meeting, if you are a registered Shareholder you will receive a paper copy of each of the Notice of Meeting, the Circular, the Financial Statements and the associated MD&A, and a form of proxy (a "**Form of Proxy**"), whereas if you are Beneficial Shareholder you will only receive the Notice Package consisting of a Notice of Meeting, VIF and a supplemental mail card.

If you are a Beneficial Shareholder and you would like to receive a paper copy of the Meeting materials prior to the voting deadline, you must send your request well in advance in order to ensure that either Alliance Trust Company (registrar and transfer agent the Corporation), or the Corporation, receives your request by Thursday, April 27 2017. This deadline should ensure sufficient time for you to receive paper copies of the Meeting materials. If your request is made before the Meeting date, the Meeting materials will be sent within three business days of receipt of the request.

Beneficial Shareholders may obtain paper copies of the Circular, the Financial Statements and related MD&A free of charge by contacting Alliance Trust Company toll free at 1-877-537-6111 or by e-mail at [inquiries@alliancetrust.ca](mailto:inquiries@alliancetrust.ca), or from the Corporation's Chief Executive Officer at e-mail [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com).

Shareholders with questions about notice-and-access may contact Alliance Trust Company, toll-free at 1-877-537-6111 or by e-mail at [inquiries@alliancetrust.ca](mailto:inquiries@alliancetrust.ca), or from the Corporation's Chief Executive Officer at e-mail [asmith@pfbcorp.com](mailto:asmith@pfbcorp.com).

Pursuant to the notice-and-access rules, the Corporation will also provide a paper copy of Meeting materials to any Beneficial Shareholder free of charge upon request for a period of one year from the date the Circular is filed on SEDAR. If your request is made after May 11, 2017, the date of the Meeting, the Meeting materials will be sent to you within 10 calendar days of receipt of your request.

Beneficial Shareholders will be mailed the Notice Package by their respective broker, custodian, or other financial institution. Beneficial Shareholders should follow the completion and delivery instructions contained in the Notice Package and are reminded to review the Circular before voting. For further information, please see the information contained under the heading "Notice to Beneficial Shareholders" below.

Shareholders who are unable to attend the Meeting and who wish to ensure that their Common Shares will be voted at the Meeting are requested to complete, sign and date the enclosed Form of Proxy solicited by management of the Corporation in accordance with the instructions set out therein. All proxies must be received at the office of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, not later than 48 hours (excluding Saturdays, Sundays, and statutory holidays) before the time set for the Meeting or, if the Meeting is adjourned, not later than 48 hours preceding the time of such adjourned Meeting, otherwise the Form of Proxy will be invalid.

## WHO CAN VOTE

### Appointment of Proxies

Shareholders of record on March 31, 2017 the Record Date (as defined herein), may vote in person at the Meeting, or they may appoint a nominee (who need not be a Shareholder) to represent the Shareholder at the Meeting and vote on his or her behalf. The Form of Proxy is provided for the convenience of Shareholders. However, any other proper form of proxy may be used. Unless you are able to attend the Meeting in person, you must complete and deposit a form of proxy for the Meeting in order to be able to vote at the Meeting. The two persons named in the enclosed Form of Proxy are directors of the Corporation.

**A Shareholder has the right to appoint a nominee other than the persons designated in the enclosed Form of Proxy (who need not be a Shareholder) to represent the shareholder at the Meeting**, by inserting the name of the desired representative in the blank space provided for that purpose on the Form of Proxy and by striking out

the other names, or by completing another appropriate form of proxy. A Shareholder should notify the nominee of the appointment, obtain the nominee's consent to act as proxy and instruct the nominee on how the Shareholder's Common Shares are to be voted. The form of proxy should be dated and executed by the Shareholder or by the Shareholder's attorney authorized in writing.

### **Deposit of Proxies**

The completed Form of Proxy or Proxies must be addressed to the Secretary of the Corporation, and delivered to the offices of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, or at the corporate office of the Corporation at 100, 2886 Sunridge Way N.E., Calgary, Alberta, T1Y 7H9, at least 48 hours before the time of the Meeting.

### **Validity of Proxies**

The instrument appointing a proxy must be in writing in any effectual form, dated and be executed by the Shareholder or his attorney authorised in writing, or if the Shareholder is a corporation, under its corporate seal, properly executed by an officer or attorney thereof, duly authorised, and, in any case, shall cease to be valid one year from its date. The proxy is valid for the Meeting on Thursday, May 11, 2017, and for all adjournments thereof. All information regarding proxies, and revocations, applies to adjournments, with the appropriate time limitation changes.

### **Revocation of Proxies**

A Shareholder, or an Intermediary (as defined herein) acting on behalf of a Beneficial Shareholder, which has given a proxy, has the power to revoke it. If a person who has given a proxy attends personally at the Meeting, such person may revoke the proxy and vote in person. In addition to revocation in any other manner permitted by law, a proxy may be revoked by an instrument in writing, executed by the Shareholder or his attorney authorized in writing, or if the Shareholder is a corporation, under its corporate seal and signed by an officer or attorney thereof duly authorised. The revocation of proxy must be deposited with the Secretary of the Corporation, in care of Alliance Trust Company, 1010, 407-2nd Street S.W., Calgary, Alberta, T2P 2Y3, Calgary, Alberta, T2P 3S8, or at the corporate office of the Corporation at 100, 2886 Sunridge Way, N.E., Calgary, Alberta, T1Y 7H9, at any time up to and including the last business day preceding the day of the Meeting or with the Chairman at the Meeting, and, upon such deposit, the proxy is revoked.

### **Voting of Common Shares Represented by Proxies**

The persons named in the enclosed Form of Proxy will vote the Common Shares in respect of which they are appointed in accordance with the direction of the Shareholders who appoint them and if the Shareholder specifies a choice with respect to any matter the Common Shares will be voted accordingly. **In the absence of such direction, such Common Shares will be VOTED IN FAVOUR OF ALL MATTERS identified in the Notice of Meeting accompanying this Circular.**

### **Notice to Beneficial Shareholders**

The information set forth in this section is of significant importance to Beneficial Shareholders. Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of Common Shares can be recognized and acted upon at the Meeting or any adjournment(s) thereof. A Shareholder is not the registered holder of Common Share if such Common Shares are held through a nominee such as broker, investment dealer, bank, trust company, or other intermediary (collectively, an "**Intermediary**").

Common Shares held by brokers or their nominees can only be voted upon the instructions of the Beneficial Shareholder. Without specific instructions, Intermediaries are prohibited from voting Common Shares for Beneficial Shareholders. **Therefore, Beneficial Shareholders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person or that the Common Shares are duly registered in their name prior to the Meeting.**

Applicable regulatory policy requires Intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholder meetings. Every Intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the VIF provided to a Beneficial Shareholder is identical to the Form of Proxy provided to registered Shareholders; however, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of Intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions Inc. (“**Broadridge**”). Broadridge typically mails a scannable VIF to Beneficial Shareholders in lieu of the Form of Proxy. Beneficial Shareholders will be requested to complete and return the VIF to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge’s dedicated internet voting site to vote the Common Shares held by the Beneficial Shareholder. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Meeting or any adjournment(s) thereof.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Common Shares registered in the name of its Intermediary, the Beneficial Shareholder may attend the Meeting as a proxyholder for the registered Shareholder and vote its Common Shares in that capacity. Should a Beneficial Shareholder wish to attend the Meeting and vote its Common Shares, it must enter its own name in the blank space on the form of proxy provided to the Beneficial Shareholder and return the document to its Intermediary (or the agent of its Intermediary) in accordance with the instructions provided by such Intermediary well in advance of the Meeting.

The Corporation will not send proxy-related materials directly to non-objecting Beneficial Shareholders. Such materials will be delivered to non-objecting Beneficial Shareholders through their Intermediary.

The Corporation does not intend to pay the costs for an Intermediary to deliver to objecting Beneficial Shareholders the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of NI 54-101, and objecting Beneficial Shareholders will not receive the materials unless their Intermediary assumes the costs of delivery.

#### **Voting Securities and Principal Holders of Voting Securities**

The board of directors of the Corporation (the “**Board**”) has fixed the close of business on March 31, 2017, as the record date for determining which Shareholders are entitled to receive notice of the Meeting (the “**Record Date**”). Only Shareholders of record at the close of business on March 31, 2017, shall be entitled to vote at the Meeting, except to the extent that: (i) the holder has transferred the ownership of any of the Shareholder’s Common Shares after that date; and (ii) the transferee of those Common Shares produces properly endorsed share certificates, or otherwise establishes that the transferee owns the Common Shares, and demands, not later than 10 days before the Meeting, that the transferee’s name be included in the list of persons entitled to vote at the Meeting, in which case the transferee will be entitled to vote the transferee’s Common Shares at the Meeting.

A quorum for the transaction of business at any meeting of Shareholders shall be two persons present in person, each being a Shareholder entitled to vote thereat or a duly appointed proxy holder or representative for a Shareholder so entitled, irrespective of the number of Common Shares held by such persons.

On the Record Date set for the Meeting there were 6,716,003 issued and outstanding Common Shares. On all matters to be considered and acted upon at the Meeting, holders of Common Shares are entitled to one vote for each Common Share held.

To the knowledge of the directors and executive officers of the Corporation, the only persons or companies beneficially owning, directly or indirectly, or exercising control or direction over voting securities carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation on the Record Date are:

Name	Number of Common Shares Held or over which Control or Direction is Exercised	Percentage of Issued and Outstanding Common Shares
C. Alan Smith	2,967,668	44.2%
Kernwood Limited	1,116,700	16.6 %

The information as to Common Shares owned by the Shareholders listed in the above table has been furnished by either the Shareholders individually or by public filings and has not been verified by management of the Corporation.

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

The business to be conducted at the Meeting is described in detail below. The matters to be considered are as follows:

- To receive the consolidated financial statements of the Corporation and auditors' report thereon for the financial years ended December 31, 2016 and 2015;
- To elect the directors for the ensuing year;
- To appoint the auditors of the Corporation for the ensuing year and authorize the Board to fix their remuneration; and
- To consider and, if deemed advisable, to pass an ordinary resolution approving all unallocated options issuable under the stock option plan of the Corporation, as more particularly described below under the heading "Stock Option Plan".

### **CONSOLIDATED FINANCIAL STATEMENTS**

The Corporation's audited consolidated financial statements for the financial years ended December 31, 2016 and 2015, together with notes thereto and the report of the auditors thereon, are included in the Corporation's 2016 annual report ("**2016 Annual Report**"). Copies of the 2016 Annual Report can be viewed or downloaded in portable document format (PDF) from the Corporation's website at [www.pfbcorp.com](http://www.pfbcorp.com) by selecting the "Investors" option on the menu bar followed by selecting the "Public Reporting Documents" option from the drop down menu.

A copy of the Corporation's 2016 audited consolidated financial statements for the financial years ended December 31, 2016 and 2015, and management's discussion and analysis for the financial year ended December 31, 2016, were filed on SEDAR on March 9, 2017, and are accessible under the Corporation's profile at [www.sedar.com](http://www.sedar.com).

### **ELECTION OF DIRECTORS**

The directors of the Corporation are elected to serve until the next annual meeting of Shareholders. All Shareholders are entitled to vote their Common Shares for the election of directors. The articles of the Corporation provide for a minimum of 3 directors and a maximum of 15 directors.

The Corporation has adopted a majority voting policy which requires that any nominee for director who receives a greater number of votes withheld than for his or her election shall tender his or her resignation to the Chairman of the Board immediately following the meeting at which the election occurred. This policy applies only to uncontested elections, meaning elections where the number of nominees for director is equal to the number of directors to be elected. The Corporate Governance and Nominating Committee (the "**CG&NC**") and the Board shall consider the resignation and whether or not it should be accepted. The nominee shall not participate in any committee or Board deliberations on the resignation offer. Resignations are expected to be accepted except in situations where circumstances warrant the applicable director continuing to serve as a member of the Board. The Board shall disclose its election decision, via press release, within 90 days of the applicable meeting. If a resignation is accepted, the Board may appoint a new director to fill the vacancy created by the resignation.

The Board has determined that the number of directors to be elected at the Meeting is nine. Management of the Corporation proposes to nominate each of the following persons for election as a director. As you will note from the enclosed Form of Proxy and voting instructions form, Shareholders are required to vote for each proposed director individually as opposed to voting for directors as a slate.

<b>Name, Position with the Corporation and Municipality of Residence</b>	<b>Principal Occupation and Business for the Past 5 Years</b>	<b>Director Since</b>	<b>No. of Common Shares Owned, Controlled, or Directed</b>
Frank B. Baker <sup>(3)</sup> Director Michigan, USA	Corporate Director	2004	502,901
Bruce M. Carruthers Chief Operating Officer and Director Alberta, Canada	Chief Operating Officer of the Corporation	1992	51,500
Donald J. Douglas <sup>(2) (3) (4)</sup> Director Alberta, Canada	Chairman Emeritus, United Communities Inc. 2014 and, prior thereto, President and Chief Executive Officer, from 1984 to 2014	2005	30,000
Edward H. Kernaghan <sup>(2) (4) (5) (6)</sup> Director Ontario, Canada	Executive Vice President, Kernaghan & Partners Ltd. since January 2015. Senior Investment Advisor at Chippingham Financial Group (formerly Kernaghan Securities Ltd.) since 2001.	2010	1,116,700
Vanessa H. Rennie <sup>(8)</sup> Director Alberta, Canada	Vice President, Aeonian Capital Corporation, a private investment company	2015	1,500
John K. Read <sup>(2) (4) (5) (7)</sup> Director Alberta, Canada	President of Picante Capital Corp., a privately held investment firm	2005	36,000
C. Alan Smith <sup>(1)</sup> Chief Executive Officer and Director Alberta, Canada	President, Aeonian Capital Corporation, a private investment company	1993	2,967,668
William H. Smith, Q.C. <sup>(9)</sup> Corporate Secretary and Director Alberta, Canada	Principal of William H. Smith Professional Corporation, LLP, a law firm. From July 2012 to December 2012, Executive Vice President and thereafter Vice Chair of Mosaic Capital Corporation. From October 2007 to July 2010, counsel to McCarthy Tétrault LLP, a law firm and prior thereto from 1987 a partner.	1992	42,600
Gordon G. Tallman <sup>(2) (4)</sup> Director Alberta, Canada	Corporate Director	2002	25,000

(1) Mr. C.A. Smith controls Aeonian Capital Corporation which, together with affiliates, owns 2,967,668 (44.2%) Common Shares.

(2) Member of the Audit Committee.

(3) Member of the Environmental and Safety Committee (includes management members).

(4) Member of the Corporate Governance and Nominating Committee.

(5) Member of the Human Resources and Compensation Committee.

(6) Kernwood Limited, an associate of Edward H. Kernaghan, is controlled by Edward J. Kernaghan and holds 1,116,700 (16.63%) Common Shares.

(7) Mr. John K. Read holds 36,000 Common Shares indirectly in the Read Family Foundation.

(8) Vanessa H. Rennie is a Director and Officer of Larkspur Investments Corporation, which holds 1,500 Common Shares of the Corporation, and, is a director and officer of Aeonian Capital Corporation, a 10% security holder of the Corporation.

(9) William H. Smith is a Director of Aeonian Capital Corporation, a 10% security holder of the Corporation.

The information as to Common Shares owned by directors listed in the above table has been furnished by the respective directors individually and has not been independently verified by management of the Corporation.

Other than as disclosed below, no proposed director:

(a) is, as at the date hereof, or has been, within the past 10 years, 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 acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is, as at the date hereof, or has been, within the past 10 years, a director or executive officer of any company that, while acting in that capacity, or within a year of 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 the past 10 years, 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 his assets; or
- (d) has been subject to:
  - (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
  - (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable security holder in deciding whether to vote for a proposed director.

***William H. Smith***

William H. Smith was a director and officer of Oilexco Incorporated (“**Oilexco**”) when, as a consequence of the severe disruption in the financial and commodity markets during the fall of 2008, it filed for protection under the *Companies Creditors’ Arrangement Act* (Canada) (“**CCAA**”) and its wholly-owned subsidiary in the United Kingdom filed for administration for the benefit of its creditors. Oilexco was subsequently suspended from trading by the TSX Venture Exchange (the “**TSX-V**”) and a cease trade order was issued by Alberta Securities Commission for failure by Oilexco to file financial statements. In addition, the directors of Oilexco, including Mr. Smith, were reprimanded by the TSX-V based on the TSX-V finding that Oilexco ought to have issued certain press releases when it was insolvent. Mr. Smith was also a director of SemBioSys Genetics Inc. (“**SemBioSys**”) until May 2012. Subsequently, a creditor obtained the appointment of a receiver for certain assets of SemBioSys over which the creditor held security.

***Gordon G. Tallman***

Gordon G. Tallman was a director of CV Technologies Inc. when it became subject to a cease trade order issued by the Alberta Securities Commission on April 19, 2007 for failure to file financial statements. Similar cease trade orders were issued by the Ontario Securities Commission and the British Columbia Securities Commission. The Alberta Securities Commission revoked the cease trade order on June 22, 2007, and the Ontario Securities Commission and the British Columbia Securities Commission followed with similar revocations shortly thereafter. Gordon Tallman was a director of Oilsands Quest Inc. (“**OQI**”) on November 28, 2011, when it filed for creditor protection under the CCAA. The NYSE Amex (“**NYSE**”) also halted trading in the common shares of OQI on that date. Mr. Tallman formally resigned from the board of OQIs effective December 20, 2011. On June 1, 2012 the NYSE MKT LLC delisted OQI for failure to meet its continued listing requirements. In August 2012, the Alberta Securities Commission and other securities commissions in Canada issued cease trade orders for failure to file audited financial statements and MD&A for the year ended April 30, 2012. All assets of OQI have been sold and the company is no longer in existence.

***John K. Read***

John K. Read resigned from the board of directors of Oilsands Quest Inc. (“**OQI**”) in September 2011. On November 28, 2011, OQI filed for creditor protection under the CCAA. The NYSE (“**NYSE**”) also halted trading in the common shares of the OQI on that date. On June 01, 2012 the NYSE MKT LLC delisted OQI for failure to meet its continued listing requirements. In August 2012, the Alberta Securities Commission and other securities commissions in Canada issued cease trade orders for failure to file audited financial statements and MD&A for the year ended April 30, 2012. All assets of OQI have been sold and the company is no longer in existence.

***Donald J. Douglas***

Donald J. Douglas resigned from the board of directors of Trafina Energy Ltd. on June 13, 2012. On June 13, 2012, the board of directors of Trafina Energy Ltd. authorized the signing officers of the Corporation to consent to the National Bank of Canada’s receivership order. Subsequently, the company ceased operations.

## APPOINTMENT OF AUDITORS

At the Meeting, the Shareholders will vote to appoint Deloitte LLP, Chartered Professional Accountants, of Calgary, Alberta, as auditors of the Corporation to hold office until the next annual meeting of Shareholders or until a successor is appointed, and to authorize the Board to fix the auditors' remuneration. Deloitte LLP was first appointed auditors of the Corporation in 1985.

## STOCK OPTION PLAN

The rules of the Toronto Stock Exchange (the "TSX") require that, if a listed issuer has a stock option plan that does not have a fixed maximum number of shares issuable thereunder, the directors and shareholders of the issuer must approve and reaffirm the unallocated options under the plan every three years. When Options (as defined below) have been granted pursuant to the Corporation's stock option plan (the "**Stock Option Plan**"), Common Shares that are reserved for issuance under outstanding Options are referred to as allocated Common Shares. The Corporation has additional Common Shares that may be reserved for issuance pursuant to future grants of Options under the Stock Option Plan, but as they are not subject to current Option grants, they are referred to as unallocated Options ("**Unallocated Options**").

As at March 31, 2017, the maximum number of Common Shares issuable under the Stock Option Plan may not exceed 10% of the Common Shares outstanding from time to time. As at March 31, 2017, the Corporation had Options to acquire nil Common Shares outstanding under the Stock Option Plan, representing 0% of the issued and outstanding Common Shares as at that date, leaving up to 671,600 Common Shares available for future grants under the Stock Option Plan. If any Options granted under the Stock Option Plan shall be exercised or shall expire, terminate or be cancelled for any reason without having been exercised in full, additional Common Shares shall be unallocated and be available for the purposes of future grants under the Stock Option Plan. For a summary of the current terms of the Stock Option Plan see below. Also see a copy of the Option Plan attached hereto as Schedule C.

If approval of the grant of Unallocated Options under the Stock Option Plan is obtained at the Meeting, the Board will be able to grant Options and the Corporation will not be required to seek further shareholder approval for Unallocated Options under the Stock Option Plan until May 11, 2020. If approval of the grant of Unallocated Options is not obtained at the Meeting, the Corporation will not be able to grant any additional Options under the Stock Option Plan and Options which have been allocated as of May 11, 2017 and which are subsequently cancelled, terminated or exercised will not be available for a new grant of Options under the Stock Option Plan. Options that are outstanding as of May 11, 2017 (if any) will continue to be outstanding and will not be affected by the approval or disapproval of the resolution.

At the Meeting, the Shareholders will be asked to consider and, if thought fit, to approve the following ordinary resolution (the "**Unallocated Option Resolution**"):

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

- (1) all unallocated options to purchase common shares of the Corporation under the Corporation's Stock Option Plan be and are hereby approved and authorized until May 11, 2020;
- (2) any one Director or Officer of the Corporation be and is hereby authorized to do such things and to sign, execute and deliver all documents that such Director or Officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution; and
- (3) notwithstanding that this resolution has been duly passed by the shareholders of the Corporation, the Directors of the Corporation are hereby authorized and empowered to revoke this resolution, without any further approval of the shareholders of the Corporation, at any time if such revocation is considered necessary or desirable by the Directors.

In order for the Unallocated Option Resolution to be passed, it must be approved by a simple majority of the votes cast by the shareholders who vote in person or by proxy at the Meeting. The Board of Directors unanimously recommends that Shareholders vote in favour of the approval and reaffirmation of the Unallocated Options.

**In the absence of contrary directions, the person named in the accompanying Form of Proxy intend to vote the Common Shares represented thereby in favour of the Unallocated Option Resolution.**

Under the Corporation's Stock Option Plan, the Board may from time-to-time designate directors, officers, employees of, or providers of services to, the Corporation to whom options to purchase Common Shares ("**Options**") may be granted and the number of Common Shares to be optioned to each.

The Stock Option Plan is in place to assist the Corporation in attracting, retaining and motivating directors, officers, employees, consultants and advisors (the "**Participants**") and to closely align their personal interests with those of the Corporation's shareholders by providing them with the opportunity, through Options, to acquire Common Shares.

The Stock Option Plan is administered by the Board, which has final authority and discretion, subject to the express provisions of the Stock Option Plan, to interpret the Stock Option Plan, to prescribe rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Stock Option Plan. This includes discretion to determine who will be entitled to participate in the Stock Option Plan.

Except as hereinafter described, the Board may amend, suspend or terminate the Stock Option Plan, and to the extent any such amendment, suspension or termination adversely affects any Options previously granted under the Stock Option Plan, the consent of the holder of such Option is required. Shareholder approval is not required to implement any amendments, save and except for amendments related to: (i) an increase in the maximum number of Common Shares reserved for issuance under the Stock Option Plan; (ii) a reduction in the exercise price for Options held by insiders; (iii) an extension to the term of Options held by insiders; (iv) an increase in the 10% limits on grants to insiders set out in the Stock Option Plan; and (v) an amendment in the provisions of the amending procedures of the Stock Option Plan.

The term for Options is determined by the Board at the time the options are granted (the "**Grant Date**"), but such term may not exceed ten years from the Grant Date. Options granted under the Stock Option Plan are non-transferable. Vested Options granted under the Stock Option Plan terminate immediately if a Participant is dismissed with cause or within 30 days of a Participant resigning or being dismissed (other than dismissal for cause). If a Participant ceases to be a director, officer, employee, consultant or advisor by reason of disability, retirement, death or for other discretionary circumstances where an adjustment of the option exercise period is approved by the Board, vested Options granted under the Stock Option Plan will terminate on the earlier of: (i) the expiry of the Option; and (ii) six months from the date of ceasing to be a director, officer, employee, consultant, or advisor of the Corporation. The Board determines when Options granted under the Stock Option Plan expire, as long as the expiry date determined by the Board does not exceed ten years from the Grant Date and the period during which the Options may be exercised by the Participant. If the date on which granted Options expire occurs during or within 10 days after the last day of a black out period, the expiry date for the Options will be the last day of such 10 day period.

The maximum number of Common Shares that may be reserved for issuance to any one eligible person pursuant to Options granted under the Stock Option Plan is 5% of the number of Common Shares issued and outstanding at the time of reservation.

The maximum number of Common Shares that may be reserved for issuance to insiders pursuant to the Stock Option Plan and any other previously established or proposed share compensation arrangement is 10% of the number of Common Shares outstanding. The maximum number of Common Shares that may be issued to any one insider under the Stock Option Plan and any other previously established or proposed share compensation arrangement within a one-year period is 5% of the number of Common Shares outstanding.

If, at any time during the period when an Option has been granted to a Participant but remains unexercised, there is a take-over bid as defined in any applicable securities legislation (including an exempt take-over bid other than an exempt take-over bid which permits purchases of up to 5% of issued capital per year through the facilities of a recognized stock exchange), the Corporation shall provide each Participant with any information that is in the public domain that it has in its possession on a timely basis. The provisions of any option agreement notwithstanding, the vesting time for the exercise of the Options will be accelerated to allow the Participant to exercise all outstanding Options to facilitate the tendering of Common Shares to the takeover bid.

If a dilution of value or a reorganization of the Common Shares occurs by way of a share dividend, share split, issuance of shares or instruments convertible into Common Shares (other than pursuant to the Stock Option Plan) for less than market value, share consolidation, share reclassification, exchange of Common Shares, recapitalization,

amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like, the Participant shall be entitled to a pro rata adjustment to the number of Options, or to the exercise price, or both, as shall be appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares for those in another corporation is imminent, the Board will determine the manner in which all unexercised Options will be treated including adjustment to the time period for the exercise of such rights by the Participants.

The aggregate number of Common Shares reserved for issuance to insiders of the Corporation within any twelve-month period, or issuable to insiders of the Corporation at any time, under the Stock Option Plan and any other share compensation arrangement of the Corporation, may not exceed 10% of the total number of issued and outstanding Common Shares at such time.

The exercise price for the Common Shares issued pursuant to the Stock Option Plan is determined by the Board but cannot be less than the closing market price of the Common Shares on the Toronto Stock Exchange (the “TSX”) on the trading day immediately prior to the grant of the Option (if no trades occurred on such a day, then on the next previous day on which trading took place) or such other price as may be set by the Board and approved by the TSX.

Any increase in the issued and outstanding common shares will result in an increase in the available number of common shares issuable under the Stock Option Plan, and any exercises of options will make new grants available under the Stock Option Plan effectively resulting in a re-loading of the number of options available to grant under the Stock Option Plan.

#### Equity Compensation Plan Information

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights #	Weighted-average exercise price of outstanding options, warrants and rights \$	Number of securities remaining available for future issuance under equity compensation plans <sup>(1)</sup> #
Equity compensation plans approved by security holders	Nil	Nil	671,600
Equity compensation plans not approved by security holders	Nil	Nil	Nil

<sup>(1)</sup> The number of securities available for issuance at any given time under the Stock Option Plan is equal to 10% of the Common Shares that are issued and outstanding at such time. For a description of the Stock Option Plan, see Schedule C, “STOCK OPTION PLAN”.

#### NORMAL COURSE ISSUER BID

The Corporation obtained approval from the TSX to renew a normal course issuer bid (“NCIB”), the renewal of which commenced on September 11, 2015 and ends no later than September 10, 2016. The NCIB lapsed on September 10, 2016, without any share repurchases. The NCIB was not renewed.

## EXECUTIVE COMPENSATION

### COMPENSATION DISCUSSION AND ANALYSIS

On September 18, 2008, the Canadian Securities Administrators announced the adoption of new rules under Form 51-102F6 – *Statement of Executive Compensation* (“**Form 51-102F6**”) which came into effect on December 31, 2008, and applies to all management information circulars issued by companies with financial years ending on or after that date. This Circular includes the required disclosures under Form 51-102F6.

#### Overview of Executive Compensation

Compensation for the Chief Executive Officer of the Corporation is established by the Human Resources and Compensation Committee (“**HR&CC**”) who make a recommendation to the Board. The President and Chief Executive Officer (“**CEO**”) of the Corporation is C. Alan Smith who controls Aeonian Capital Corporation (“**Aeonian**”) which owns, together with affiliates, 2,967,668 or 44.2% of the issued and outstanding Common Shares as at the date of this Circular. The Corporation has been charged annual fees of \$350,000, by Aeonian, which included fees for management services provided by Mr. Smith. The annual fee was approved by the Board. The annual fee decisions for the CEO are not based on specific objective measures. The annual compensation of other named executive officers (“**NEOs**”) is reviewed and approved by the HR&CC based on recommendations made by the CEO and take into consideration individual circumstances including the scope of an executive’s relevant competencies and experience.

#### Composition and Responsibilities of the Human Resources and Compensation Committee

In the most recently completed fiscal year, the HR&CC was comprised of Mr. John K. Read (Chair) and Edward H. Kernaghan, both of whom are independent directors. Mr. Read and Mr. Kernaghan have never been officers or employees of either the Corporation or any of its subsidiaries.

All members of the HR&CC have direct experience in compensation matters arising from holding current or former executive positions in other companies or by serving in similar capacities on other public company boards. Collectively, this experience provides the HR&CC with the knowledge, skills, experience and background in executive compensation and human resources matters to makes decisions regarding the suitability of the Corporation’s compensation policies and practices.

The primary responsibilities of the HR&CC include the following:

- reviewing the President/CEO’s compensation and recommend approval by the independent directors of the Board;
- evaluating the President/CEO’s performance on an annual basis;
- reviewing with the President/CEO the compensation plans for NEOs and make recommendations to the Board;
- annually reviewing and consider management succession planning;
- annually reviewing and recommend the compensation to be paid to the directors;
- reviewing public disclosure with respect to executive compensation made by the Corporation; and
- reviewing and assessing the adequacy of the Corporation’s human resources policies to ensure that the Corporation’s legal and ethical obligations to its employees are being fulfilled.

No members of the HR&CC have any indebtedness to the Corporation or any of its subsidiaries nor have they any material interest, or have any associates or affiliates which may have any material interest, direct or indirect, in any actual or proposed transactions in the last financial year which materially affected or would materially affect the Corporation or any of its subsidiaries.

## **Managing Compensation Risk**

The HR&CC, as part of its annual review process, considered the implications of potential risks associated with the Corporation's compensation policies and practices. The HR&CC concluded that, given the nature of the Corporation's business and the role that the HR&CC fulfills with regards to overseeing the Corporation's executive compensation practices, the compensation policies and practices did not serve to encourage any NEO or other individual to take inappropriate or excessive risks. Furthermore, no risks were identified as arising from the Corporation's compensation policies and practices that are reasonably likely to have a material adverse effect on the Corporation.

## **Objectives of Executive Compensation**

The Corporation's executive compensation program is structured to be industry competitive and attract, motivate and retain high performing senior executives and reward superior personal performance that supports the short and long-term goal of the Corporation to create long-term value for Shareholders. Total compensation for the Corporation's NEOs, excluding the CEO, includes a base salary, an annual incentive plan consisting of a cash bonus, and a car allowance. In determining compensation for the Corporation's NEOs, the Corporation periodically benchmarks both the base salary element and total compensation levels against data available in the public domain either from other companies or from data made available by independent compensation professionals who publish compensation surveys. Compensation objectives are formulated by positioning total compensation at above the median level which is defined as the 50th percentile of corresponding positions identified in comparable companies or in compensation surveys used for comparison purposes. No peer group benchmarking was undertaken in fiscal 2016.

In fulfilling its mandate, the HR&CC may engage, at the Corporation's cost, outside consultants to provide expertise and advice on matters relating to executive compensation. Such information and/or advice may be used by the HR&CC in connection with the development and oversight of executive compensation policies and programs. No outside consultants were engaged in fiscal 2016.

## **Performance Reward Programs**

The compensation of each of the Corporation's NEOs, except the CEO, is impacted by how well each individual has performed as well as overall business success. The overall compensation package has an 'at-risk' component which may vary from year-to-year depending on business results and individual performance.

The executive incentive program (the "**Program**") is designed to motivate participants of the Program to focus on maximizing cash flows from operations to ultimately strengthen the financial performance and condition of the Corporation. In 2016, all participants in the Program were incentivised based on the Corporation's consolidated financial results for the purpose of determining operating cash flows. Participants of the Program in 2016 included the following: the Chief Operating Officer; the Chief Financial Officer; the Chief Information Officer; Vice President, Sales; Vice President, Manufacturing; and two other functional managers. In 2016, annual incentive plans for the Corporation's NEOs and other participants did not include any discretionary amounts.

The Corporation has an employee profit sharing plan (the "**EPSP**") which is approved by the Board. Under the EPSP, 5% of the Corporation's audited consolidated pre-tax income in each fiscal year is paid out to all eligible employees on a proportional basis to their eligible gross payroll earnings for that year. Participants in the Program are excluded from the EPSP.

## **Trades in Securities of the Corporation**

The Corporation does not have any written policies which prohibit an NEO or a director from purchasing financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

## Summary Compensation Table

The following table sets forth the compensation earned by the NEOs of the Corporation for each of the Corporation's three most recently completed financial years:

Name and Principal position	Year	Salary <sup>(3)</sup> (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive Plan compensation		Pension Value (\$)	All other <sup>(4)</sup> Compensation (\$)	Total Compensation (\$)
					Annual incentive plans <sup>(2)</sup> (\$)	Long-term incentive plans (\$)			
C. Alan Smith <sup>(1)</sup> Chairman, President, CEO and a director	2016	-	-	-	-	-	-	350,000	350,000
	2015	-	-	-	-	-	-	350,000	350,000
	2014	-	-	-	-	-	-	350,000	350,000
Bruce M. Carruthers Chief Operating Officer Plasti-Fab Ltd. and a director	2016	209,093	-	-	124,189	-	-	12,000	345,282
	2015	204,608	-	-	57,097	-	-	12,000	273,705
	2014	199,993	-	-	57,097	-	-	12,000	269,090
Gregory J. MacKenzie Vice President, Manufacturing Plasti-Fab Ltd.	2016	166,451	-	-	67,740	-	-	12,000	246,191
	2015	162,881	-	-	31,144	-	-	12,000	206,025
	2014	159,207	-	-	31,144	-	-	12,000	202,351
Marc Brisebois Vice President, Sales Plasti-Fab Ltd.	2016	175,319	-	-	67,740	-	-	-	243,059
	2015	171,559	-	-	31,144	-	-	-	202,703
	2014	167,689	-	-	31,144	-	-	-	198,833
Ethelred, Ortega Chief Information Officer	2016	166,260	-	-	30,106	-	-	-	196,366
	2015	163,000	-	-	25,544	-	-	-	188,544
	2014	157,992	-	-	13,842	-	-	-	171,834
Mirko Papuga <sup>(5)</sup> Chief Financial Officer	2016	142,082	-	-	30,106	-	-	-	172,188
	2015	116,149	-	-	-	-	-	-	116,149
	2014	80,769	-	-	-	-	-	-	80,769
Robert Graham <sup>(6)</sup> Vice President, Corporate Development	2016	124,038	-	-	-	-	-	-	124,038
	2015	-	-	-	-	-	-	-	-
	2014	-	-	-	-	-	-	-	-

<sup>(1)</sup> Mr. C. Alan Smith's compensation with respect to management fees is paid directly to Aeonian.

<sup>(2)</sup> Figures represent amounts paid or accrued with respect to annual incentive plans applicable to each stated year.

<sup>(3)</sup> Figures represent annualized basic salary amounts effective from February 1 in each stated year.

<sup>(4)</sup> Figures represent annualized vehicle allowance payments to Mr. Carruthers and Mr. MacKenzie.

<sup>(5)</sup> Mr. Papuga was appointed Chief Financial Officer of the Corporation, effective May 5, 2016. The compensation disclosed for Mr. Papuga represents all amounts of compensation paid to or accrued for him during 2016.

<sup>(6)</sup> Mr. Graham was appointed Vice President, Corporate Development of the Corporation, effective October 27, 2016. The compensation disclosed for Mr. Graham represents all amounts of compensation paid to or accrued for him during 2016.

### Outstanding Share-Based Awards and Options-Based Awards for Named Executive Officers

No Options were exercised by any of the Corporation's NEOs during the year ended December 31, 2016.

The granting of Options to the Corporation's NEOs is aimed at recognizing and rewarding the impact of longer-term strategic actions undertaken by management, providing an added retention incentive, and aligning the interests of the Corporation's NEOs with those of its Shareholders. When considering new grants, the HR&CC takes into account previous grants.

The HR&CC is responsible for reviewing, monitoring, approving and ratifying awards made under the Stock Option Plan, including amendments to existing awards. The granting of Options to the Corporation's NEOs is approved by the Board upon recommendations made by the HR&CC. The Stock Option Plan is described under the heading "STOCK OPTION PLAN" above.

The following table discloses, for each of the Corporation's NEOs, all option-based awards and share-based awards outstanding at the end of the most recently completed financial year:

Named executive officer	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 that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
C. Alan Smith	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Bruce M. Carruthers	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Gregory J. MacKenzie	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Marc Brisebois	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Ethelred Ortega	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Mirko Papuga	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Robert Graham	Nil	N/A	N/A	N/A	N/A	N/A	N/A

The following table discloses, for each of the Corporation's NEOs, the aggregate dollar value that would have been realized if Options under the option-based award had been exercised on the vesting date as well as the aggregate dollar value of share-based awards vested during the year and non-equity incentive plan compensation earned during the year:

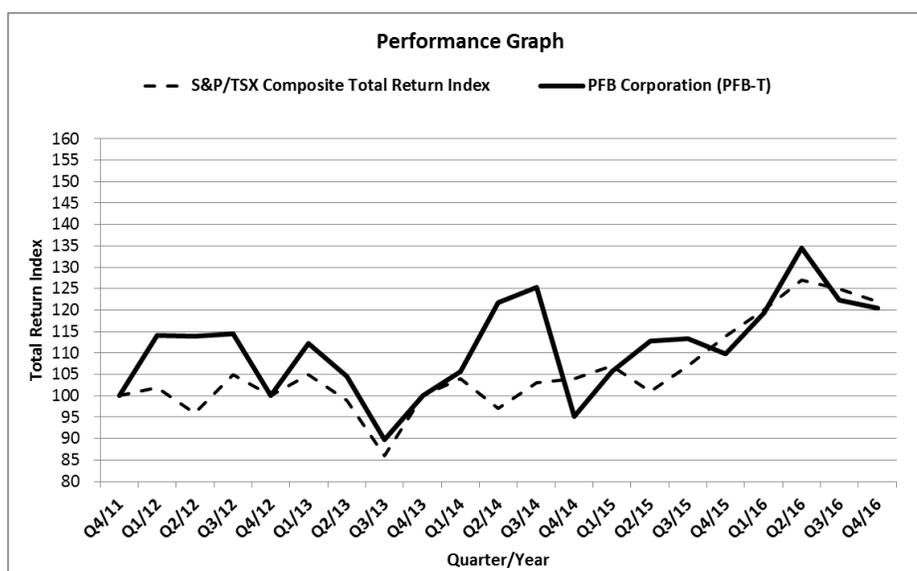
Named executive officer	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
C. Alan Smith	Nil	Nil	Nil
Bruce M. Carruthers	Nil	Nil	Nil
Gregory J. MacKenzie	Nil	Nil	Nil
Marc Brisebois	Nil	Nil	Nil
Ethelred Ortega	Nil	Nil	Nil
Mirko Papuga	Nil	Nil	Nil
Robert Graham	Nil	Nil	Nil

### Termination and Change of Control Benefits

Pursuant to an employment agreement with Bruce M. Carruthers, Chief Operating Officer, in the event that: (i) there is a change in control of the Corporation; and (ii) either Mr. Carruthers voluntarily terminates his employment with the Corporation within six months following the change in control or he is dismissed from office or employment with the Corporation, the Corporation is obligated to pay Mr. Carruthers two and a half times his total compensation which is defined as the employee's base salary applicable at the time plus the highest performance award during the twenty-four month period immediately preceding the officer's termination exclusive of the month in which termination is effective. A change of control is defined as a direct or indirect acquisition of more than 30% of the Corporation's outstanding voting shares. Based on a hypothetical assumption that a triggering event occurred on December 31, 2016, the estimated benefit payment to Mr. Carruthers would have amounted to \$863,205.

### Performance Graph

The following graph compares the cumulative total shareholder return over a five year period of \$100 investment in the Common Shares relative to the cumulative total return on \$100 invested in the S&P/TSX Composite Index. The shareholder return assumes all dividends are reinvested.



The change in the total compensation of the Corporation's NEOs does not correlate directly with the market price trend of the Common Shares as shown by this performance graph. Share price is impacted by a number of external factors beyond the control of management. The increase or decrease in the price per Common Share is not a determining factor in the compensation of the Corporation's NEOs. The incentive component of the Corporation's NEOs compensation over recent years has been focused on generating cash flows from operations through revenue growth and cost control which management believes will be reflected in increased earnings and book value per Common Share and, ultimately, be reflected in the Corporation's share price.

### Compensation of Directors

The Corporation currently has nine directors, five of whom are independent, and four of whom are non-independent.

In 2016, compensation for directors who are not NEO's of the Corporation comprised an annual retainer paid in equal amounts on a quarterly basis. The directors who receive compensation are all members or participants of various Board committees. An annual retainer of \$12,000 was paid to each of those directors as compensation for their participation in Board and Board committee meetings. The director who is also the chair of Audit Committee receives an additional annual retainer of \$2,000 as compensation for the additional duties that come with that position bringing the total annual retainer to \$14,000 for that director. Directors who are employees or consultants of the Corporation do not receive director's compensation. In 2016, the chair of the Audit Committee was Mr. Gordon G. Tallman.

The following table discloses for each director of the Corporation who received compensation the actual compensation amount received during the most recently completed fiscal year. Mr. C. Alan Smith and Mr. Bruce M. Carruthers are NEO's of the Corporation and their compensation is included in the summary compensation table on page 13 of this Circular. Ms. Vanessa Rennie, director, is an employee of Aeonian Capital Corporation which provides services to the Corporation and receives no compensation from the Corporation.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Frank B. Baker	12,000	Nil	Nil	Nil	Nil	Nil	12,000
Donald Douglas	12,000	Nil	Nil	Nil	Nil	Nil	12,000
Edward H. Kernaghan	12,000	Nil	Nil	Nil	Nil	Nil	12,000
John K. Read	12,000	Nil	Nil	Nil	Nil	Nil	12,000
Vanessa H. Rennie	Nil	Nil	Nil	Nil	Nil	Nil	Nil
William H. Smith	12,000	Nil	Nil	Nil	Nil	Nil	12,000
Gordon G. Tallman	14,000	Nil	Nil	Nil	Nil	Nil	14,000

All amounts in the above table are stated in Canadian dollars except for the amounts for Frank B. Baker which are stated in U.S. dollars.

### Outstanding Share-Based Awards and Options-Based Awards for Directors

Options have been granted in the past to directors at the time of their appointment to the Board. There were no share-based or options-based awards for directors in 2016. The following table discloses, for each director, all option-based awards and share-based awards outstanding at the end of the most recently completed financial year:

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 that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of share-based awards not paid out or distributed (\$)
Frank B. Baker	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Donald Douglas	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Edward H. Kernaghan	Nil	N/A	N/A	N/A	N/A	N/A	N/A
John K. Read	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Vanessa H. Rennie	Nil	N/A	N/A	N/A	N/A	N/A	N/A
William H. Smith	Nil	N/A	N/A	N/A	N/A	N/A	N/A
Gordon G. Tallman	Nil	N/A	N/A	N/A	N/A	N/A	N/A

The following table discloses, for each independent director the aggregate dollar value that would have been realized if Options under the option-based award had been exercised on the vesting date as well as the aggregate dollar value of share-based awards vested during the year and non-equity incentive plan compensation earned during the year:

Name	Option-based awards – value vested during the year (\$)	Share-based awards – value vested during the year (\$)	Non-equity incentive plan compensation – Value earned during the year (\$)
Frank B. Baker	Nil	Nil	Nil
Donald Douglas	Nil	Nil	Nil
Edward H. Kernaghan	Nil	Nil	Nil
John K. Read	Nil	Nil	Nil
Vanessa H. Rennie	Nil	Nil	Nil
William H. Smith	Nil	Nil	Nil
Gordon G. Tallman	Nil	Nil	Nil

### Directors' and Officers' Liability Insurance

The Corporation maintains directors' and officers' liability insurance with an aggregate annual limit of liability for each loss of \$10,000,000 with a \$Nil deductible. The insurance covers claims against any duly elected director of the Corporation, or any of its subsidiary companies, or duly elected or appointed executive officers for wrongful acts, including any actual or alleged act, error, omission, misstatement, neglect or breach of duty in the discharge of their legal duties solely in their capacity as a director or executive officer.

## OTHER PUBLIC COMPANY DIRECTORSHIPS AND COMMITTEE APPOINTMENTS

The following tables indicate whether a current/nominee director is independent or non-independent pursuant to National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (“NI 58-101”), and lists other public company directorships and committee appointments:

Name of Director	Independent or Non-Independent	Other Public Company Directorships Committee Appointments	
		Name of Company	Committee Appointments
Donald J. Douglas	Independent	None	None
Edward H. Kernaghan	Independent	Boralex Inc. Brick Brewing Co. Limited Exco Technologies Limited	Governance Audit Compensation Audit H.R. and Compensation
John K. Read	Independent	None	None
Gordon G. Tallman	Independent	None	None
Frank B. Baker	Independent	None	None
Bruce M. Carruthers	Non-Independent	None	None
C. Alan Smith	Non-Independent	None	None
Vanessa H. Rennie	Non-Independent	None	None
William H. Smith, QC	Non-Independent	Mosaic Capital Corporation Orca Exploration Group Prospect Oil & Gas PLC	Audit, Compensation, Governance Audit, Remuneration, Reserves

## INDEBTEDNESS OF NAMED EXECUTIVES, DIRECTORS AND SENIOR OFFICERS

None of the current or former directors, executive officers, proposed nominees or employees of the Corporation were indebted to the Corporation nor had any indebtedness to another entity that was the subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Corporation or any of its subsidiaries as of December 31, 2016, or at the date of this Circular, other than routine indebtedness as defined under applicable securities laws.

## INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

No director or officer of the Corporation, proposed nominee or other informed person has had a material interest, direct or indirect, in any material transaction affecting the Corporation during the most recently completed fiscal year or in any proposed transaction which, in either case, has materially affected or would materially affect the Corporation.

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

Management of the Corporation is not aware of any material interest, direct or indirect, of any director or proposed nominee for director, executive officer or any associate or affiliate of any of the foregoing in any matter to be acted upon at the Meeting, except as relates to the Stock Option Plan as herein described.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Corporation’s compliance with the corporate governance guidelines contained in NI 58-101 are described in Schedule A hereto. Audit Committee disclosures required by Form 52-110F1 – *Audit Committee Information Required in an AIF* are contained in the Corporation’s Annual Information Form for the year ended December 31, 2016, dated March 9, 2017, which was filed on SEDAR on March 9, 2017.

## **Mandate of the Board of Directors**

The Board is responsible for overseeing the operation of the business of the Corporation, acting as a whole and through Board appointed committees. The Board fulfils this responsibility through the adoption of specific corporate policies; consideration of general and specific business objectives; review, amendment and approval of annual plans and budgets; formal and informal meetings with management and regular reviews of operating results.

Acquisitions, divestitures and significant expenditures require specific approval by the Board. The written mandate of the Board is attached as Schedule B hereto. The Board as a whole, and through the Audit Committee, identifies areas of risk to the Corporation and adopts policies to monitor areas of risk and mitigate risks.

All committees of the Board have adopted formal mandates. The Corporation is attentive to environmental regulations and concerns and corporate employees, having responsibility for environmental regulatory compliance, report directly to independent directors who sit on the Environmental and Safety Committee.

Management is expected to provide effective day-to-day operations within the scope of the Corporation's annual plan, to facilitate long range planning, to provide accurate and timely operating and financial information to the Board and the Shareholders.

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

Management knows of no amendment, variation or other matters to come before the Meeting. However, if any other matter properly comes before the Meeting, the proxy named in the accompanying Form of Proxy will vote on such matter in accordance with the best judgement of such proxy.

The foregoing contains no untrue statement of a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

## **ADDITIONAL INFORMATION AND AVAILABILITY OF DOCUMENTS**

Additional information concerning the Corporation, including annual audited consolidated financial statements for the years ended December 31, 2016 and 2015, and Management's Discussion and Analysis for the year ended 2016, which were filed on SEDAR on March 9, 2017, and are available online at [www.sedar.com](http://www.sedar.com). The Corporation's Annual Information Form for the year ended December 31, 2016, was also filed on SEDAR on March 9, 2017.

In addition, the Corporation will provide to any person and, in the case of a shareholder, without charge, upon request to the Corporation at 100, 2886 Sunridge Way NE, Calgary, Alberta T1Y 7H9, the following documents:

- (a) one copy of the Corporation's Annual Information Form for the year ended December 31, 2016;
- (b) one copy of the Corporation's comparative audited consolidated financial statements and management's discussion and analysis for its most recently completed financial year; and
- (c) this Circular.

## **CERTIFICATE**

The contents and the sending of this Circular were approved by the Board of Directors of the Corporation.

DATED as of the 31st day of March, 2017.



C. Alan Smith  
President and CEO

## SCHEDULE A

### STATEMENT OF CORPORATE GOVERNANCE PRACTICES

Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices
<b>1. BOARD OF DIRECTORS</b>		
(a) Disclose the identity of the directors who are independent.	Yes	The Corporation currently has five independent directors: Donald J. Douglas, Edward H. Kernaghan, John K. Read, Frank B. Baker and Gordon G. Tallman.
(b) Disclose the identity of the directors who are not independent, and describe the basis for that determination.	Yes	The Corporation currently has four directors who are not independent pursuant to NI 58-101 as a result of being current or past executive officers of either the Corporation, a related Corporation or a subsidiary of the Corporation: C. Alan Smith, <i>President and CEO</i> , Bruce M. Carruthers, <i>COO</i> , Vanessa H. Rennie and William H. Smith, <i>QC</i> , Secretary.
(c) Disclose whether or not a majority of the directors are independent. If a majority of directors are not independent, describe what the board of directors (the " <b>Board</b> ") does to facilitate its exercise of independent judgment in carrying out its responsibilities.	Yes	<p>Currently, five of the nine directors are independent pursuant to NI 58-101.</p> <p>Five the nine nominees for directors proposed by management for election to the Board at the Annual Meeting of Shareholders to be held on May 11, 2017, are independent pursuant to NI 58-101. Independent directors are given the opportunity to meet on an ad hoc basis during regularly scheduled Board meetings, or otherwise as appropriate.</p>
(d) If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.	Yes	Please refer to the table on page 17 of the Management Information Circular.
(e) Disclose whether or not the independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. If the independent directors hold such meetings, disclose the number of meetings held since the beginning of the issuer's most recently completed financial year. If the independent directors do not hold such meetings, describe what the Board does to facilitate open and candid discussion among its independent directors.	Yes	<p>The independent directors hold discussions without the attendance of management on an 'as required' basis usually during or after regularly scheduled board meetings which are held at least each quarter. The Audit Committee also has discussions with the external auditors each quarter without management being present. All independent directors have an opportunity, through their membership on one or more Board committee, to participate in discussions without non-independent directors and/or management in attendance.</p> <p>The number of meetings held by directors in fiscal 2016 without management in attendance was as follows: the Board (4), the Audit Committee (4), the Human Resources and Compensation Committee (2), the Corporate Governance and Nominating Committee (1), the Environmental and Safety Committee (2).</p>

Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices																																																														
<p>(f) Disclose whether or not the chair of the Board is an independent director. If the Board has a chair or lead director who is an independent director, disclose the identity of the independent chair or lead director, and describe his or her role and responsibilities. If the Board has neither an independent chair nor a lead director who is independent, describe what the Board does to provide leadership for its independent directors.</p>	No	<p>Mr. C. Alan Smith is Chair of the Board and also serves as President and CEO and he is not considered to be an independent director.</p> <p>The Chair of the Board is responsible to ensure that the shareholders receive accurate, relevant and timely information with respect to Board actions and critical corporate issues and initiatives.</p> <p>The Chair of the Audit Committee has been appointed to act as Chair of the Board in the event the independent directors meet in the absence of the non-independent directors.</p>																																																														
<p>(g) Discuss the attendance record of each director for all board meetings held since the beginning of the issuer's last completed financial year.</p>	Yes	<p>A total of 4 board meetings were held in fiscal 2016. The attendance record for each current director was as follows:</p> <table border="0"> <thead> <tr> <th colspan="2"><u>Board Meetings attended</u></th> </tr> <tr> <th><u>Director's Name</u></th> <th><u>in Fiscal 2016</u></th> </tr> </thead> <tbody> <tr> <td>Frank B. Baker</td> <td>4 of 4</td> </tr> <tr> <td>Bruce M. Carruthers</td> <td>4 of 4</td> </tr> <tr> <td>Donald J. Douglas</td> <td>4 of 4</td> </tr> <tr> <td>Edward H. Kernaghan</td> <td>4 of 4</td> </tr> <tr> <td>John K. Read</td> <td>4 of 4</td> </tr> <tr> <td>C. Alan Smith</td> <td>4 of 4</td> </tr> <tr> <td>William H. Smith, QC</td> <td>4 of 4</td> </tr> <tr> <td>Gordon G. Tallman</td> <td>4 of 4</td> </tr> <tr> <td>Vanessa H. Rennie</td> <td>4 of 4</td> </tr> </tbody> </table> <p>The attendance record by current independent directors at committee meetings was as follows:</p> <table border="0"> <thead> <tr> <th colspan="2"><u>Governance &amp; Nominating Committee</u></th> </tr> <tr> <th><u>Director's Name</u></th> <th><u>meetings attended in Fiscal 2016</u></th> </tr> </thead> <tbody> <tr> <td>Donald J. Douglas</td> <td>1 of 1</td> </tr> <tr> <td>Edward H. Kernaghan (Chair)</td> <td>1 of 1</td> </tr> <tr> <td>John K. Read</td> <td>1 of 1</td> </tr> <tr> <td>Gordon G. Tallman</td> <td>1 of 1</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th colspan="2"><u>Audit Committee meetings</u></th> </tr> <tr> <th><u>Director's Name</u></th> <th><u>attended in Fiscal 2016</u></th> </tr> </thead> <tbody> <tr> <td>Donald J. Douglas</td> <td>4 of 4</td> </tr> <tr> <td>Edward H. Kernaghan</td> <td>4 of 4</td> </tr> <tr> <td>John K. Read</td> <td>4 of 4</td> </tr> <tr> <td>Gordon G. Tallman (Chair)</td> <td>4 of 4</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th colspan="2"><u>HR &amp; Compensation Committee</u></th> </tr> <tr> <th><u>Director's Name</u></th> <th><u>meetings attended in Fiscal 2016</u></th> </tr> </thead> <tbody> <tr> <td>John K. Read (Chair)</td> <td>2 of 2</td> </tr> <tr> <td>Edward H. Kernaghan</td> <td>2 of 2</td> </tr> </tbody> </table> <table border="0"> <thead> <tr> <th colspan="2"><u>Environmental &amp; Safety Committee</u></th> </tr> <tr> <th><u>Director's Name</u></th> <th><u>meetings attended in Fiscal 2016</u></th> </tr> </thead> <tbody> <tr> <td>Frank B. Baker</td> <td>1 of 2</td> </tr> <tr> <td>Donald J. Douglas (Chair)</td> <td>2 of 2</td> </tr> </tbody> </table>	<u>Board Meetings attended</u>		<u>Director's Name</u>	<u>in Fiscal 2016</u>	Frank B. Baker	4 of 4	Bruce M. Carruthers	4 of 4	Donald J. Douglas	4 of 4	Edward H. Kernaghan	4 of 4	John K. Read	4 of 4	C. Alan Smith	4 of 4	William H. Smith, QC	4 of 4	Gordon G. Tallman	4 of 4	Vanessa H. Rennie	4 of 4	<u>Governance &amp; Nominating Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2016</u>	Donald J. Douglas	1 of 1	Edward H. Kernaghan (Chair)	1 of 1	John K. Read	1 of 1	Gordon G. Tallman	1 of 1	<u>Audit Committee meetings</u>		<u>Director's Name</u>	<u>attended in Fiscal 2016</u>	Donald J. Douglas	4 of 4	Edward H. Kernaghan	4 of 4	John K. Read	4 of 4	Gordon G. Tallman (Chair)	4 of 4	<u>HR &amp; Compensation Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2016</u>	John K. Read (Chair)	2 of 2	Edward H. Kernaghan	2 of 2	<u>Environmental &amp; Safety Committee</u>		<u>Director's Name</u>	<u>meetings attended in Fiscal 2016</u>	Frank B. Baker	1 of 2	Donald J. Douglas (Chair)	2 of 2
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Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices
<p><b>2. BOARD MANDATE</b></p> <p>Disclose the text of the Board's written mandate. If the Board does not have a written mandate, describe how the Board delineates its role and responsibilities.</p>	Yes	<p>The Board's written mandate is attached as Schedule B.</p> <p>The Corporation has a disclosure policy which is available on the Corporation's website located at <a href="http://www.pfbcorp.com">www.pfbcorp.com</a> under menu option: Investors, Public Reporting Documents, Corporate Governance.</p>
<p><b>3. POSITION DESCRIPTIONS</b></p> <p>(a) Disclose whether or not the Board has developed written position descriptions for the chair and the chair of each board committee.</p> <p>(b) Disclose whether or not the Board and CEO have developed a written position description for the CEO.</p>	<p>Yes</p> <p>Yes</p>	<p>The Board has developed a written position description for the Chair of the Board and written terms of reference for the chair of board committees.</p> <p>The Board has developed a written position description for the President and CEO.</p> <p>The CEO is responsible for providing effective strategic and operational leadership to grow value responsibly, in a profitable and sustainable manner. The CEO sets the tone for management to foster ethical and responsible decision making, appropriate management actions, and best-in-class corporate governance practices.</p> <p>Other responsibilities of the CEO include: developing the Corporation's strategic direction; ensuring the Board is appropriately kept informed of major issues facing the Corporation; day-to-day responsibility for planning, capital management, financial management, acquisitions and divestitures; and representing the Corporation to its major shareholders, investment and financial communities, customers, and the public.</p>
<p><b>4. ORIENTATION AND CONTINUING EDUCATION</b></p> <p>(a) Briefly describe what measures the Board takes to orient new members regarding:</p> <p>(i) the role of the Board, its committees and its directors, and</p> <p>(ii) the nature of the operation of the issuer's business</p>	<p>Yes</p> <p>Yes</p>	<p>The Chair of the Corporate Governance and Nominating Committee ("CG&amp;NC") is responsible for the orientation and education of new directors. Each new director is provided with relevant information about the Corporation, including: minutes of all Board and committee meetings for the past year; the Corporation's current continuous disclosure documents; and a corporate governance manual.</p> <p>As part of the orientation process, new directors are introduced to the business and affairs of the Corporation, including: operations; risk management; corporate values and integrity; and strategic plans and budgets.</p> <p>At least quarterly, the Board meets with senior management to discuss financial performance, and business trends and opportunities. The various committees of the Board receive reports from management on changes in reporting requirement, the control environment, human resource management, and information systems.</p> <p>New directors are also provided with orientation visits to the Corporation's main operating facilities.</p>



<b>Form 58-101F1 Requirements</b>	<b>PFB Corporation Compliance</b>	<b>Comments Regarding the Corporation's Corporate Governance Practices</b>
<p>(b) Disclose whether or not the Board has a nominating committee composed entirely of independent directors. If the Board does not have a nominating committee composed entirely of independent directors, describe what steps the Board takes to encourage an objective nomination process.</p> <p>(c) If the Board has a nominating committee, describe the responsibilities, powers and operation of the nominating committee.</p>	<p>Yes</p> <p>Yes</p>	<p>The CG&amp;NC is composed of four directors all of whom are determined to be independent pursuant to NI 58-101.</p> <p>The desired qualities and qualifications of new director nominees will vary depending largely on the Corporation's progress and long-term strategic plan and the qualities and qualifications of existing board members.</p> <p>Please refer to the response in 6(a) above.</p>
<b>7. COMPENSATION</b>		
<p>(a) Describe the process by which the Board determines the compensation for the issuer's directors and officers.</p>	<p>Yes</p>	<p>The Board has appointed the HR&amp;CC which has responsibility for recommending compensation for the Corporation's directors and executive officers to the Board.</p>
<p>(b) Disclose whether or not the Board has a compensation committee composed entirely of independent directors. If the Board does not have a compensation committee composed entirely of independent directors, describe what steps the Board takes to ensure an objective process for determining such compensation.</p>	<p>Yes</p>	<p>The HR&amp;CC is composed of two directors both of whom have been determined to be independent pursuant to NI 58-101. The HR&amp;CC is responsible for reviewing the competitiveness of the Corporation's executive compensation program and for approving compensation recommendations in respect of the Board and the Corporation's NEOs.</p> <p>The HR&amp;CC has access, as required, to comparative benchmark reports on pay scales which are paid for by the Corporation.</p>
<p>(c) If the Board has a compensation committee, describe the responsibilities, powers and operation of the compensation committee.</p>	<p>Yes</p>	<p>The HR&amp;CC is a standing committee appointed by the Board. The HR&amp;CC assists the Board in discharging its oversight responsibilities relating to the compensation and retention of key senior management employees with the necessary skills and expertise needed to enable the Corporation to achieve its long-term strategic goals and objectives.</p> <p>The HR&amp;CC has full access to the books, records and personnel of the Corporation. The HR&amp;CC may adopt policies and procedures for carrying out its responsibilities and retain consultants to advise the HR&amp;CC at the Corporation's expense. The HR&amp;CC reports through the Chair of the HR&amp;CC to the Board at each regularly scheduled Board meeting.</p>
<b>8. OTHER BOARD COMMITTEES</b>		
<p>If the Board has standing committees other than audit, compensation and nominating committees identify the committees and describe their function.</p>	<p>Yes</p>	<p>In addition to the Audit Committee, HR&amp;C, and CG&amp;NC, the Board has established an Environmental and Safety Committee (the "E&amp;SC"). The E&amp;SC is composed of two independent directors plus representatives of the Corporation's management. The E&amp;SC is responsible for developing and overseeing the Corporation's environmental and safety policies and monitoring compliance with those policies and with external regulations and requirements.</p>

Form 58-101F1 Requirements	PFB Corporation Compliance	Comments Regarding the Corporation's Corporate Governance Practices
<p><b>9. ASSESSMENTS</b></p> <p>Disclose whether or not the Board, its committees and individual directors are assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the Board satisfies itself that the Board, its committees, and its individual directors are performing effectively.</p>	Yes	<p>The Board has adopted a formal program self-assessment of its effectiveness as a whole to be conducted every two years. The CG&amp;NC Chair is responsible for the design and implementation of the self-assessment process. The evaluation consists of a director's questionnaire, the results of which are tabulated and provided to the CG&amp;NC and to the Board.</p>
<p><b>10. DIRECTOR TERM LIMITS AND OTHER MECHANISMS OF BOARD RENEWAL</b></p> <p>Disclose whether or not the issuer has adopted term limits for the directors on its board or other mechanisms of board renewal and, if so, include a description of those director term limits or other mechanisms of board renewal. If the issuer has not adopted director term limits or other mechanisms of board renewal, disclose why it has not done so.</p>	No	<p>The Board has not currently adopted term limits for directors. The Board is composed of inside directors and independent directors that represent the shareholder base of the Corporation. The complexity of the Corporation's operations require independent directors to develop an in depth knowledge of the Corporation's operations for them to be effective in the dispatch of their duties and as a result longer term tenure is desirable.</p>
<p><b>11. POLICIES REGARDING THE REPRESENTATION OF WOMEN ON THE BOARD</b></p> <p>(a) Disclose whether the issuer has adopted a written policy relating to the identification and nomination of women directors. If the issuer has not adopted such a policy, disclose why it has not done so.</p>	No	<p>The Board has not adopted a written policy regarding the identification and nomination of women directors. However, the Corporation has a general policy of diversity in the workplace and is a registered Equal Opportunity Employer in the USA. This policy extends to all levels throughout the Corporation including the Board. The overriding prerequisite for nomination for election to the Board is competency in matters relating to the business of the Corporation and nominees are selected without any other discrimination.</p>

<p><b>12. CONSIDERATION OF THE REPRESENTATION OF WOMEN IN THE DIRECTOR IDENTIFICATION AND SELECTION PROCESS</b></p> <p>Disclose whether and, if so, how the board or nominating committee considers the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board. If the issuer does not consider the level of representation of women on the board in identifying and nominating candidates for election or re-election to the board, disclose the issuer’s reasons for not doing so.</p>		<p>Nominations of individuals for election to the Board are based on their unique contribution to a broad distribution of competencies possessed by individual candidates that are deemed to be beneficial to the Corporation. All candidates, including individual women candidates, are considered for nomination when they possess the required competencies that complement the competency of the Board; however, there is no policy to make the inclusion of women candidates mandatory.</p>
<p><b>13. CONSIDERATION OF THE REPRESENTATION OF WOMEN IN EXECUTIVE OFFICER APPOINTMENTS</b></p> <p>Disclose whether and, if so, how the issuer considers the level of representation of women in executive officer positions when making executive officer appointments. If the issuer does not consider the level of representation of women in executive officer position when making executive officer appointments, disclose the issuer’s reasons for not doing so.</p>		<p>The Board does not consider the level of representation of women in executive officer positions when making executive officer appointments. However, the Corporation has a general policy of diversity in the workplace and is a registered Equal Opportunity Employer in the USA. This policy extends to all levels throughout the Corporation including the executive officers. The overriding prerequisite for appointment to any position is competency in matters relating to the business of the Corporation and individuals are selected without any other discrimination.</p>
<p><b>14. ISSUER’S TARGETS REGARDING THE REPRESENTATION OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER POSITIONS</b></p> <p>(a) For the purposes of this Item, a “target” means a number or a percentage, or a range of numbers or percentages, adopted by the issuer of women on the issuer’s board or in executive officer positions of the issuer by a specified date.</p> <p>(b) Disclose whether the issuer has adopted a target regarding women on the issuer’s board. If the issuer has not adopted a target, disclose why it has not done so.</p> <p>(c) Disclose whether the issuer has adopted a target regarding women in executive officer position of the issuer. If the issuer has not adopted a target, disclose why it has not done so.</p>	<p>No</p> <p>No</p>	<p>The Corporation has not adopted targets regarding women nominations for the Board. All candidates, including individual women candidates, are considered for nomination when they possess the required competencies that complement the competency of the Board.</p> <p>The Board has not adopted a target regarding women in executive officer positions. The overriding prerequisite for appointment to any position is competency in matters relating to the business of the Corporation and individuals are selected without any other discrimination.</p>

<p><b>15. NUMBER OF WOMEN ON THE BOARD AND IN EXECUTIVE OFFICER POSITIONS</b></p> <p>(a) Disclose the number and proportion (in percentage terms) of directors on the issuer's board who are women</p> <p>(b) Disclose the number and proportion (in percentage terms) of executive officers of the issuer, including all major subsidiaries of the issuer, who are women</p>	<p>N/A</p> <p>N/A</p>	<p>One of the nine (representing 11.1%) directors are women.</p> <p>Two of the nine (representing 22.2%) executive officers of the Corporation are women.</p>
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# **SCHEDULE B**

## **PFB CORPORATION**

### **MANDATE OF THE BOARD OF DIRECTORS**

#### **I. OVERALL PURPOSE / OBJECTIVES**

The Board of Directors (the “Board”) is responsible for the overall stewardship of the Corporation on behalf of all Shareholders. It operates by delegating certain of its authority and responsibilities to committees and management and reserving certain powers to itself. It will retain full effective control over the Corporation and will monitor senior management.

#### **II. COMPOSITION**

The Board should be constituted of a majority of individuals who qualify as independent directors. The Corporation expects and requires directors to be and remain free of conflicts of interests or relationships and to refrain from acting, in ways which are actually or potentially harmful, conflicting or detrimental to the Corporation’s best interests.

The Board is responsible for evaluating its composition and determining the appropriate number of directors.

The membership of the Board will also include an appropriate number of individuals who are Financially Literate and who have Accounting or Related Financial Experience to ensure that the individual members appointed to the Audit Committee fulfill the requirements of applicable regulations relating to Audit Committees.

#### **III. MEETINGS**

The Board will meet at least four times per year. The Board will have an in camera session excluding non-independent directors and management at each meeting. The Board will implement structures and procedures to ensure that it functions independently of management. Minutes of all meetings of the Board shall be maintained.

#### **IV. INTERPRETATION**

“**Accounting or Related Financial Experience**” means the ability to analyse and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles.

“**Financially Literate**” means able to read and understand a balance sheet, an income statement and a cash-flow statement and the notes attached thereto.

“**Independent Director**” means a director who is independent of management and is free from any interest and any business or other relationship which could or could reasonably be perceived to materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising from shareholdings.

“**Non-Independent Director**” means a director who is a member of management.

#### **V. RESPONSIBILITIES AND DUTIES**

**The Principal Functions of the Board are as follows:**

##### **Selection of Directors**

1. The Board is responsible for approving new nominees to the Board and for assessing directors based upon the recommendations of the Corporate Governance and Nominating Committee.

2. The Board will every two years consider the skills and competencies of the members of the Board from the perspective of determining what additional skills and competencies would be helpful to the Board. The Board will convey its findings to the Corporate Governance and Nominating Committee to be used to identify specific candidates.
3. The Board will ensure that prospective candidates for Board membership have received the appropriate information to permit them to fully understand the role of the Board and its committees and the contributions expected from individual directors.
4. The Board will every two years review the assessment of the Board's performance and recommendations provided by the Corporate Governance and Nominating Committee and evaluate its own effectiveness, the whole in accordance with the Corporation's corporate governance policy. The Board will take appropriate action based upon the results of the review process.

### **Committees**

1. The Board shall appoint committees to assist it in performing its duties and processing the quantity of information it receives.
2. Subject to paragraphs 4, 5, and 6 of this section, committee members appointed by the Board should be composed of Independent Directors.
3. The Board shall name members of committees after considering the recommendations of the Corporate Governance and Nominating Committee and the input of the Chairman of the Board as well as the skills and desires of individual Board members, all in accordance with the mandates of such committees approved by the Board.
4. The Audit Committee will be composed only of Independent Directors. All members of the Audit Committee will be Financially Literate and at least one member will have Accounting or Related Financial Experience.
5. The Corporate Governance and Nominating Committee and the Human Resources and Compensation Committee will be composed only of Independent Directors.
6. The Environmental and Safety Committee will be composed of Independent Directors and may include non-voting members who are management or employees of the Corporation.
7. The Board will receive reports from each committee as to the work undertaken by the committee and, in each case, the committee's recommendations, if any, for change with respect to its responsibilities. The Board will evaluate and approve, if appropriate, such recommendations. The Board will also receive minutes of all committee meetings.
8. The Board will annually evaluate the performance and review the work of its committees, including their respective mandates and the sufficiency of such mandates.
9. The Board will annually appoint a member of each of its committees to act as Chair.

### **Senior Management**

1. The Board will oversee management through an ongoing review process.
2. The Board will appoint and determine the remuneration of the Chief Executive Officer upon recommendation of the Human Resources and Compensation Committee.
3. The Board will, together with the Chief Executive Officer, and with the assistance of the Human Resources and Compensation Committee, develop a position description for the Chief Executive Officer. The Board will review and approve the objectives developed for the Chief Executive Officer by the Human Resources and Compensation Committee and review the assessment of the Chief Executive Officer's performance in relation to such objectives made by the Human Resources and Compensation Committee.

## **General Responsibilities of the Board of Directors**

1. The Board will oversee the management of the Corporation. In doing so, the Board will establish a productive working relationship with the Chief Executive Officer and other members of senior management.
2. The Board will oversee the formulation of long-term strategic, financial and organizational goals for the Corporation.
3. As part of the responsibility of the Board to oversee management of the Corporation, the Board will engage in active monitoring of the Corporation and its affairs in its stewardship capacity.
4. The Board will, through its Audit Committee, review the integrity of the Corporation's internal controls and management information systems.
5. The Board will engage in a review of short and long-term performance of the Corporation in accordance with approved plans.
6. The officers of the Corporation, headed by the Chief Executive Officer, shall be responsible for general day-to-day management of the Corporation and for making recommendations to the Board with respect to long-term strategic, financial, organization and other related objectives.
7. The Board will annually review the significant risks and opportunities affecting the Corporation and its businesses and the systems and controls in place to manage and monitor risks and opportunities. The Board may impose such limits as may be in the interests of the Corporation and its shareholders.
8. The Board will oversee an annual strategic planning process within the Corporation and will approve the Corporation's strategic plan. This plan will take into account the opportunity and risks of the Corporation's business. The Board will also, from time to time, approve annual business plans and multi-year business plans for the Corporation and its businesses.
9. The Board will approve material capital expenditures or material dispositions or other material financial commitments.
10. The Board will monitor compliance with the Corporation's Code of Business Conduct and Ethics Policy and will be responsible for granting any waivers from compliance with the Code for directors and officers.
11. The Board will also consider and approve:
  - a. Transactions outside the ordinary course of business;
  - b. Special employment contracts, upon recommendation of the Human Resources and Compensation Committee;
    - i. All matters that would be expected to have a major impact on shareholders;
    - ii. The appointment of any person to any position that would qualify such person as an officer of the Corporation;
    - iii. Any amendments to the Corporation's pension plans relating to governance structure and design of benefits.
12. The Board will also receive reports verbal or otherwise and consider:
  - a. The quality of relationships between the Corporation and its key customers;
  - b. Changes in the shareholder base of the Corporation from time to time and relationships between the Corporation and its significant shareholders;
  - c. Periodic reports from Board committees with respect to matters considered by such committees;
  - d. Health, safety and environmental matters as they affect the Corporation and its businesses.
13. The Board will oversee how the Corporation communicates its goals and objectives to its shareholders and other relevant constituencies, including the approval of policies relating to:
  - a. How the Corporation interacts with analysts, investors, other key stakeholders and the public;
  - b. Continuous disclosure obligations and selective disclosure. Such policies shall be reviewed annually.

14. The Board will review and approve the Corporation's management information circular and annual information form following review by the Corporate Governance and Nominating Committee.
15. The Board will review and approve the Corporation's annual audited consolidated financial statements, quarterly consolidated financial statements and management's discussion and analysis disclosure on recommendation of the Audit Committee.
16. The Board will consider and review the means by which shareholders can communicate with the Corporation including the opportunity to do so at the annual meeting, communications interfaces through the Corporation 's website and the adequacy of resources available within the Corporation to respond to shareholders through the office of the Secretary and otherwise.
17. The Board has the responsibility for monitoring compliance by the Corporation with the corporate governance guidelines of the Toronto Stock Exchange. The Board will approve the disclosure of:
  - a. The Corporation's system of governance;
  - b. The operation of its system of governance prepared by the Corporate Governance and Nominating Committee.

### **Remuneration of the Directors**

The Board of Directors will consider and approve the adequacy and form of the compensation of directors, upon recommendation of the Corporate Governance and Nominating Committee, and ensure the compensation realistically reflects the responsibilities and time involved in being an effective director.

### **General**

The Board will consider and approve such other matters as the Board may, from time to time, determine.

**SCHEDULE C**  
**PFB CORPORATION**  
**STOCK OPTION PLAN**

**ARTICLE 1 - PURPOSE OF THE PLAN**

**1.1 Purpose of the Plan**

The purpose of the Stock Option Plan (the “Plan”) is to assist PFB Corporation (“PFB” or the “Corporation”) in attracting, retaining and motivating directors, key officers, employees, consultants and advisors of PFB and its subsidiaries, (in this Plan, the term “PFB” or the “Corporation”) will be deemed to include subsidiaries except where the context does not permit) and to closely align the personal interest of the directors, officers and employees with those of the shareholders by providing them with the opportunity, through options, to acquire Common Shares (“Common Shares”) of PFB.

**ARTICLE 2 - INTERPRETATION**

**2.1 Definitions**

“Black Out Period” means any period during which a policy of the Corporation prevents an Insider from trading in the Shares.

“Expiry Date” means the date on which an Option expires pursuant to the Option Agreement relating to that Option or, if such date occurs during a Black Out Period, the date determined pursuant to Section 4.4.

“Grant Date” means the date on which an Option is to be granted, which date may be on or, if determined by the Board at the time of grant, after the date that the Board resolves to grant the Option, provided that if the Board resolves to grant the Option during a Black Out Period, the Option will be deemed to be granted on the second trading day immediately following the expiration of the Black Out Period.

“Insider” has the meaning given to that term in the *Securities Act* (Ontario) and also includes associates and affiliates of the insider, but does not include directors or senior officers of a subsidiary or affiliate of the Corporation unless such director or senior officer:

- (i) in the ordinary course receives or has access to information as material facts or material changes concerning the Corporation before the material facts or material changes are generally disclosed;
- (ii) is a director or senior officer of a “major subsidiary” of the Corporation (where “major subsidiary” has the meaning given to that term in National Instrument 55-101 – *Insider Reporting Exemptions*); or
- (iii) is an insider of the Corporation in a capacity other than as a director or senior officer of the subsidiary or affiliate.

For the purpose of this definition, the terms “affiliate”, “associate” and “subsidiary” have the meanings given to them, respectively, in the *Securities Act* (Ontario).

“Option” means an option to purchase Common Shares granted to a Participant pursuant to the terms of the Plan.

“Optionholder” means a Participant to whom an Option has been granted.

## **ARTICLE 3 - GRANT OF OPTIONS**

### **3.1 Number of Shares Under Plan**

The maximum number of Common Shares that may be reserved for issuance pursuant to options granted under the Plan at any given time is 10% of the number of Common Shares then issued and outstanding.

The maximum number of Common Shares that may be reserved for issuance to any one eligible person pursuant to options granted under the Plan is 5% of the number of Common Shares outstanding at the time of reservation.

### **3.2 Eligibility**

Options may be granted under the Plan to such directors, officers, employees, consultants and advisors of PFB as the Directors may designate as participants (the "Participants"), subject to the limitations set forth in sections 3.1 and 3.3. The total number of Common Shares made available under the Plan (the "Optioned Shares"), the time or times and price or prices at which options may be granted, the time or times at which options are exercisable and any conditions or restrictions on the exercise of options shall be in the full and final discretion of the Directors, subject to any limitations contained herein.

### **3.3 Limits with Respect to Insiders**

For the purposes of Section 3.3, a security based compensation arrangement ("Security Based Compensation Agreement") means any stock option, stock plan, employee stock purchase plan or any other compensation or incentive mechanism involving the issuance or potential issuance of Common Shares or other securities of the Corporation, including a share purchase from treasury which is financially assisted by PFB by way of a loan, guarantee or otherwise.

For the purposes of this Section 3.3, any entitlement to acquire Common Shares granted pursuant to the Plan or any other Security Based Compensation Arrangement prior to the grantee becoming an Insider is to be excluded. For the purposes of this section 3.3, the number of Common Shares outstanding is to be determined on the basis of the number of Common Shares outstanding at the time of the reservation or issuance, as the case may be, excluding Common Shares issued under the Plan or under any other Security Based Compensation Arrangement over the preceding one-year period.

Subject to this Section 3.3 the aggregate number of Common Shares that may be reserved for issuance to Insiders at any time pursuant to the Plan and any other Security Based Compensation Arrangement is 10% of the number of Common Shares outstanding at the time.

Subject to this Section 3.3, the aggregate number of Common Shares that may be issued to Insiders under the Plan and any other previously established or proposed Security Based Compensation Arrangement within a one-year period is 10% of the number of Common Shares outstanding.

Subject to this Section 3.3, the maximum number of Common Shares that may be issued to any one Insider under the Plan Security Based Compensation Arrangement within a one-year period is 5% of the number of Common Shares outstanding.

## **ARTICLE 4 - TERMS AND CONDITIONS OF OPTIONS**

All options shall be granted upon and subject to the terms and conditions hereinafter set forth.

### **4.1 Exercise Price**

The exercise price for each Optioned Share (the "Exercise Price") will be determined by the Directors, but will in no event be less than the closing market price (the "Market Price") of the Common Shares on a Stock Exchange on the trading day immediately prior to the grant of the option (or, if no trades occurred on such day, then on the next previous day on which trading took place) or such other price as may be set by the Directors and approved by the Stock Exchange.

#### **4.2 Option Agreement**

All options will be evidenced by means of an agreement (the “Option Agreement”) between PFB and the Participant, which agreement will define the following terms, vesting period, price and number of Optioned Shares.

#### **4.3 Length of Grant and Vesting**

The Directors will determine when options granted under the Plan expire, as long as the expiry date determined by the board does not exceed ten years from the Grant Date, and the period during which the options may be exercised (vesting) by the Participant.

#### **4.4 Black Out Periods**

If the date on which an Option expires pursuant to an Option Agreement occurs during or within 10 days after the last day of a Black Out Period, the Expiry Date for the Option will be the last day of such 10-day period.

#### **4.5 Non-Assignability of Options**

An option is not transferable or assignable (whether absolutely or by way of mortgage, pledge or other charge) by a Participant and may be exercised during the lifetime of the Participant only by such Participant.

#### **4.6 Right to Postpone Exercise**

A Participant shall be entitled to exercise the option at any time during the period from vesting to expiry or termination of the options granted.

#### **4.7 Exercise and Payment**

An option may be exercised by a Participant or his estate by giving written notice to the Chief Financial Officer, Transfer Agent, Treasurer, or the Corporate Secretary of PFB specifying the number of shares in respect of which such option is being exercised, and accompanied by full payment (by cash or certified cheque payable to PFB) for the entire exercise price (determined in accordance with the Option Agreement) multiplied by the number of Optioned Shares specified in the notice. Upon exercise of an option, PFB shall authorize its transfer agent and registrar to promptly deliver a share certificate in the name of such Participant.

#### **4.8 Rights of Participants**

A Participant shall have no rights whatsoever as a shareholder (including, without limitation, any right to receive dividends or other distributions therefrom, voting rights, warrants or rights under any rights offering) in respect of any of the Optioned Shares until the Participant has exercised his option to purchase and the Common Shares have been duly issued by PFB.

#### **4.9 Third Party Offer**

If, at any time during the period when an option has been granted to a Participant but remains unexercised, a take over bid as defined in any applicable securities legislation (including an exempt take over bid other than an exempt take over bid which permits purchases of up to 5% of issued capital per year through the facilities of a recognized stock exchange) PFB shall provide each Participant with any information that is in the public domain that it has in its possession on a timely basis. The provisions of the Option Agreement notwithstanding, the vesting time for the exercise of the options will be accelerated to allow the Participant to exercise all outstanding options to facilitate the tendering of Common Shares to the take over bid.

#### **4.10 Alteration in Common Shares**

If a dilution of value or a reorganization of the Common Shares of PFB occurs by way of a share dividend, share split, issuance of shares or instruments convertible into Common Shares (other than pursuant to the Plan) for less than market value, share consolidation, share reclassification, exchange of Common Shares, recapitalization, amalgamation, merger, consolidation, corporate arrangement, reorganization, liquidation or the like, the Participant shall be entitled to a pro rata adjustment to the number of Optioned Shares, or to the exercise price, or both, as shall

be appropriate to give proper effect to such event, including to prevent, to the extent possible, substantial dilution or enlargement of rights granted to Participants under the Plan. In any such event, the maximum number of Common Shares available under the Plan shall be appropriately adjusted. If because of a proposed merger, amalgamation or other corporate arrangement or reorganization, the exchange or replacement of shares for those in another corporation is imminent, the Directors shall, in a fair and equitable manner, determine the manner in which all unexercised options shall be treated including, adjustment to the time period for the exercise of such rights by the Participants. All determinations of the Directors under this paragraph 4.10 shall be full and final.

#### **4.11 Termination**

- (a) If a Participant is dismissed as a director, officer, employee, consultant or advisor by PFB or by one of its subsidiaries for cause, all unexercised option rights of that Participant under the Plan shall immediately become terminated and shall lapse notwithstanding the original term of the option granted to such Participant.
- (b) If a Participant resigns or is dismissed as a director, officer, employee, consultant or advisor of PFB for any reason other than one enumerated in clause 4.11(a) or 4.12, all unexercised option rights of that Participant under the Plan will terminate and lapse thirty (30) days after such date notwithstanding the original term of the option granted to such Participant.

#### **4.12 Disability or Retirement**

If a Participant ceases to be a director, officer, employee, consultant or advisor of PFB as a result of:

- (a) disability or illness preventing the Participant from performing the duties routinely performed by such Participant;
- (b) retirement;
- (c) death; or
- (d) in other discretionary circumstances such that an adjustment of the option exercise period is approved by the Directors;

such Participant or his estate shall have the right for a period of six months (or until the normal expiry date of the option rights of such Participant if earlier) from the date of ceasing to be a director, officer or employee to exercise all Optioned Shares of such Participant to the extent they were exercisable on the date of ceasing to be a director, officer or employee. Upon the expiration of such period all unexercised options of that Participant shall immediately become terminated and shall lapse notwithstanding the original term of the option granted to such Participant.

### **ARTICLE 5 - ADMINISTRATION**

#### **5.1 Administration**

The Plan will be administered by the board of directors of PFB (the "Directors") which has final authority and discretion, subject to the express provisions of the Plan, to interpret the Plan, to prescribe, amend and rescind rules and regulations relating to it and to make all other determinations deemed necessary or advisable for the administration of the Plan.

#### **5.2 Amendment and Discontinuance of Plan**

- (a) The Directors may, at any time and from time to time, amend, suspend or terminate the Plan at any time, provide that not such amendment, suspension or termination may be made without obtaining any required approval of any regulatory authority or stock exchange or the consent or deemed consent of an Optionholder where such amendment, suspension or termination materially prejudices the rights of the Optionholder.

- (b) Notwithstanding the provisions of Section 5.2(a), the Directors may not, without the approval of the security holders of PFB, make amendments to the Plan for any of the following purposes:
  - (i) to increase the maximum number of Shares that may be issued pursuant to Options granted under the Plan as set out in Section 3.1;
  - (ii) to reduce the Exercise Price of Options for the benefit of an Insider;
  - (iii) to extend the Expiry Date of Options for the benefit of an Insider; and
  - (iv) to amend the provisions of this Section 5.2(b).
- (c) In addition to the changes that may be made pursuant to Section 4.10, the Directors may, at any time and from time to time, without the approval of the security holders of PFB, amend any term of any outstanding Option (including, without limitation, the Exercise Price, vesting and expiry of the Option), provided that:
  - (i) any required approval of any regulatory authority or stock exchange is obtained;
  - (ii) if the amendments would reduce the Exercise Price or extend the Expiry Date of Options granted to Insiders, approval of the security holders of PFB must be obtained;
  - (iii) the Board would have had the authority to initially grant the Option under the terms so amended; and
  - (iv) the consent or deemed consent of the Optionholder is obtained if the amendment would materially prejudice the rights of the Optionholder under the Option.

### **5.3 No Further Rights**

Nothing contained in the Plan nor in any option gives any Participant any interest or title in or to any PFB shares or any rights as a shareholder or any other legal or equitable right against PFB other than as set forth in the Plan and pursuant to the exercise of any option, nor shall it confer upon the Participants any right to continue as a director, officer or employee of PFB.

### **5.4 Compliance with Laws**

The Plan, the grant and exercise of Options under the Plan and PFB's obligation to issue Shares on exercise of Options will be subject to all applicable federal, provincial and foreign laws, rules and regulations and the rules of any regulatory authority or stock exchange on which the securities of PFB are listed. No Option will be granted and no Shares will be issued under the Plan where such grant or issue would require registration of the Plan or of such Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue of Shares in violation of this provision will be void. Shares issued to Optionholders pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws.