



**THE WESTAIM CORPORATION**

**NOTICE OF ANNUAL MEETING  
TO BE HELD ON MAY 16, 2012  
AND  
MANAGEMENT INFORMATION CIRCULAR**

**April 3, 2012**



## THE WESTAIM CORPORATION

### NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting of shareholders (the "**Meeting**") of The Westaim Corporation (the "**Corporation**") will be held at the St. Andrew's Club & Conference Centre, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Ontario, on Wednesday, May 16, 2012 at 9:00 a.m. (Toronto time) to:

- (a) receive and consider the financial statements of the Corporation for the financial year ended December 31, 2011 together with the auditors' report thereon;
- (b) elect as directors for the forthcoming year the nominees proposed by the management of the Corporation;
- (c) re-appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation and to authorize the board of directors of the Corporation (the "**Board**") to fix the auditors' remuneration and terms of engagement; and
- (d) transact such other business as may properly come before the Meeting or any adjournment(s) thereof.

This Notice of Meeting (the "**Notice**") is accompanied by a management information circular, a form of proxy (the "**Proxy Instrument**") and a financial statement request form.

The record date for the determination of shareholders of the Corporation entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof is April 11, 2012 (the "**Record Date**"). Shareholders of the Corporation whose names have been entered in the register of shareholders of the Corporation at the close of business on the Record Date will be entitled to receive notice of and to vote at the Meeting or any adjournment or adjournments thereof.

**A shareholder of the Corporation may attend the Meeting in person or may be represented by proxy. Shareholders of the Corporation who are unable to attend the Meeting or any adjournment or adjournments thereof in person are requested to date, sign and return the accompanying Proxy Instrument for use at the Meeting or any adjournment or adjournments thereof.**

To be effective, the enclosed Proxy Instrument must be returned to Computershare Trust Company of Canada, Attention: Proxy Department, by mail to 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive not later than forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the City of Toronto, Ontario) prior to the time set for the Meeting or any adjournment or adjournments thereof, in default of which it may be treated as invalid, although the chairman of the Meeting has the discretion to accept Proxy Instruments filed less than forty-eight (48) hours prior to the commencement of the Meeting, or any adjournment or adjournments thereof.

**DATED** at Toronto, Ontario this 3<sup>rd</sup> day of April, 2012.

BY ORDER OF THE BOARD

*(signed) "J. Cameron MacDonald"*

J. Cameron MacDonald  
Director, President and Chief Executive Officer

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# THE WESTAIM CORPORATION

## MANAGEMENT INFORMATION CIRCULAR

This management information circular (the “**Information Circular**”) is dated April 3, 2012 and is furnished in connection with the solicitation of proxies **by and on behalf of the management** (the “**Management**”) of The Westaim Corporation (the “**Corporation**”) for use at the annual meeting (the “**Meeting**”) of shareholders of the Corporation (the “**Shareholders**”) to be held at the St. Andrew’s Club & Conference Centre, 150 King Street West, 27<sup>th</sup> Floor, Toronto, Ontario, on Wednesday, May 16, 2012 at 9:00 a.m. (Toronto time) for the purposes set out in the notice of meeting (the “**Notice**”) accompanying this Information Circular and any adjournment(s) thereof.

### PARTICULARS OF MATTERS TO BE ACTED UPON

#### *Financial Statements*

The audited financial statements of the Corporation for the year ended December 31, 2011, together with the report of the auditors thereon, and the annual management’s discussion and analysis, will be presented to the Shareholders at the Meeting for their consideration.

#### *Election of Directors*

The articles of the Corporation require a minimum of three and a maximum of fifteen directors of the Corporation. The number of directors of the Corporation to be elected at an annual meeting of Shareholders shall be the number of directors of the Corporation then in office unless the directors or Shareholders by simple majority otherwise determine from time to time. The Corporation’s board of directors (the “**Board**”) currently consists of seven members. The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the Meeting. The Board has determined to reduce the number of directors from seven to six at the Meeting. Accordingly, the number of directors to be elected at the Meeting is six.

Management proposes to nominate at the Meeting the persons whose names are set forth in the table below to serve as directors of the Corporation until the next meeting of Shareholders at which the election of directors is considered, or until their successors are elected or appointed. The persons named in the accompanying form of proxy (the “**Proxy Instrument**”) intend to vote for the election of such persons at the Meeting, unless otherwise directed. Management does not contemplate that any of the nominees will be unable to serve as a director of the Corporation.

The following table and the notes thereto state the names of all persons proposed by Management to be nominated for election as directors of the Corporation at the Meeting, their principal occupation within the five preceding years, the period during which they have been directors of the Corporation (if applicable), and their shareholdings, which includes the number of voting securities of the Corporation beneficially owned, directly or indirectly, or over which control or direction is exercised by each of them.

Name of Proposed Nominee, Province and Country of Residence	Office or Position held and Year First Elected a Director	Principal Occupation for the Past Five Years	Position(s) with the Corporation	Common Shares Owned, Controlled or Directed <sup>(1)</sup>
<b>Ian W. Delaney</b> <sup>(2)</sup> Ontario, Canada	Director since 1996	Mr. Delaney is the Chairman (prior to January 2012, Chairman, President and Chief Executive Officer) of Sherritt International Corporation (a diversified resource company involved in the production of nickel, cobalt, oil and electricity, and the development of coal as an energy resource).	Director and Chairman of the Board	15,919,844
<b>John Gildner</b> <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 2009	Mr. Gildner is an independent businessman. From 1983 to December 2008, Mr. Gildner was employed by CIBC World Markets Inc. (an investment bank) most recently as Managing Director and global head of CIBC World Markets Inc.'s equity proprietary trading group.	Director and Chair of the Audit Committee	2,465,000
<b>J. Cameron MacDonald</b> Ontario, Canada	Director since 2008	Mr. MacDonald is the President and Chief Executive Officer of Goodwood Inc. (an investment management company).	Director, President and Chief Executive Officer	23,150,974 <sup>(5)</sup>
<b>Daniel P. Owen</b> <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 1996	Mr. Owen is the Chairman and Chief Executive Officer of Molin Holdings Limited (a capital investment management company) and the Chairman of Heli-Lynx Helicopter Services Inc. (a helicopter conversions and enhancement company).	Director and Chair of the HR and Compensation Committee	106,900
<b>Peter H. Puccetti</b> Ontario, Canada	Director since 2008	Mr. Puccetti is the Chairman and Chief Investment Officer of Goodwood Inc. (an investment management company).	Director	23,322,574 <sup>(7)</sup>
<b>Bruce V. Walter</b> <sup>(2)(3)(4)</sup> Ontario, Canada	Director since 1997	Mr. Walter is the Chairman of WW Mines Inc. (a resource investment corporation). He is also Vice Chairman of Centerra Gold Inc. (a gold mining company). From January 2005 to June 2007, Mr. Walter was the President and Chief Executive Officer of Dynatec Corporation (a mining, mining services and metallurgical technologies company).	Director	2,907,300

Notes:

- (1) The information as to the number of common shares in the capital of the Corporation ("Common Shares") owned, controlled or directed, not being within the knowledge of the Corporation, has been obtained from the System for Electronic Disclosure by Insiders ("SEDI") or furnished by each of the proposed directors of the Corporation individually.
- (2) Member of the corporate governance committee of the Board (the "Corporate Governance Committee").

- (3) Member of the human resources and compensation committee of the Board (the “**HR and Compensation Committee**”).
- (4) Member of the audit committee of the Board (the “**Audit Committee**”).
- (5) J. Cameron MacDonald holds, in the aggregate, 23,150,974 Common Shares as follows: (a) 500,000 Common Shares directly; and (b) 22,650,974 Common Shares indirectly (RRSP – 100,000, various funds controlled by Goodwood Inc. – 16,386,400 and Goodwood Management Inc. – 6,164,574) and Peter H. Puccetti holds, in the aggregate, 23,322,574 Common Shares as follows: (a) 760,000 Common Shares directly; and (b) 22,562,574 Common Shares indirectly (RESP – 11,600, various funds controlled by Goodwood Inc. – 16,386,400 and Goodwood Management Inc. – 6,164,574).

IF ANY OF THE ABOVE NOMINEES IS FOR ANY REASON UNAVAILABLE TO SERVE AS A DIRECTOR OF THE CORPORATION, PROXY INSTRUMENTS IN FAVOUR OF MANAGEMENT WILL BE VOTED FOR ANOTHER NOMINEE IN THEIR DISCRETION UNLESS THE SHAREHOLDER HAS SPECIFIED IN THE PROXY INSTRUMENT THAT HIS, HER OR ITS COMMON SHARES ARE TO BE WITHHELD FROM VOTING IN RESPECT OF THE ELECTION OF DIRECTORS.

Shareholders can vote or withhold from voting on the election of each director on an individual basis. The Board has adopted a policy which requires voting with respect to the election of directors at any meeting of Shareholders to be by individual nominee as opposed to by slate of directors, i.e. Shareholders will be asked to vote in favour of, or withhold from voting, separately for each nominee. If with respect to any particular nominee, the number of Common Shares withheld exceeds the number of Common Shares voted in favour of the nominee, following the Meeting the nominee will submit his resignation to the Corporate Governance Committee. The Corporate Governance Committee shall then make a recommendation to the Board with respect to whether or not to accept the resignation. After reviewing the matter and not later than 90 days following the Meeting, the Board will accept or reject the resignation and will advise Shareholders of its decision by press release. The nominee will not participate in the discussions respecting the decision to accept or reject the resignation. If the Board accepts the resignation, it may appoint a new director to fill the vacancy.

#### **Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

To the knowledge of the Corporation, no proposed director is, as at the date of this Information Circular, or has been, within ten years before the date of this Information Circular, a director, Chief Executive Officer or Chief Financial Officer of any company (including the Corporation) that:

- (a) was the subject of a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemptions under Canadian securities legislation that was in effect for a period of more than 30 consecutive days (an “**order**”), that was issued while the proposed director was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer; or
- (b) was subject to an order that was issued after the proposed director ceased to be a director, Chief Executive Officer or Chief Financial Officer and which resulted from an event that occurred while that person was acting in the capacity as director, Chief Executive Officer or Chief Financial Officer.

To the knowledge of the Corporation, no proposed director:

- (a) is, as at the date of this Information Circular, or has been within the ten years before the date of this Information Circular, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or

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

To the knowledge of the Corporation, no proposed director has been subject to:

- (a) 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
- (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

#### *Appointment of Auditors*

Shareholders will be requested to re-appoint Deloitte & Touche LLP, Chartered Accountants, as auditors of the Corporation to hold office until the next annual meeting of Shareholders, and to authorize the Board to fix the auditors' remuneration and the terms of their engagement. Deloitte & Touche LLP, Chartered Accountants, was first appointed auditors of the Corporation on May 7, 1996.

### GENERAL STATUTORY INFORMATION

#### *Solicitation of Proxies*

Solicitation of proxies for the Meeting will be primarily by mail, the cost of which will be borne by the Corporation. Proxies may also be solicited personally by employees of the Corporation at nominal cost to the Corporation. In some instances, the Corporation has distributed copies of the Notice, the Information Circular, and the Proxy Instrument (collectively, the "**Documents**") to clearing agencies, securities dealers, banks and trust companies, or their nominees (collectively "**Intermediaries**", and each an "**Intermediary**") for onward distribution to Shareholders whose Common Shares are held by or in the custody of those Intermediaries ("**Non-registered Shareholders**"). The Intermediaries are required to forward the Documents to Non-registered Shareholders.

Solicitation of proxies from Non-registered Shareholders will be carried out by Intermediaries, or by the Corporation if the names and addresses of Non-registered Shareholders are provided by the Intermediaries.

Non-registered Shareholders who have received the Documents from their Intermediary should follow the directions of their Intermediary with respect to the procedure to be followed for voting at the Meeting. Generally, Non-registered Shareholders will either:

- (a) be provided with a form of proxy executed by the Intermediary but otherwise uncompleted. The Non-registered Shareholder may complete the proxy and return it directly to the Corporation's transfer agent, Computershare Trust Company of Canada; or
- (b) be provided with a request for voting instructions. The Intermediary is required to send the Corporation an executed form of proxy completed in accordance with any voting instructions received by the Intermediary.

If you are a Non-registered Shareholder, and the Corporation or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained from your Intermediary in accordance with applicable securities regulatory requirements. By choosing to send the Documents to you directly, the Corporation (and not your Intermediary) has assumed responsibility for (i) delivering the Documents to you, and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the request for voting instructions.

#### *Appointment of Proxy*

The persons named in the enclosed Proxy Instrument are directors and/or officers of the Corporation. **SHAREHOLDERS HAVE THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM, HER OR IT AT THE MEETING OTHER THAN THE PERSON[S] DESIGNATED IN THE PROXY INSTRUMENT** either by striking out the names of the persons designated in the Proxy Instrument and by inserting the name of the person or company to be appointed in the space provided in the Proxy Instrument or by completing another proper form of proxy and, in either case, delivering the completed proxy to Computershare Trust Company of Canada, Attention: Proxy Department, by mail to 9<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 or by fax to 1-866-249-7775/416-263-9524 to arrive at least forty-eight (48) hours (excluding Saturdays, Sundays and statutory holidays in the Province of Ontario) prior to the commencement of the Meeting or any adjournment(s) thereof, in default of which they may be treated as invalid, although the chairman of the Meeting may, in his sole discretion, accept proxies received by him prior to the commencement of the Meeting or any adjournment(s) thereof, or in accordance with any other manner permitted by law.

#### *Revocation of Proxy*

A Shareholder who has given a proxy pursuant to this solicitation may revoke it at any time up to and including the second last business day preceding the day of the Meeting or any adjournment(s) thereof at which the proxy is to be used:

- (a) by an instrument in writing executed by the Shareholder or by his, her or its attorney authorized in writing and either delivered to the attention of the Corporate Secretary of the Corporation c/o Computershare Trust Company of Canada, 9th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1;
- (b) by delivering written notice of such revocation to the chairman of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment(s) thereof, or
- (c) in any other manner permitted by law.

#### *Voting of Proxies and Discretion Thereof*

Common Shares represented by properly executed proxies in favour of persons designated in the printed portion of the enclosed Proxy Instrument **WILL, UNLESS OTHERWISE INDICATED, BE VOTED FOR THE ELECTION OF DIRECTORS AND FOR THE RE-APPOINTMENT OF DELOITTE & TOUCHE LLP, CHARTERED ACCOUNTANTS, AS THE AUDITORS OF THE CORPORATION AND FOR THE AUTHORIZATION OF THE BOARD TO FIX AUDITORS' REMUNERATION AND TERMS OF ENGAGEMENT, ALL AS STATED UNDER THOSE HEADINGS IN THIS INFORMATION CIRCULAR.** The Common Shares represented by the Proxy Instrument will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. The enclosed Proxy Instrument confers discretionary authority on the persons named therein

with respect to amendments or variations to matters identified in the Notice or other matters which may properly come before the Meeting. At the date of this Information Circular, Management of the Corporation knows of no such amendments, variations or other matters to come before the Meeting. However, if other matters do properly come before the Meeting, it is the intention of the persons named in the enclosed Proxy Instrument to vote such proxy according to their best judgement.

#### ***Voting Securities and Principal Holders Thereof***

The voting securities of the Corporation consist of an unlimited number of Common Shares. The Corporation is also authorized to issue an unlimited number of Class A preferred shares, issuable in series, and an unlimited number of Class B preferred shares, issuable in series. On February 26, 2010, the Corporation filed articles of amendment to create a series of Class A preferred shares designated as Series 1 Class A non-voting, participating, convertible preferred shares (the "**Non-Voting Shares**").

Any holder of Non-Voting Shares may, subject to certain restrictions, convert any or all Non-Voting Shares held by such holder into Common Shares based on the then applicable exercise number which at the date hereof is one Common Share for each Non-Voting Share. No Common Share may be issued upon the conversion of a Non-Voting Share if the conversion would result in the holder, together with such holder's "associates" and "affiliates" (as such terms are defined in the *Securities Act* (Alberta)), and any person or company acting jointly or in concert with such parties: (i) being the registered holder of; (ii) being the beneficial owner of; and/or (iii) exercising control or direction over, greater than 40% of the issued and outstanding Common Shares.

As of the date hereof, the Corporation had issued and outstanding 580,343,960 Common Shares and 63,852,912 Non-Voting Shares.

The close of business on April 11, 2012 has been fixed as the record date (the "**Record Date**") for the determination of Shareholders entitled to receive notice of the Meeting and any adjournment(s) thereof. Accordingly, only Shareholders of record on the Record Date are entitled to vote at the Meeting or any adjournment(s) thereof.

Each Shareholder is entitled to one vote on all matters that come before the Meeting for each Common Share shown as registered in his, her or its name on the list of Shareholders which is available for inspection during usual business hours at Computershare Trust Company of Canada, 600, 530-8th Avenue S.W., Calgary, Alberta, T2P 3S8 and at the Meeting. The list of Shareholders will be prepared not later than ten days after the Record Date. If a person has acquired ownership of Common Shares since that date, he, she or it may establish such ownership and demand, not later than ten days before the Meeting, that his, her or its name be included in the list of Shareholders.

To the knowledge of the directors and officers of the Corporation, the only party that owns beneficially, or exercises control or direction over, directly or indirectly, Common Shares carrying 10% or more of the voting rights attached to all Common Shares is Her Majesty the Queen in Right of the Province of Alberta as represented by the Alberta Investment Management Corporation ("**AIMCo**"). AIMCo manages the investment portfolio of pension funds, endowments and other funds, including the investment portfolio of 1523488 Alberta Ltd. ("**Holdco**"), which is the registered and beneficial owner of 232,147,088 Common Shares, being approximately 40% of the outstanding Common Shares, and 63,852,912 Non-Voting Shares, being 100% of the outstanding Non-Voting Shares. The voting shares of Holdco are beneficially owned in equal portions by certain Alberta public sector pension plans, such that no one of those pension plans indirectly owns or exercises indirect control or direction over more than 10% of the issued and outstanding Common Shares. In

addition to the Common Shares and Non-Voting Shares noted above, Holdco owns 10,000,000 Warrants, each exercisable into one Non-Voting Share at an exercise price of \$0.50 per Non-Voting Share until February 9, 2013.

There are no cumulative or similar voting rights attached to the Common Shares.

### INDEBTEDNESS OF DIRECTORS, EXECUTIVE OFFICERS AND SENIOR OFFICERS

None of the executive officers, former executive officers, employees, directors, former employees, former directors or proposed nominees for election as directors of the Corporation, nor any of their associates, is or was since the beginning of the most recently completed financial year of the Corporation indebted to the Corporation.

### SECURITY BASED COMPENSATION ARRANGEMENTS

#### *Equity Compensation Plan Information*

The following table sets out information as of December 31, 2011 with respect to the Corporation's long-term equity compensation plan (the "**Incentive Plan**"), which is currently the only compensation plan under which equity securities of the Corporation are authorized for issuance.

	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 (excluding securities reflected in column (a))
Plan Category	(a)	(b)	(c)
Equity compensation plans approved by securityholders	-	-	36,513,643 <sup>(3)</sup>
Option Plan	475,000 <sup>(1)</sup>	\$3.30	-
Incentive Plan	26,849,193 <sup>(2)</sup>	N/A	-
Equity compensation plans not approved by securityholders	-	-	-
<b>TOTAL</b>	27,324,193	\$3.30	36,513,643 <sup>(3)</sup>

Notes:

- (1) Includes 475,000 Options (as defined below) issued and outstanding under the Option Plan (as defined below).
- (2) Comprises restricted share units ("**RSUs**") issued to Goodwood Management Inc. ("**Goodwood Management**") as follows: 25,775,225 RSUs on May 11, 2010 and 9,665,709 RSUs on May 11, 2011 less 8,591,741 RSUs which were exercised into cash by Goodwood Management on May 11, 2011 under the Incentive Plan. All RSUs are exercisable into cash or Common Shares at the option of Goodwood Management.
- (3) The aggregate number of Common Shares that can be reserved for issuance upon the redemption or exercise of Awards (as defined below) granted under the Incentive Plan shall not exceed the greater of 11% of the issued and outstanding Common Shares (580,343,960 Common Shares as of the date hereof) or such other number as may be approved by the Toronto Stock Exchange (the "**TSX**") and the Shareholders from time to time.

## *Summary of Terms and Conditions of the Incentive Plan*

### **Background Information**

On May 12, 2010, the Shareholders approved the adoption of the Incentive Plan which was designed to combine the Corporation's 1996 Employee and Director Stock Option Plan (the "**Option Plan**"), the Directors and Officers Share Purchase Program (the "**D&O Share Program**"), the Restricted Share Unit Plan (the "**RSU Plan**") and the 2001 Deferred Share Unit Plan (the "**DSU Plan**"), and together with the Option Plan, the D&O Share Program and the RSU Plan, the "**Prior Plans**"). While all equity compensation awards are currently made by the Board pursuant to the Incentive Plan, all awards made pursuant to the Prior Plans will remain outstanding and governed by the terms of the Prior Plan and any applicable award agreement pursuant to which they were granted.

### **Purpose of the Incentive Plan**

In addition to streamlining the administration of the Prior Plans, the purpose of the Incentive Plan is to advance the interests of the Corporation and its affiliates by: (a) attracting, rewarding and retaining highly competent persons as directors, officers, employees and consultants of the Corporation; (b) providing additional incentives to such persons by aligning their interests with those of the Shareholders; and (c) promoting the success of the Corporation's business.

### **Administration of the Incentive Plan**

The Incentive Plan is administered by the Board which has the power, subject to the specific provisions of the Incentive Plan to, among other things: (a) establish policies, rules and regulations for carrying out the purposes, provisions and administration of the Incentive Plan; (b) interpret, construe and determine all questions arising out of the Incentive Plan and any Award; (c) determine those persons considered Eligible Persons (as defined below); (d) grant and determine the number of Awards; (e) determine the exercise criteria, Option Price (as defined below) (provided it not be less than the Market Price (as defined below) on the date of the grant), time when Awards will be exercisable or redeemable and whether the Common Shares that are subject to an Award will be subject to any restrictions upon the exercise or redemption thereof; (f) prescribe the form of the instruments or award agreements relating to the Awards; (g) determine whether an Award may be settled in cash, through a cashless exercise or otherwise; (h) correct any defect or omission, or reconcile any inconsistency in the Incentive Plan and any award agreement; and (i) take all other actions necessary or advisable for administering the Incentive Plan. The Board may, from time to time, delegate the administration of all or any part of the Incentive Plan to a committee of the Board and shall determine the scope of and may revoke or amend such delegation.

### **Eligible Persons**

The Incentive Plan authorizes the Board (or a committee of the Board if so authorized by the Board) to grant Awards to "**Eligible Persons**". Eligible Persons are directors, officers, employees, consultants, management company employees and any other service providers of the Corporation or its affiliates. Eligible Persons who have received Awards are referred to herein as "**Participants**".

## Description of Awards

Pursuant to the Incentive Plan, the Corporation is authorized to award stock options (the “**Options**”), stock appreciation rights (“**SARs**”), deferred share units (“**DSUs**”), RSUs and other share-based awards (each an “**Award**”) to Eligible Persons, which may be settled in shares issued from treasury, except in the case of DSUs, or in cash. The Incentive Plan also gives the Board discretion to make other equity incentive awards, subject to the approval of the TSX.

### (a) Options

An Option is a right to purchase a Common Share for a fixed exercise price. Options shall be for a fixed term and exercisable from time to time as determined in the discretion of the Board, provided that no Option shall have a term exceeding ten years. If an Option expires during a black-out period or within ten business days thereof, its term will be extended to the date which is ten business days following the end of such period.

The number of Common Shares subject to each Option, the exercise price of the Option (the “**Option Price**”), the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option shall be determined by the Board. If no specific determination is made by the Board, the term of the Option shall be ten years, the Option Price shall be the Market Price of the Common Shares on the date of the grant and the Options shall vest on the anniversary of their date of grant in equal instalments over a three year period. “**Market Price**” is defined in the Incentive Plan as the volume weighted average trading price of the Common Shares for the five trading days immediately preceding the relevant date, calculated by dividing the total value by the total volume of Common Shares traded over the relevant period, rounded up to the nearest cent.

The Option Price shall in no circumstances be lower than the greater of: (i) the price permitted by the TSX; (ii) the price permitted by any other regulatory body having jurisdiction; and (iii) the Market Price of the Common Shares on the date of grant.

### (b) SARs

A SAR is a right to receive a cash payment equal to the difference between the Option Price and the Market Price of a Common Share on the date of exercise (the “**SAR Amount**”). A SAR may be granted in relation to an Option or on a stand-alone basis. SARs granted in relation to an Option shall be exercisable only at the same time, by the same persons and to the same extent, that the related Option is exercisable. SARs granted on a stand-alone basis shall be granted on such terms as shall be determined by the Board and set out in the award agreement, provided that the Option Price shall not be less than the Market Price of the Common Shares on the date of grant. SARs may be settled in cash or (at the election of the Corporation) Common Shares with an aggregate Market Price equal to the SAR Amount.

### (c) RSUs

An RSU is a right to receive a Common Share issued from treasury or, at the option of the Corporation or, if applicable, the Participant, a cash payment equal to the Market Price of a Common Share redeemable after the passage of time, the achievement of performance targets or both. RSUs shall be granted on terms determined by the Board based on its assessment, for each Participant, of the current and potential contribution of such person to the success of the Corporation. The Board shall determine the effective date of the grant and the number of RSUs granted. The Board shall also determine the applicable grant period, the vesting terms and the exercise criteria of each RSU.

(d) DSUs

A DSU is a right, redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person, to a cash payment equal to the Market Price of a Common Share on the termination date of a Participant or, if applicable, to one fully paid and non-assessable Share issued from treasury. Participants have no right or ability to exercise, receive or otherwise demand payment of the value of DSUs granted to them prior to ceasing to hold all positions with the Corporation or to otherwise cease to be an Eligible Person.

(e) All Awards and Other Awards

Awards may be granted alone, in addition to, or in tandem with any other Award or any award granted under another plan of the Corporation or an affiliate. Awards granted in addition to or in tandem with other Awards may be granted either at the same time or at different times. The date of grant, the number of Common Shares, the vesting period and any other terms and conditions of Awards granted pursuant to the Incentive Plan are to be determined by the Board, subject to the express provisions of the Incentive Plan.

The Board may also grant other share-based awards to Eligible Persons pursuant to the Incentive Plan. All such awards shall be granted on terms determined by the Board and shall be subject to the approval of the TSX, if required.

**Share Purchase Program**

The Board may institute a share purchase program (the “SPP”) for designated Eligible Persons (each a “SPP Eligible Person”). Pursuant to the SPP, the Board could grant to each SPP Eligible Person one Option and/or one SAR for each Common Share purchased by such person up to a maximum number of Options and/or SARs for each Eligible Person as may be determined from time to time by the Board.

**Common Shares Reserved for Issuance**

The TSX permits the adoption of a “rolling” type of share-based compensation plan whereby the number of shares available for issuance under the plan will not be greater than a rolling maximum number equal to a percentage of the outstanding Common Shares.

The aggregate number of Common Shares that can be reserved for issuance upon the redemption or exercise of Awards granted under the Incentive Plan shall not exceed the greater of 11% of the issued and outstanding Common Shares or such other number as may be approved by the TSX and the Shareholders from time to time. The purpose of adopting a “rolling” type of share-based compensation plan is to ensure that a sufficient number of Common Shares remain issuable under the Incentive Plan at all times to meet the overall objective of the Incentive Plan. The exercise, redemption, expiry or lapse of Awards will make new grants available under the Incentive Plan effectively resulting in a “re-loading” of the number of Awards available to be granted.

As of the date hereof, there are a total of 475,000 Options granted and outstanding pursuant to the Option Plan, representing approximately 0.08% of the issued and outstanding Common Shares. In addition, there are 5,717,801 DSUs granted and outstanding and 26,849,193 RSUs granted and outstanding pursuant to the Incentive Plan, representing approximately 5.61% of the issued and outstanding Common Shares. The DSUs,

however, are redeemable in cash and are not exercisable to acquire Common Shares. The number of Common Shares that are currently issued and outstanding is 580,343,960.

### **Restrictions on Awards for Insiders**

The aggregate number of Common Shares issuable to insiders of the Corporation within any one year period under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). In addition, the aggregate number of Common Shares issuable to insiders of the Corporation at any time under the Incentive Plan, together with any other security-based compensation arrangement, cannot exceed 10% of the outstanding Common Shares (on a non-diluted basis). There are otherwise no limits on the maximum number of Awards that may be issued to any single Eligible Person.

### **Substitute Awards**

Subject to TSX approval, the Board may grant Awards under the Incentive Plan in substitution for share and share-based awards held by employees, directors, consultants or advisors of another company (an “**Acquired Company**”) in connection with a merger, consolidation or similar transaction involving such Acquired Company and the Corporation (or an affiliate thereof) or the acquisition by the Corporation (or an affiliate thereof) of property or stock of the Acquired Company.

### **Termination**

Subject to the provisions of the Incentive Plan and any express resolution passed by the Board, all Awards, and all rights to acquire Common Shares pursuant thereto, granted to a Participant shall expire and terminate immediately upon such person’s termination date. If, however, before the expiry of an Award, a Participant ceases to be an Eligible Person for any reason, other than termination by the Corporation for cause, such Award may be exercised or redeemed, as applicable, by the holder thereof at any time within 90 days following their termination date or, if the person is deceased, at any time within six months following his or her death. In any event, however, the exercise or redemption of an Award must occur prior to any applicable expiry date. In addition, an Award is only exercisable or redeemable to the extent that the Participant was otherwise entitled to exercise or redeem the Award unless otherwise determined by the Board. If a Participant is terminated for cause, all unexercised or unredeemed Awards (vested or unvested) shall be terminated immediately.

### **Adjustments**

If a formal bid for the Common Shares is made (an “**Offer**”), all Common Shares subject to outstanding unexercisable Options shall become exercisable and a Participant shall be entitled to exercise the Options and tender the Common Shares acquired into the Offer. In the event of any stock dividend, stock split, combination or exchange of shares, merger, amalgamation, acquisition, divestiture, consolidation, spin-off or other distribution (other than normal cash dividends) of the Corporation’s assets to Shareholders, or any other change in the capital of the Corporation affecting Common Shares, the Board will, subject to TSX approval, make such proportionate adjustments, if any, to outstanding Awards as the Board in its discretion may deem appropriate to reflect such change.

### **Change of Control**

In the event of a change of control (a "CoC") of the Corporation or of an affiliate of which a Participant is an employee, all vesting and exercise criteria of Awards shall be deemed to have been satisfied and each Participant shall be entitled to receive, in full settlement of Awards (other than DSUs), a cash payment equal to: (a) in the case of an RSU, the Special Value (as defined below); and (b) in the case of a SAR, the difference between the Special Value and the Option Price in respect of such SAR. In the event of a CoC, the right of a Participant to receive a payment in respect of a DSU will not be triggered prior to such Participant's termination date. As used herein, the term "**Special Value**" means (i) if any Common Shares are sold as part of the transaction constituting the CoC, the weighted average of the prices paid for such shares by the acquirer, provided that if any portion of the consideration is paid in property other than cash, then the Board shall determine the fair market value of such property for purposes of determining the Special Value; and (ii) if no Common Shares are sold, the Market Price of a Common Share on the day immediately preceding the date of the CoC.

### **Acceleration of Awards**

Notwithstanding any other provision of the Incentive Plan, the Board may at any time give notice to Participants advising that their respective Awards (other than a DSU) are all immediately exercisable or redeemable and may be exercised or redeemed only within 30 days of such notice or such other period as determined by the Board and will otherwise terminate at the expiration of such period.

### **Amendment Procedure**

The Incentive Plan contains a formal amendment procedure. The Board may amend certain terms of the Incentive Plan without requiring the approval of the Shareholders, unless specifically required by the TSX. Amendments not requiring Shareholder approval include, without limitation: (a) altering, extending or accelerating Option vesting terms and conditions; (b) amending the termination provisions of an Option; (c) accelerating the expiry date of an Option; (d) determining adjustments pursuant to the provisions of the Incentive Plan concerning corporate changes; (e) amending the definitions contained in the Incentive Plan; (f) amending or modifying the mechanics of exercising or redeeming Awards; (g) amending provisions relating to the administration of the Incentive Plan; (h) making "housekeeping" amendments, such as those necessary to cure errors or ambiguities contained in the Incentive Plan; (i) effecting amendments necessary to comply with the provisions of applicable laws; and (j) suspending or terminating the Incentive Plan.

The Incentive Plan specifically provides that the following amendments require shareholder approval: (a) increasing the number of Common Shares issuable under the Incentive Plan, except by operation of the "rolling" maximum reserve; (b) amending the Incentive Plan if such amendment could result in the aggregate number of Common Shares issued to insiders within any one year period or issuable to insiders at any time under the Incentive Plan, together with any other security-based compensation arrangement, exceeding 10% of the outstanding Common Shares; (c) extending the term of any Award beyond the expiry of the original term of the Award; (d) reducing the Option Price or cancelling and replacing Options with Options with a lower Option Price; (e) amending the class of Eligible Persons which would have the potential of broadening or increasing participation in the Incentive Plan by insiders; (f) amending the formal amendment procedures of the Incentive Plan; and (g) making any amendments to the Incentive Plan required to be approved by the Shareholders under applicable law.

## Other Terms

Except as provided or with the consent of the Corporation and any applicable regulatory authority, all Awards under the Incentive Plan will be non-assignable. No financial assistance is to be provided to any Eligible Person to facilitate the purchase of Common Shares under the Incentive Plan.

## STATEMENT OF EXECUTIVE COMPENSATION

### *Management Services Agreement*

Pursuant to a management services agreement between the Corporation and Goodwood Management dated April 3, 2009 (the "**Management Agreement**"), as amended and restated by agreements dated March 29, 2010 and May 11, 2011 (the "**Amended Management Agreement**"), Goodwood Management has agreed to manage the day-to-day affairs of the Corporation and to present strategic investment opportunities to the Board for its consideration. Pursuant to the Amended Management Agreement, Goodwood Management has agreed to provide the services of Peter H. Puccetti as a director of the Corporation, J. Cameron MacDonald as a director and as President and Chief Executive Officer of the Corporation and the services of an individual to fill the office of Chief Financial Officer of the Corporation, to which office Jeffrey Sarfin has been appointed. The Amended Management Agreement is in force until March 31, 2013 and will be automatically renewed from time to time thereafter for additional terms of three years unless otherwise terminated in accordance with its provisions. Goodwood Management does not provide management services to any other company.

The services provided by Goodwood Management pursuant to the Amended Management Agreement include the following: (a) complying with the strategic plan, business plan and budget of the Corporation; (b) providing or causing to be provided internal accounting, audit and legal services; (c) providing office facilities, supplies and services; (d) providing services of certain officers and directors of the Corporation; (e) determining the assets of the Corporation to be managed by Goodwood Inc.; (f) preparing all public disclosure documents; and (g) performing such other managerial and administrative services or such other duties as may be reasonably required for the ongoing business and administration of the Corporation.

Goodwood Management is an affiliate of Goodwood Inc., a portfolio manager to certain investment funds, which exercises control or direction over an aggregate of 16,386,400 Common Shares, which, in addition to the 6,164,574 Common Shares held by Goodwood Management, represents approximately 3.9% of the issued and outstanding Common Shares. The Corporation has also issued to Goodwood Management an aggregate of 35,440,934 RSUs, or approximately 6.1% of the issued and outstanding Common Shares, under the RSU Plan, of which 26,849,193 RSUs, or approximately 4.6% of the issued and outstanding Shares remain outstanding. Each of Cameron MacDonald and Peter Puccetti, who are proposed for election to the Board (See "**Particulars of Matters to be Acted Upon – Election of Directors**"), are directors and officers of and indirectly exercise control over Goodwood Management and Goodwood Inc. Mr. MacDonald was also appointed as President and Chief Executive Officer of the Corporation on April 3, 2009.

In consideration of the services provided by Goodwood Management to the Corporation pursuant to the Amended Management Agreement, the Corporation has agreed to pay to Goodwood Management a fee (the "**Services Fee**"), calculated and payable monthly, in an amount determined by the HR and Compensation Committee based on a report (the "**Compensation Report**") prepared by an independent compensation consultant (the "**Compensation Advisor**"). The HR and Compensation Committee will review the amount of the Services Fee annually with a view to determining whether an update to the Compensation Report would be appropriate or whether changes are warranted to the quantum of the Services Fee based on increased staffing requirements, increased overhead costs or other factors. Pursuant to the Amended Management

Agreement, Goodwood Management received fees (including an \$800,000 bonus) in the aggregate amount of \$3,274,478 (inclusive of HST) during the year ended December 31, 2011.

Goodwood Management is entitled to participate in any short-term or long-term incentive plans or programs of the Corporation, including, without limitation, the Incentive Plan, and shall be entitled to participate in a short term bonus program (the “**Bonus Program**”). The purpose of the Bonus Program is to recognize the contribution of Goodwood Management and other participants to the Corporation’s business and affairs over the preceding year. In connection with its review of the Services Fee in each year, the HR and Compensation Committee chair and Goodwood Management are expected to determine certain performance targets for the Corporation. Goodwood Management will be entitled to receive a bonus based on the achievement of the defined performance.

If upon the request of the Board, Goodwood Management renders services to the Corporation that are outside of the scope of services required to be rendered pursuant to the provisions of the Amended Management Agreement, such additional services and activities will be compensated for separately and shall be on such terms that are generally no less favourable to the Corporation than those available from arm’s length parties.

The Amended Management Agreement provides that the compensation to be paid to any directors, officers or employees of Goodwood Management or its affiliates or to the Chief Executive Officer and the Chief Financial Officer of the Corporation, and any costs associated with maintaining an executive office for the Corporation, shall be paid by Goodwood Management. All other expenses incurred by Goodwood Management will be for the account of the Corporation.

The address of Goodwood Management is 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5.

***Compensation Advisor***

During 2010, in connection with the Corporation’s acquisition of Jevco, the Corporation retained the services of Towers Watson & Co. as its Compensation Advisor. The Compensation Advisor was asked to provide recommendations regarding, among other things, the approach to determining the Services Fee to be provided to Goodwood Management under the Amended Management Agreement, the value of the services to be provided by Goodwood Management during 2010 and the structure of the Corporation’s Bonus Program. The Compensation Advisor was also asked to provide recommendations regarding the appropriate structure and quantum of fees and other compensation to be provided to the directors of each of the Corporation and Jevco. Neither the Board nor the HR and Compensation Committee are required to pre-approve other services the Compensation Advisor provides to the Corporation at the request of Management.

The aggregate fees paid to the Compensation Advisor during the two most recently-completed fiscal years are set out in the chart below:

Fiscal Year	Executive Compensation-Related Fees	All Other Fees
2010	\$35,622	-
2011	-	-

***Compensation Discussion and Analysis***

The Corporation’s compensation program is designed to provide its executives and directors with a competitive compensation package having regard to responsibilities and performance. Performance is

considered to include achievement of the Corporation's strategic objectives of protection of its investment portfolio, growth of its operations and enhancement of shareholder value through increases in stock price.

In establishing the Corporation's executive compensation policy for their positions, the HR and Compensation Committee reviewed the Corporation's executive compensation (base salary and long-term, mid-term and short-term incentive programs) using data provided by the Corporation's Compensation Advisor. These comparisons were adjusted to reflect the relative size of the Corporation, the nature of the Corporation's business and the particular job functions and performance of executives. Executive base salaries were targeted at the median of base salaries, as determined by such comparisons.

Compensation provided to Goodwood Management generally consists of three components, namely, the Services Fee, any incentive cash compensation provided under the Bonus Plan and grants of RSUs under the LTIP. In determining any cash compensation payable under the Bonus Plan, the HR and Compensation Committee applies a 50% weighting to the Corporation's overall financial performance with the remaining 50% being based on the overall performance of Goodwood Management in advancing the Corporation's strategic goals.

Compensation provided to the President and Chief Executive Officer of Jevco generally consists of three components, namely, base salary, any incentive cash compensation provided under the Bonus Plan and grants of DSUs under the LTIP. In determining any cash compensation payable under the Bonus Plan, the HR and Compensation Committee applies a 10% weighting to growth achieved in Jevco's direct written premiums, a 50% weighting to the profitability of Jevco's underwriting activities as measured by its combined ratio, a 15% weighting to pre-tax income earned by Jevco and a 25% weighting on the overall performance of the President and Chief Executive Officer in advancing Jevco's strategic goals.

The HR and Compensation Committee also determined the compensation payable to employees who are not Named Executive Officers and payable to independent directors of the Corporation. See "**Statement of Corporate Governance – HR and Compensation Committee**".

As part of its oversight of the Corporation's executive compensation program, the HR and Compensation Committee considers the impact of the Corporation's executive compensation program. The following components of the Corporation's compensation discourage the Company's executive officers from taking unnecessary or excessive risks:

- base salaries and personal benefits are sufficiently competitive and not subject to performance risk;
- corporate and individual performance objectives for the Named Executive Officers are generally designed to be achievable with sustained and focused efforts;
- an attempt to achieve performance goals related to increases in Jevco's gross written premiums by underwriting excessively risky policies or pricing policies at inappropriately low levels would tend to be offset by declines in Jevco's combined ratio and/or pre-tax income which have a greater weighting; and
- in order for executive officers to be eligible to receive short-term or long-term incentives, he or she must be employed by the Corporation at the time of payout, unless the HR and Compensation Committee determines otherwise.

The HR and Compensation Committee believes that executive compensation risk management begins with ongoing Board oversight of:

- the Corporation's results, regulatory reports and financial plans;
- the strategic plan;
- internal audit activities;
- fraud and error reporting;
- the Audit Committee's quarterly meetings with the external auditors, including discussions with the external auditors that exclude management;
- the Codes (as defined below); and
- the Corporation's internal control, management information system, financial reporting and financial control systems.

Based on this review, the Corporation has concluded that its compensation policies and procedures are not reasonably likely to have a material adverse effect on the Corporation.

The Corporation has not instituted any policies related to the purchase by directors or NEOs (as defined below) of 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, director or indirectly, by any director or NEO.

#### ***Share-Based and Option-Based Awards***

Long-term incentives in the form of RSUs or DSUs are intended to align the interests of Goodwood Management as well as the Corporation's directors and executive officers with those of its shareholders, to provide a long-term incentive that rewards these parties for their contribution to the creation of shareholder value, and to reduce the cash compensation the Corporation would otherwise have to pay. In establishing the number of RSUs or DSUs to be granted to Goodwood Management as well as the NEOs and directors, reference is made to the recommendations made by the Compensation Advisor as well as the number of similar awards granted to officers and directors of other publicly-traded companies of similar size in the same business as the Corporation. The HR and Compensation Committee and the Board also consider previous grants of Options, RSUs or DSUs and the overall number of Options, RSUs or DSUs that are outstanding relative to the number of outstanding Common Shares in determining whether to make any new grants of RSUs or DSUs and the size and terms of any such grants, as well as the level of effort, time, responsibility, ability, experience and level of commitment of the officer or director in determining the level of incentive stock option compensation.

#### ***Compensation Governance***

The Board has not adopted any formal policies or procedures to determine the compensation of the Corporation's directors or NEOs. Compensation decisions are made by the HR and Compensation Committee, using data provided by the Corporation's Compensation Advisor, giving consideration to the objectives discussed above under the heading "Compensation Discussion and Analysis".

The HR and Compensation Committee currently consists of four directors; Messrs. Gildner, Owen, Gibson and Walter, all of whom are independent directors and have direct and indirect expertise relevant to their role as members of the HR and Compensation Committee. Assuming all management director nominees are elected at the Meeting, the HR and Compensation Committee will consist of the following three directors; Messrs. Gildner, Owen and Walter.

The roles and responsibilities of the HR and Compensation Committee is, as a standing committee of the Board, to advise the Board on issues relating to the compensation of the Corporation's directors and NEOs, and to entities providing management services to the Corporation (See "**Management Services Agreement**"). The charter of the HR and Compensation Committee describes the responsibilities of the chairman of the HR and Compensation Committee.

For details concerning the Compensation Advisor, see "**Compensation Advisor**".

### **Summary Compensation Table**

The following table summarizes, for the periods indicated, the compensation paid to each individual who served as the Corporation's President and Chief Executive Officer, Chief Financial Officer and each other named executive officer, as defined under Form 51-102F6 – *Statement of Executive Compensation (in respect of financial years ending on or after December 31, 2008)*, who served during the three most recently completed financial years, and whose total compensation in such financial year exceeded \$150,000. Such executive officers are referred to collectively herein as the "**Named Executive Officers**" or "**NEOs**".

<b>NON-EQUITY INCENTIVE PLAN COMPENSATION</b>									
<b>Name and Principal Position<sup>(1)</sup></b>	<b>Year Ended Dec. 31</b>	<b>Salary</b>	<b>Share based awards<sup>(1)</sup></b>	<b>Option based awards<sup>(2)</sup></b>	<b>Annual incentive plans</b>	<b>Long-term incentive plans<sup>(3)</sup></b>	<b>Pension Value</b>	<b>All other Compensation</b>	<b>Total Compensation</b>
J.C. MacDonald <sup>(4)</sup> President and Chief Executive Officer	2009	\$149,626	-	-	\$333,383	-	-	-	\$483,009
	2010	\$370,766	-	-	\$45,612	-	-	-	\$416,378
	2011	\$254,161	-	-	-	-	-	\$340,653 <sup>(8)</sup>	\$594,814
J. Sarfin <sup>(5)</sup> Chief Financial Officer	2009	\$111,968	-	-	\$50,000	-	-	-	\$161,968
	2010	\$150,000	-	-	\$80,000	-	-	-	\$230,000
	2011	\$165,867	-	-	-	-	-	-	\$165,867
S. Lavoie <sup>(6)</sup> President and Chief Executive Officer of Jevco	2010	\$268,269	-	-	\$304,600	\$317,308	\$4,883	\$4,129	\$899,189
	2011	\$413,462	-	-	\$280,000	\$39,750	\$8,718	\$5,504	\$747,434
S. Hopkins <sup>(6)</sup> Vice-President and Chief Operating Officer of Jevco	2010	\$138,718	-	-	\$80,000	\$84,616	-	\$2,128	\$305,462
	2011	\$209,231	-	-	\$150,500	\$26,500	\$6,843	\$2,837	\$395,911
J.G. Leclerc <sup>(6)</sup>	2010	\$135,577	-	-	\$80,000	\$84,616	\$3,436	\$2,666	\$306,295

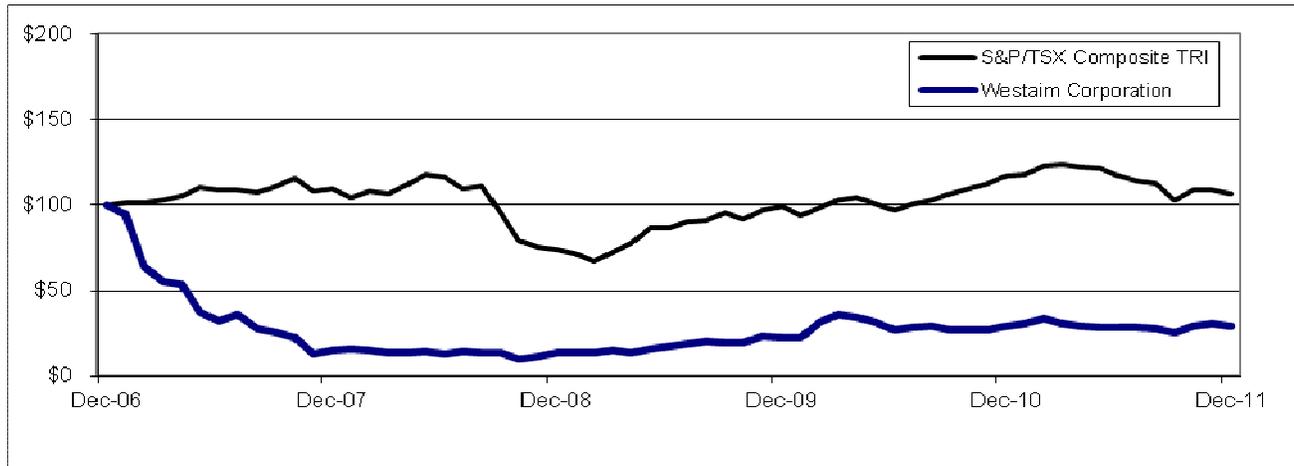
NON-EQUITY INCENTIVE PLAN COMPENSATION									
Name and Principal Position <sup>(1)</sup>	Year Ended Dec. 31	Salary	Share based awards <sup>(1)</sup>	Option based awards <sup>(2)</sup>	Annual incentive plans	Long-term incentive plans <sup>(3)</sup>	Pension Value	All other Compensation	Total Compensation
Vice-President and Chief Financial Officer of Jevco	2011	\$215,923	-	-	\$157,500	\$26,500	\$7,053	\$2,188	\$409,164

Notes:

- (1) No share-based awards were granted in 2009.
- (2) No Options were granted in 2009, 2010 or 2011.
- (3) The Corporation did not grant long-term incentives in 2009. On May 12, 2010 the Corporation issued to each of Messrs. Lavoie, Hopkins and Leclerc 576,923 DSUs, 153,847 DSUs and 153,847 DSUs, respectively (collectively, the "2010 DSUs"). On May 11, 2011, the Corporation issued to such persons 75,000 DSUs, 50,000 DSUs and 50,000 DSUs, respectively (the "2011 DSUs"). The DSUs vest as to 1/3 on the first anniversary, 1/3 on the second anniversary and 1/3 of the third anniversary of the date of grant. The value of the 2010 DSUs was determined based on the December 31, 2010 TSX closing price of \$0.55 for the Common Shares and the value of the 2011 DSUs was determined based on the December 31, 2011 TSX closing price of \$0.53 for the Common Shares.
- (4) Mr. MacDonald was appointed President and Chief Executive Officer of the Corporation on April 3, 2009. The compensation for Mr. MacDonald is derived from the Amended Management Agreement. The bonus awarded to Mr. MacDonald of \$333,383 in 2009 was paid in 2010 and the bonus awarded to Mr. MacDonald of \$45,612 was paid in 2011. Mr. MacDonald was not paid any fees for his services as a director of the Corporation.
- (5) Mr. Sarfin was appointed Chief Financial Officer of the Corporation on April 13, 2009. The bonus awarded to Mr. Sarfin of \$50,000 in 2009 was paid in 2010 and the bonus awarded to Mr. Sarfin of \$80,000 was paid in 2011.
- (6) Mr. Lavoie, Mr. Hopkins and Mr. Leclerc's information is provided from March 29, 2010, which is the date that the Corporation purchased all of the issued and outstanding shares of JEVCO Insurance Company ("Jevco"). All bonuses earned by these individuals were paid in 2011.
- (7) Peter Puccetti is a director of the Corporation but is not a Named Executive Officer for the purposes of the chart above. During the year ended December 31, 2011, Mr. Puccetti received an aggregate of \$459,595 in total compensation from Goodwood Management which amount includes salary, bonus and dividends and is derived from the Amended Management Agreement.
- (8) This amount represents dividends paid by Goodwood Management to Mr. MacDonald.

**Performance Graph**

The following graph shows changes as at December 31 of each year, since December 31, 2006, assuming an investment in the Corporation valued at \$100 as at December 31, 2006, and an investment in the S&P/TSX Composite Total Return Index valued at \$100 as at December 31, 2006, and assuming reinvestment of dividends in both cases. In the 2011 fiscal year, senior management incentive compensation programs were not linked to share price performance, either absolutely or relative to an index.



The trend in the price of the Common Shares, shown by the graph above, does not relate to the compensation paid to the Named Executive Officers. Compensation paid to Messrs. J.C. MacDonald and J. Sarfin commencing in April 2009 was paid by Goodwood Management pursuant to the Management Agreement or the Amended Management Agreement. See “**Management Services Agreement**”. Compensation paid to Messrs. S. Lavoie, S. Hopkins and J.G. Leclerc was paid by Jevco. Fees paid to Goodwood Management during this time were not based on the share price of the Common Shares, however, for periods prior to March 29, 2010, such fees were based on the net book value of the Corporation’s assets and the Corporation’s net income before taxes.

**Incentive Plan Awards – Outstanding Share-Based Awards and Option-Based Awards**

The following table sets forth information concerning all option-based and share-based awards granted to the Named Executive Officers that were granted before, and remain outstanding as of, the end of the most recently completed financial year ended December 31, 2011.

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(1)</sup>	Market or payout value of vested share-based awards not paid or distributed
J.C. MacDonald President and Chief Executive Officer	-	-	-	-	-	-	

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested	Market or payout value of share-based awards that have not vested <sup>(1)</sup>	Market or payout value of vested share-based awards not paid or distributed
J. Sarfin Chief Financial Officer	-	-	-	-	-	-	
S. Lavoie President and Chief Executive Officer of Jevco	-	-	-	-	459,615	243,596	101,923
S. Hopkins Vice-President and Chief Operating Officer of Jevco	-	-	-	-	152,565	80,859	27,179
J.G. Leclerc Vice-President and Chief Financial Officer of Jevco	-	-	-	-	152,565	80,859	27,179

Notes:

(1) Based on the December 30, 2011 closing TSX price of \$0.53 for the Common Shares.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards for the Named Executive Officers for the financial year ended December 31, 2011.

Name and Principal Position	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
J.C. MacDonald President and Chief Executive Officer	-	-	-
J. Sarfin Chief Financial Officer	-	-	-
S. Lavoie President and Chief Executive Officer of Jevco	-	101,923	-
S. Hopkins Vice-President and Chief Operating Officer of Jevco	-	27,179	-
J.G. Leclerc Vice-President and Chief Financial Officer of Jevco	-	27,179	-

***Pension Plan Benefits***

Jevco has a defined contribution plan in the form of a group retirement saving plan (the “**Group RSP**”), which provides for payments of benefits at, following or in connection with retirement. The following table contains the required disclosure under Form 51-102F6.

Name	Accumulated value at start of year (\$)	Compensatory (\$)	Accrued obligation at year end (\$)
S. Lavoie President and Chief Executive Officer of Jevco	-	\$8,718 <sup>(1)</sup>	-
S. Hopkins Vice-President and Chief Operating Officer of Jevco	-	6,843	-
J.G. Leclerc Vice-President and Chief Financial Officer of Jevco	-	\$7,053 <sup>(1)</sup>	-

Notes:

(1) These amounts represent the Corporation’s contribution to the Group RSP.

***Termination and Change of Control Benefits***

Other than as described herein, the Corporation does not have any contracts that provide for payments to a Named Executive Officer at, following, or in connection with a termination (whether voluntary, involuntary or constructive), resignation, retirement, a change of control of the Corporation or a change in a NEO’s responsibilities.

There are, however, termination and change of control provisions in the Amended Management Agreement, pursuant to which Goodwood Management provides services to the Corporation, including the services of Mr. MacDonald as President and Chief Executive Officer and Mr. Sarfin as Chief Financial Officer of the Corporation. The Amended Management Agreement may be terminated by, in the case of Goodwood Management, giving 90 days’ prior written notice to the Corporation (or such shorter period as the parties may mutually agree upon), or, in the case of the Corporation, by giving written notice to Goodwood Management, which termination shall take effect immediately if Goodwood Management has breached any of its material obligations under the Amended Management Agreement that have not been cured within 30 days of notice thereof from the Corporation. In addition, in the event of a change of control of the Corporation, Goodwood Management may elect, in its sole discretion, to terminate the Amended Management Agreement by giving the Corporation written notice of such termination within 90 days after such change. In the event that Goodwood Management terminates the Amended Management Agreement upon a change of control or the Corporation terminates the Management Agreement for any reason other than Goodwood Management breaching its material obligations thereunder, the Corporation shall pay to Goodwood Management a termination fee calculated in accordance with the Amended Management Agreement. If the Amended Management Agreement was terminated for the above reasons as at December 31, 2011, Goodwood Management would have received approximately \$5,500,000 in termination fees.

On April 4, 2011, Jevco and Serge Lavoie entered into an employment agreement (the “**Lavoie Employment Agreement**”). Pursuant to such agreement, Mr. Lavoie is entitled to receive an annual base salary of \$425,000,

less corporate deductions. Additionally, he is eligible to receive an annual bonus and to participate in Jevco's executive employee benefits package.

Jevco may terminate the Lavoie Employment Agreement and Mr. Lavoie's employment with Jevco without being obligated to pay any compensation so long as such agreement is terminated for cause. If Mr. Lavoie's employment with Jevco terminates as a result of his death, Mr. Lavoie's estate shall be entitled to Mr. Lavoie's base salary, any accrued and unpaid bonus and vacation pay accrued as of the time of Mr. Lavoie's death.

If Mr. Lavoie's employment is terminated by Jevco for any reason other than for cause, Change of Control (as defined below), Termination for Good Reason (as defined below) or death, then Mr. Lavoie shall be entitled to a lump sum payment representing: (a) 18 months of base salary; (b) an amount equal to Mr. Lavoie's annual bonus for one year at 100% of target; and (c) all accrued but unpaid vacation. If Mr. Lavoie's employment was terminated for any such reason as at December 31, 2011, Mr. Lavoie would have received approximately \$1,050,000 in total compensation (excluding benefits).

In addition, Jevco shall make the contributions necessary to maintain Mr. Lavoie's participation in Jevco's executive benefits program (excluding short-term and long-term disability insurance, life insurance and out of country insurance, for which the period of continuation shall be the minimum period required by the *Employment Standards Act* (Ontario)) for a period of 18 months following the date of termination or until the date upon which Mr. Lavoie commences new employment, whichever is earlier.

Under the Lavoie Employment Agreement, "**Change of Control**" means: (a) the sale of all or substantially all of the assets of Jevco taken as a whole, or a merger, consolidation, sale of stock or similar transaction whereby a third party acquires beneficial ownership of securities of Jevco representing 51% or more of the common shares of Jevco; or (b) the election of a board of directors of Jevco (the "**Jevco Board**"), the majority of whom were not recommended for nomination by the Jevco Board.

If Jevco undergoes a Change of Control and Mr. Lavoie's employment with Jevco is terminated within the 90 day period ending on the date of the Change of Control, or if Mr. Lavoie continues to be employed by Jevco after the Change of Control as the President and Chief Executive Officer of Jevco, but then his employment is terminated within two years from the date of the Change of Control, without cause, Mr. Lavoie shall be entitled to receive:

- (i) a lump sum payment equal to 24 months compensation based upon Mr. Lavoie's base salary;
- (ii) applicable bonus in the year prior to the Change of Control multiplied by two (the "**Bonus**");
- (iii) all options, including any deferred compensation due to Mr. Lavoie that have been issued to Mr. Lavoie and have not already vested shall immediately vest; and
- (iv) any other compensation or benefits enjoyed at the time of termination, less all required statutory deductions.

If a Change of Control occurred and Mr. Lavoie's employment was terminated as at December 31, 2011, Mr. Lavoie would have received approximately \$1,750,000 in total compensation (excluding benefits).

If Jevco undergoes a Change of Control and, within two years of same, Jevco engages in an action which materially diminishes Mr. Lavoie's compensation or status within Jevco, or moves Mr. Lavoie's work location

to more than 80 kilometres away from his current work location, or takes any action which effectively prevents Mr. Lavoie from performing his usual and customary duties, then Mr. Lavoie may, upon written notice to the Jevco Board, within 30 days after Jevco's action, resign and consider himself terminated without cause and for good reason ("**Termination for Good Reason**") and he shall then be entitled to receive a lump sum payment equal to 24 months compensation calculated based upon his base salary, Bonus and any other compensation or benefits enjoyed by Mr. Lavoie at the time of termination, less all required statutory deductions, unless his compensation, benefits, status or work location are restored by Jevco within 10 days from Mr. Lavoie giving notice to the Jevco Board that he considers himself to be Terminated for Good Reason. In the instance of Termination for Good Reason as at December 31, 2011, Mr. Lavoie would have received approximately \$1,750,000 in total compensation (excluding benefits).

The foregoing payments shall be made within 14 days of the termination of Mr. Lavoie's employment under the Lavoie Employment Agreement.

Mr. Lavoie is entitled to all of the benefits that are available to him at the time of his termination from Jevco for a period of 24 months after such termination, subject to the terms of the applicable plans. If any benefits are discontinued during this period, Jevco shall pay Mr. Lavoie an amount equal to the greater of his cost of obtaining comparable benefits in the marketplace and the loss he suffers because of the discontinuance.

The Lavoie Employment Agreement also provides for, among other things, non-compete, non-hire and non-solicit covenants in favour of Jevco.

#### *Director Compensation Table*

The following table sets forth information concerning the annual and long-term compensation in respect of the directors of the Corporation, other than the sole director who is also a Named Executive Officer, during the financial year ended December 31, 2011. For details of the compensation for J. Cameron MacDonald, the Named Executive Officer who is also a director of the Corporation, see disclosure in the "**Summary Compensation Table**".

Name	Fees Earned <sup>(1)</sup>	Share-based awards <sup>(2)</sup>	Option-based awards	Non-equity incentive plan compensation	Pension Value	All other Compensation <sup>(3)</sup>	Total Compensation
Ian W. Delaney	-	110,000	-	-	-	-	110,000
Daniel P. Owen	44,500	44,500	-	-	-	-	89,000
John W. Gildner	-	104,000	-	-	-	10,250	114,250
Bruce V. Walter	-	77,500	-	-	-	4,250	81,750
Brian Gibson	49,500 <sup>(4)</sup>	-	-	-	-	-	49,500 <sup>(4)</sup>
Peter Puccetti	-	-	-	-	-	-	-

Notes:

- (1) The compensation of directors was amended, effective July 1, 2010. The Chairman of the Board, Mr. Delaney, received an annual fee of \$110,000 in lieu of directors meeting fees. Other directors (Mr. Owen, Mr. Gildner, Mr. Walter and Mr. Gibson) received an annual fee of \$40,000 and Board meeting fees of \$5,000 per meeting (\$2,500 for telephone meetings) and committee meeting fees of \$4,000 per meeting (\$2,000 for telephone meetings). The chair of the Audit Committee also received an annual fee of \$15,000. Following the execution of the Management Agreement on April 3, 2009, Messrs. Puccetti and MacDonald were compensated pursuant to the terms of the Management Agreement and were not otherwise compensated by the Corporation for participating in Board or committee meetings.

- (2) With the July 1, 2010 changes noted in note 1 (above), a director cannot convert DSUs to cash until the director ceases to be a member of the Board but can elect to receive any portion of their fees in the form of DSUs based on the closing price of the Common Shares on the TSX at the end of each quarter.
- (3) Mr. Gildner and Mr. Walter are members of the Board of Directors of the Corporation's subsidiary, Jevco, and their compensation from Jevco is included in "All Other Compensation". Mr. Gildner earned fees from Jevco of \$10,250 and Mr. Walter earned fees from Jevco of \$4,200.
- (4) These director fees were paid to AIMCo. Mr. Mr. Gibson is a Senior Vice President, Public Equities of AIMCo.

***Incentive Plan Awards – Outstanding Share-Based and Option-Based Awards***

The following table shows all outstanding share-based and option-based awards held by each director (other than the one director who was also a Named Executive Officer and for whom the identical information is shown on the comparable table for Named Executive Officers set out above) as at December 31, 2011.

Name and Principal Position	Number of Securities underlying unexercised options	Option-based Awards			Share-based Awards		
		Option exercise price	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup>	Number of shares or units of shares that have not vested <sup>(2)</sup>	Market or payout value of share-based awards that have not vested <sup>(1)</sup>	Market or payout value of vested share-based awards not paid or distributed
Ian W. Delaney	75,000	\$5.60	Feb. 21, 2012				
	50,000	\$1.90	Feb. 28, 2013				
	50,000	\$3.95	Feb. 19, 2014				
	100,000	\$3.62	Feb. 17, 2015				
	50,000	\$6.18	Feb. 20, 2016				
	100,000	\$1.23	Feb. 20, 2017				
<b>TOTAL</b>	<b>425,000</b>			-	<b>1,263,607</b>	<b>\$669,712</b>	
John W. Gildner	-	-	-	-	626,179	\$331,875	
Daniel P. Owen	-	-	-	-	714,900	\$378,897	
Peter H. Puccetti	-	-	-	-	-	-	
Bruce V. Walter	22,800	\$2.48	May 20, 2013				
	27,200	\$0.22	Dec. 5, 2017				
<b>TOTAL</b>	<b>50,000</b>			<b>\$8,432</b>	<b>1,422,626</b>	<b>\$753,992</b>	
Brian Gibson	-	-	-	-	-	-	

Notes:

- (1) Based on the December 30, 2011 TSX closing price of \$0.53 for the Common Shares.
- (2) Reflects DSUs outstanding at December 31, 2011.

***Incentive Plan Awards – Value Vested or Earned During the Year***

The following table provides information regarding the value on pay-out or vesting of incentive plan awards in the form of DSUs for each director (other than the director who is also a Named Executive Officers and for whom the identical information appears on the comparable table for Named Executive Officer set out above) for the financial year ended December 31, 2011. The following directors of the Corporation elected to receive DSUs in lieu of or partially in lieu of meeting fees otherwise paid in cash.

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 <sup>(1)</sup>
Ian W. Delaney	-	-	110,000
Brian Gibson	-	-	49,500
John W. Gildner	-	-	114,250
Daniel P. Owen	-	-	89,000
Peter H. Puccetti	-	-	-
Bruce V. Walter	-	-	81,750

Notes:

- (1) Reflects the director's fees earned during the year and paid in DSUs (based on the price of the Common Shares at the time of the grant), adjusted to the value of the Common Shares as at the December 30, 2011 TSX closing price of \$0.53). None of such DSUs have vested during the year. Each DSU is redeemable only after the Participant has ceased to hold all positions with the Corporation or has otherwise ceased to be an Eligible Person.

### ***Directors' and Officers' Liability Insurance***

Directors' and officers' liability insurance in the amount of \$60 million was purchased in September of 2009 at the Corporation's expense for the protection of all the directors and officers against liability incurred by them in their capacities as directors and officers of the Corporation and the Corporation's past and present subsidiaries. It expired and was renewed on improved terms in September of 2011. The premium paid by the Corporation for such insurance is currently \$265,000 per year. There is a deductible to the Corporation of \$25,000 per occurrence. In February of 2010, the Corporation purchased a separate six year run off policy in the amount of \$30 million exclusively for the directors and officers of NUCRYST Pharmaceuticals Corp.

## **STATEMENT OF CORPORATE GOVERNANCE**

Under the Canadian Securities Administrators' National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101"), the Corporation is required to disclose certain information relating to its corporate governance practices. This information is set forth below.

### ***Board of Directors***

- (a) The Board has determined that a majority, i.e. five of the seven current directors are "independent", within the meaning of NI 58-101. The five independent directors of the Corporation are Ian W. Delaney, Brian Gibson, John Gildner, Daniel P. Owen and Bruce V. Walter. As a result of the existence of the Amended Management Agreement, Messrs. MacDonald and Puccetti are not considered to be independent of the Corporation. If the management nominees for directors are appointed at the Meeting, a majority, i.e. four of the six directors will be "independent" within the meaning of NI 58-101.
- (b) The following directors of the Corporation currently serve on the board of directors of other issuers that are reporting issuers (or the equivalent) which are set out below:

<b><u>Director</u></b>	<b><u>Reporting Issuer</u></b>
Ian W. Delaney	Cenovus Energy Inc. Sherritt International Corporation
Daniel P. Owen	Sherritt International Corporation

<u>Director</u>	<u>Reporting Issuer</u>
Brian Gibson	Viterra Inc. Precision Drilling Corporation
Bruce V. Walter	Centerra Gold Inc.

- (c) At all six Corporate Governance Committee meetings which took place during the 2011 fiscal year of the Corporation, the independent members of the Board met without management and non-independent directors present.

In addition, the independent members of the Board are authorized to retain independent financial, legal and other experts or advisors as required whenever, in their opinion, matters come before the Board or any committee which require an independent analysis by the independent members of the Board or any committee.

- (d) Mr. Ian W. Delaney, the chairman of the Board, is independent of the Corporation. The role of the chairman of the Board includes ensuring that the Board discharges its duties to the Corporation and its securityholders, chairing all meetings of the Board, encouraging open and frank discussion among the directors of the Corporation and setting the agendas for the meetings of the Board and its committees in consultation with the Chief Executive Officer of the Corporation. See also the corporate governance practices of the Corporation described in subparagraph (a) under “**Position Descriptions**” of this statement, below, for further details of the role and responsibilities of the chairman of the Board.

***Meetings of the Board and the Committees of the Board***

The following table summarizes the meetings of the Board and its committees held for the twelve month period ending December 31, 2011 and the attendance of individual directors of the Corporation at such meetings.

<u>Type of Meeting Held</u>	<u>Number of Meetings</u>
Board.....	6
Audit Committee .....	5
HR and Compensation Committee.....	3
Corporate Governance Committee .....	6

<u>Director</u>	<u>Committee Memberships</u>	<u>Committee Meetings Attended</u>	<u>Board Meetings Attended</u>
I.W. Delaney.....	Corporate Governance Committee (Chair)	6 of 6	6 of 6
B. Gibson .....	Corporate Governance Committee HR and Compensation Committee	4 of 6 1 of 2	4 of 6
J.C. MacDonald.....	.....		6 of 6
D.P. Owen .....	Audit Committee Corporate Governance Committee HR and Compensation Committee (Chair)	5 of 5 6 of 6 3 of 3	6 of 6
P.H. Puccetti.....	.....		6 of 6

<u>Type of Meeting Held</u>		<u>Number of Meetings</u>	
B.V. Walter .....	Audit Committee	4 of 5	4 of 6
	Corporate Governance Committee	4 of 6	
	HR and Compensation Committee	3 of 3	
John W. Gildner.....	Audit Committee (Chair)	5 of 5	6 of 6
	Corporate Governance Committee	6 of 6	
	HR and Compensation Committee	3 of 3	

***Mandate of the Board***

- (e) The Board sees its principal role as stewardship of the Corporation and its fundamental objective as the creation of Shareholder value, including the protection and enhancement of the value of the Corporation’s assets and operating with honesty and integrity in the conduct of business. The Board’s stewardship responsibility means that it oversees the conduct of the business and of Management, which is responsible for developing long-term strategy and conducting the Corporation’s day-to-day business.
- (f) The Board meets frequently and is comprised of individuals with considerable experience as directors of public companies and in respect of corporate governance. The agenda for each Board meeting is carefully planned and set by the chairman of the Board working in conjunction with the Chief Executive Officer of the Corporation. Each of the committees of the Board has specific responsibilities delineated in the terms of reference or charter established for each respective committee, such terms of reference or charter having been approved by the Board in each case.

***Position Descriptions***

- (g) The Board has not developed a written position description for the chairman of the Board. Generally, the principal role assigned to the chairman of the Board by the Board includes providing leadership to the Board and acting as a direct liaison between the Board and Management. Further, the chairman of the Board is responsible for ensuring that the Board properly discharges its responsibilities, that the members of the Board have full opportunity to participate in meetings of the Board, and that all Board matters are properly and adequately addressed. The chairman of the Board is accountable to the Board.

The terms of reference or the charter of each of the Audit Committee, the Corporate Governance Committee and the HR and Compensation Committee describe certain of the responsibilities of the chairman of each of these committees. The primary role of the chairman of each such committee is managing the affairs of the committee, including ensuring the committee is organized properly, functions effectively and meets its obligations and responsibilities.

The chairman of the Audit Committee also maintains ongoing communications with the Corporation’s external auditors in order to lead the committee in performing its oversight and other audit-related functions. For further information regarding the Audit Committee, including the relevant education and experience of the committee members, see the Corporation’s Annual Information Form for the financial year ended December 31, 2011 (the “AIF”) which is incorporated by reference into, and forms an integral part of, this Information Circular. The AIF is available on the System for Document Analysis and Retrieval (“SEDAR”) at [www.sedar.com](http://www.sedar.com). The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer, promptly provide a copy of the AIF free of charge to any securityholder of the Corporation.

- (h) The Board does not have a specific written position description for the Chief Executive Officer of the Corporation. However, the role, responsibilities, and duties of the Chief Executive Officer are regularly reviewed by the Board. Additionally, the specific annual objectives of the Chief Executive Officer are set, and his performance is reviewed, by the Board and by the HR and Compensation Committee as circumstances dictate.

#### ***Orientation and Continuing Education***

- (i) Immediately following appointment, new directors of the Corporation are provided with historic information, current strategic plans for the Corporation and its principal operating subsidiary, Jevco, and materials summarizing issues relating to the Corporation. New directors are also briefed by the chairman of the Board, by the Chief Executive Officer of the Corporation, and by the chairmen of the committees of the Board to which they are appointed, if any, as well as by senior management of Jevco.
- (j) The Board and its committees receive periodic reports from Management and external advisors as to new developments in regard to corporate governance and in regard to other issues affecting the Corporation.

#### ***Ethical Business Conduct***

- (k) The Board has adopted a Code of Conduct and Ethics for Directors, Officers and Employees and a Finance Code of Conduct for its Chief Executive Officer and senior financial officers (the “Codes”). The Codes are incorporated by reference into, and form an integral part of, this Information Circular. The Codes have been filed on and are accessible through SEDAR at [www.sedar.com](http://www.sedar.com). The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer, provide a copy of the Codes free of charge to any securityholder of the Corporation.

The Board expects its directors, officers and employees to act ethically at all times and to acknowledge their adherence to the policies comprising the Codes. Any material issues regarding compliance with the Codes are brought forward by Management at either the Board or appropriate Board committee meetings, or are referred to the senior executive officers of the Corporation, as may be appropriate in the circumstances. The Board and/or appropriate committee or senior executive officers determine what remedial steps, if any, are required. Any waivers from the Codes that are granted for the benefit of a director or an employee may be granted only by the Board, the Corporate Governance Committee or the Audit Committee. No waiver has ever been granted under the Codes.

- (l) Each director of the Corporation must disclose all actual or potential conflicts of interest and refrain from voting on matters in which such director has a conflict of interest. In addition, the director must excuse himself or herself from any discussion or decision on any matter in which the director is precluded from voting as a result of a conflict of interest.
- (m) The Corporation has adopted a Disclosure Policy, an Insider Trading Policy and a Whistleblower Policy (collectively, the “Policies”). The Corporation will, upon request at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer, provide a copy of the Policies free of charge to any securityholder of the Corporation. The directors of the Corporation encourage and promote an overall culture of ethical business conduct by promoting compliance with applicable laws, rules and regulations, providing guidance to employees, directors and officers to help

them recognize and deal with ethical issues, promoting a culture of open communication, honesty and accountability and ensuring awareness of disciplinary action for violations of ethical conduct.

#### *Nomination of Directors*

- (n) The Corporate Governance Committee is mandated to recruit and consider director candidates and to make recommendations to the Board. In so doing, the Corporate Governance Committee considers, in addition to any other factors it deems relevant: (i) the competencies and skills that the Board considers to be necessary for the Board, as a whole, to possess; (ii) the competencies and skills that the Board considers each existing director to possess; (iii) the competencies, skills and background each nominee will bring to the Board; (iv) the time that each nominee will have available to devote to the Corporation's business; and (v) whether the nominee will be an independent director. Directors are encouraged to identify potential candidates. An invitation to stand as a nominee for election to the Board will normally be made to a candidate by the Board through the chairman of the Board or his delegate.
- (o) The Corporate Governance Committee is currently composed of Messrs. Delaney, Gildner, Gibson, Owen and Walter, all of whom are independent within the meaning of NI 58-101. Assuming the management nominees are elected as directors at the Meeting, the Corporate Governance Committee will be composed of Messrs. Delaney, Gildner, Owen and Walter.
- (p) In addition to recruiting and considering director candidates, the Corporate Governance Committee's mandate includes annually reviewing the competencies, skills and personal qualities applicable to candidates to be considered for nomination to the Board. The objective of this review is to maintain the composition of the Board in a way that provides, in the judgment of the Board, the best mix of competencies, skills and experience to provide for the overall stewardship of the Corporation.

#### *HR and Compensation Committee*

- (q) The HR and Compensation Committee is currently composed of Messrs. Gildner, Owen, Gibson and Walter, all of whom are independent directors. Assuming the management nominees are elected as directors at the Meeting, the HR and Compensation Committee will be composed of Messrs. Gildner, Owen and Walter.
- (r) The HR and Compensation Committee has the responsibility of annually reviewing and approving the compensation package for Management. See "**Management Services Agreement**" for a discussion regarding the methodology used to determine the compensation package payable to Goodwood Management. The HR and Compensation Committee also reviews and approves the compensation in respect of senior management of Jevco as well as changes to the Corporation's compensation policies in respect of matters such as pension plans and employee benefit plans. Lastly, the HR and Compensation Committee approves the hiring of senior management recruited from outside the Corporation, as well as the promotion of senior management within the Corporation.
- (s) The Corporation retained the services of the Compensation Advisor in 2010 as contemplated by the Amended Management Agreement. See "**Management Services Agreement**".

#### *Assessments*

- (t) The Corporate Governance Committee is responsible for making regular assessments of the overall performance, effectiveness and contribution of the Board and each committee, the chairman of the

Board, each committee chairman and each director, and reporting on such assessments to the Board. The objective of the assessments is to ensure the continued effectiveness of the Board in the execution of its responsibilities and to contribute to a process of continuing improvement. In addition to any other matters the Corporate Governance Committee deems relevant, the assessments will consider in the case of the Board or a committee, the applicable mandate or charter, and in the case of individual directors, the applicable position descriptions, as well as the competencies and skills each individual director is expected to bring to the Board.

#### *Audit Committee*

Information regarding the Audit Committee is disclosed in the AIF under the heading “**Audit Committee**”.

#### **Interest of Informed Persons in Material Transactions**

Management of the Corporation is unaware of any material interest, direct or indirect, of any “informed person” (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*) of the Corporation, proposed director, or any associate or affiliate of any informed person or proposed director of the Corporation, in any transaction since the beginning of the last completed financial year of the Corporation or any of its subsidiaries or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

#### **Additional Information**

Financial information is provided in the Corporation’s annual financial statements for the fiscal year ended December 31, 2011 and management’s discussion and analysis of the results thereon. Securityholders wishing to receive a copy of such materials should mail a request to the Corporation at 212 King Street West, Suite 201, Toronto, Ontario, M5H 1K5, Attention: President and Chief Executive Officer.

Additional information relating to the Corporation is also available free of charge on SEDAR at [www.sedar.com](http://www.sedar.com).