

ECHELON FINANCIAL HOLDINGS INC.

**NOTICE OF
ANNUAL GENERAL MEETING
OF SHAREHOLDERS
TO BE HELD ON
MAY 5, 2016**

AND

MANAGEMENT INFORMATION CIRCULAR



ECHELON FINANCIAL HOLDINGS INC.

Notice of Annual General Meeting of Shareholders May 5, 2016

Notice is hereby given that the annual general meeting of the holders of common shares of Echelon Financial Holdings Inc. (the "Corporation") will be held at the Courtyard Marriott, 5050 Creekbank Road, Mississauga, Ontario, on May 5, 2016, at 11:00 a.m. (Toronto time) for the following purposes:

1. to receive the Corporation's Annual Report which contains the audited consolidated financial statements as at and for the financial year ended December 31, 2015, and the auditors' report thereon;
2. to elect directors;
3. to approve an increase in the number of securities issuable under the Corporation's Executive Share Unit Plan;
4. to consider and if thought fit to confirm, with or without variation, amendments to By-law No. 1 in the form attached hereto, being a by-law relating generally to the business and affairs of the Corporation;
5. to re-appoint auditors and to authorize the Board of Directors to fix their remuneration;
6. to transact such other business as may properly come before the meeting or any adjournment thereof.

The specific details of the foregoing matters to be put before the meeting are set forth in the Management Information Circular accompanying this Notice of Meeting.

Shareholders are invited to attend the meeting. *Registered shareholders* who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Secretary of the Corporation c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 1-866-249-7775 or 416-263-9524 or to the Secretary of the Corporation at the Corporation's registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. *Non-registered shareholders* who receive these materials through their broker or other intermediary should complete and send the voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 11:00 a.m. (Toronto time) on May 3, 2016, or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

DATED the 10th day of March, 2016.

By Order of the Board of Directors

(Signed) Alvin Sharma
Secretary

ECHELON FINANCIAL HOLDINGS INC.

Management Information Circular for the Annual General Meeting of Shareholders May 5, 2016

VOTING INFORMATION FOR PROXIES

Solicitation of Proxies

This Management Information Circular (the "Circular") is furnished in connection with the solicitation, by or on behalf of the management of Echelon Financial Holdings Inc. (the "Corporation"), of proxies to be used at the Corporation's annual general meeting of the holders of common shares (the "Common Shares") to be held on Thursday, May 5, 2016, (the "Meeting") or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of the Corporation without special compensation, or by the Corporation's transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of soliciting will be borne by the Corporation.

Appointment of Proxyholder

The person(s) designated by management of the Corporation in the enclosed form of proxy are directors or officers of the Corporation. **Each shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of the Corporation) other than the person(s) or company(ies) designated by management of the Corporation in the enclosed form of proxy to attend and act on the shareholder's behalf at the Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided on the enclosed form of proxy or by completing another form of proxy.

In the case of *registered shareholders*, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Secretary of the Corporation, c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 866-249-7775 or 416-263-9524, or to the Secretary of the Corporation at the Corporation's registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. In the case of *non-registered shareholders* who receive these materials through their broker or other intermediary, the shareholder should complete and send the voting instruction form in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of the Corporation not later than 11:00 a.m. (Toronto time) on May 3, 2016, or in the case of any adjournment of the Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

Revocation of Proxy

A shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the shareholder or by the shareholder's attorney, who is authorized in writing, at the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting, or in the case of any adjournment of the Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Meeting on the day of, and prior to the start of, the Meeting or any adjournment thereof. A shareholder may also revoke a proxy in any other manner permitted by law.

Voting of Proxies

On any ballot that may be called for, the Common Shares represented by a properly executed proxy given in favour of the person(s) designated by management of the Corporation in the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions given on the ballot, 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 form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Meeting or any adjournment thereof. As of the date of this Circular, management of the Corporation is not aware of any such amendment or other matter to come before the Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment thereof, the Common Shares

represented by properly executed proxies given in favour of the person(s) designated by management of the Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.

VOTING SHARES

Voting Shares

As at March 10, 2016, the Corporation had 11,732,910 Common Shares outstanding, each carrying the right to one vote per share. Except as otherwise noted in this Circular, a simple majority of the votes cast at the Meeting, whether in person, by proxy or otherwise, will constitute approval of any matter submitted to a vote.

Record Date

The Board of Directors has fixed March 18, 2016, as the record date for the purpose of determining holders of Common Shares entitled to receive notice of and to vote at the Meeting. Any holder of Common Shares of record at the close of business on the record date is entitled to vote the Common Shares registered in such shareholder's name at that date on each matter to be acted upon at the Meeting.

Principal Shareholders

To the knowledge of the directors and executive officers of the Corporation, as at March 10, 2016, no person beneficially owned, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to the outstanding Common Shares of the Corporation except as stated below.

Name	Aggregate Number of Common Shares	Percentage of Outstanding Common Shares
The Co-operators Group Limited and affiliates	2,027,912	17.3%
EdgePoint Investment Group Inc.	2,723,987	23.2%

GENERAL INFORMATION

Financial Statements and Auditor's Report

A copy of the Corporation's 2015 Annual Report is being sent to shareholders who have requested it, and includes the consolidated financial statements of the Corporation for the year ended December 31, 2015, together with the auditor's report thereon, and Management's Discussion and Analysis of the financial position and results of operations. This Annual Report is also available in the Financial Reports section of the Corporation's web site echeloninsurance.ca and on SEDAR (www.sedar.com). No vote will be taken at the Meeting in respect of the Corporation's 2015 Annual Report.

Currency and Timing of Information

Unless indicated otherwise, all amounts are in Canadian dollars.

Unless otherwise indicated, the information contained in the Circular is given as of March 10, 2016.

MATTERS TO BE ACTED UPON AT MEETING

1. Election of Directors

The number of directors to be elected at the Meeting is nine (9). Under the by-laws of the Corporation, directors of the Corporation are elected annually. Each director will hold office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws.

In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR the election as directors of the proposed nominees whose names are set forth below, each of whom has been a director since the date indicated below opposite the proposed nominee's name. Management does not contemplate that any of the proposed nominees will be unable

to serve as a director, but if that should occur for any reason prior to the Meeting, the Common Shares represented by properly executed proxies given in favour of such nominee(s) may be voted by the person(s) designated by management of the Corporation in the enclosed form of proxy, in their discretion, in favour of another nominee.

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares of the Corporation beneficially owned, or controlled or directed, directly or indirectly, by such person or the person's associates or affiliates as at March 10, 2016. Also included below are Deferred Share Units (DSUs) held by each Director. Common Shares and DSUs count toward their achievement of the share ownership guidelines for Directors described on page 20. The information as to shares beneficially owned or controlled or directed, not being within the knowledge of the Corporation, has been furnished by the respective proposed nominees individually.

Nominee Name and Place of Residence	Principal Occupation	Director Since	Common Shares	DSUs
Peter Crawford ⁽¹⁾ ⁽²⁾ Ontario, Canada	Retired. Previously Chief Financial Officer and Treasurer of The Co-operators Group Limited (insurance)	January 2013	Nil	6,440
Ani Hotoyan-Joly ⁽¹⁾ ⁽²⁾ Ontario Canada	Chief Financial Officer and Corporate Secretary of Coventree Inc. (finance company)	May 2014	Nil	2,966
Serge Lavoie Ontario, Canada	President and Chief Executive Officer of Echelon Insurance		3,944	Nil
Andrew Pastor Ontario, Canada	Portfolio Manager, EdgePoint Investment Group Inc., (investment)		2,723,987	Nil
Robert Purves Ontario, Canada	Chairman, Purves Redmond Limited (insurance brokerage firm)	August 1997	110,000	20,893
Sharon Ranson Ontario, Canada	President, The Ranson Group Inc. (consulting)		Nil	Nil
Brian Reeve Ontario, Canada	Partner, Financial Services Group and the Corporate and Regulatory Insurance Group, Cassels Brock & Blackwell LLP (law firm)	December 2015	80,000	Nil
Angus Ross ⁽¹⁾ ⁽²⁾ ⁽³⁾ Ontario, Canada	Independent consultant on reinsurance and environmental issues	January 2013	7,000	5,277
Murray Wallace ⁽³⁾ Ontario, Canada	Executive Chairman, Financial Horizons Group (insurance)	December 2015	5,000	134

- (1) Member of Audit and Risk Committee.
- (2) Member of Governance Committee.
- (3) Member of Investment Committee.

Ani Hotoyan-Joly was the Chief Financial Officer of Coventree Inc. on November 8, 2011, when the Ontario Securities Commission issued an order that trading in any securities by Coventree cease and any exemptions contained in Ontario securities law do not apply to Coventree until such time as Coventree completes its winding-up. The order was made on the basis that Coventree had contravened Ontario securities law by failing to issue and file certain news releases and material change reports in 2007. The events in question occurred before Ms. Hotoyan-Joly became the Chief Financial Officer of Coventree Inc. in May 2009. Coventree continues in the process of a court-supervised winding-up and the order is still in effect.

Serge Lavoie was appointed President and Chief Executive Officer of Echelon Insurance on December 1, 2015. Between May 2014 and November 13, 2015 Mr. Lavoie was a director of the Corporation. Mr. Lavoie served as President, GDI Integrated Facility Services Inc. from 2012 to November 2015. Between 2006 and 2012 Mr. Lavoie was the President and Chief Executive Officer of Jevco insurance Company.

Andrew Pastor has held the principal occupation shown beside his name in the table above for the last five years except as follows: From 2013 to 2014 he was an Equity Analyst, EdgePoint Investment Group Inc., and from 2010 to 2012 he was an Equity Research Analyst with Sionna Investment Managers. Andrew Pastor is an employee of EdgePoint Investment Group Inc., which, as of March 10, 2016, controls and directs 2,723,987 Common Shares,

representing approximately 23.2% of the outstanding Common Shares. See “Voting Shares – Principal Shareholders”.

Sharon Ranson has been the President of the Ranson Group since its founding in 2003. She is currently a director of Sprott Inc., Continental Bank of Canada and Borrowell Inc. She has previously served as director and audit committee member for Central Gold Trust, CI Investments Inc., MEGA Brand and several corporate subsidiaries of Western Financial Group.

Murray Wallace has held the principal occupation shown beside his name in the table for the last five years. Currently Mr. Wallace is a director of the CPP Investment Board and Axia NetMedia Corporation. Previously he served as a director of Western Surety Ltd., Ontario Hydro and London Insurance Group.

Arrangements for Election of Directors

Pursuant to an agreement dated December 2, 2015, between Aegis Financial Corporation, Boeckh Investments Inc., Broadview Capital Management Inc., Lee Matheson and Murray Wallace, holding in aggregate approximately 8% of the Corporation's shares, (the “Shareholder Group”) and the Corporation, the Corporation agreed (i) to take any and all steps necessary and advisable to nominate a slate of 8 or 9 directors that includes Brian Reeve and Murray Wallace (the “Nominees”), with a term expiring at the end of the annual meeting of Shareholders to be held in 2017, and (ii) to recommend to the Shareholders that such Shareholders vote in favour of the election of these Nominees and to solicit proxies from Shareholders in respect thereof; and (iii) to the extent permissible and subject to compliance with applicable law, cause all proxies received by the Corporation to be voted in a manner to give effect to the above. The Shareholder Group agreed to vote (or cause to be voted) all of the Common Shares they beneficially own or exercise control and direction over as of the record date for this Meeting in favour of the persons nominated to the Board in accordance with clause (i) above.

2. Re-appointment of Independent Auditors

PricewaterhouseCoopers LLP are the current auditors of the Corporation. At the Meeting, the holders of Common Shares will be requested to re-appoint PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders or until a successor is appointed, and to authorize the Board of Directors to fix the auditors' remuneration.

Auditor Fees (\$)	2015	2014
Audit fees	831,000	726,000
Audit- related fees	–	–
Tax fees	35,000	45,000
All other fees	23,000	47,000

In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR the re-appointment of PricewaterhouseCoopers LLP as auditors of the Corporation to hold office until the next annual meeting of shareholders or until a successor is appointed and the authorization of the Board of Directors to fix the remuneration of the auditors.

3. SPECIAL BUSINESS

A. Approval of increase in the number of securities issuable under the Corporation's Executive Share Unit Plan

The Corporation's Executive Share Unit Plan (the “ESUP”), described under the heading “Executive Compensation – Components Of Executive Compensation – Equity Compensation Plan Information – Executive Share Unit Plan” in this Information Circular, provides that the aggregate number of common shares which may be issued by the Corporation under the ESUP is limited to 300,000. The ESUP was first established in 2009. As of March 10, 2016, 119,480 Common Shares (being approximately 1% of the issued and outstanding Common Shares) have been issued under the ESUP and 52,834 Common Shares remain available for issuance pursuant to future grants under the ESUP (being approximately 0.5% of the issued and outstanding Common Shares).

As explained under the heading “Executive Compensation – Components Of Executive Compensation – Long-Term Incentives”, since January 1, 2014, the Corporation has shifted its equity-based executive compensation from stock options to the ESUP. Accordingly, the Corporation needs additional headroom for future grants under the ESUP in accordance with its terms. Under the terms of the ESUP, as well as the rules and policies of the Toronto Stock Exchange (the “TSX”), security holder approval is required for an increase to the maximum number of securities issuable under the ESUP.

As such, in accordance with Plan and TSX requirements, shareholders will be asked at the Meeting to pass an ordinary resolution to approve an increase in the number of securities issuable under the Corporation's Executive Share Unit Plan to 600,000.

This would provide for an additional 300,000 Common Shares which may be issued by the Corporation under the ESUP (being approximately 2.6% of the issued and outstanding Common Shares). This increase, together with Common Shares which may be exercised by employees under outstanding Share Units previously granted by the Corporation, would mean there would be 600,000 Common Shares reserved for issuance under the ESUP (being approximately 5.1% of the issued and outstanding Common Shares).

If the shareholders do not approve the ordinary resolution, any Share Units granted beyond the current maximum number may not be exercised unless and until such time as the required shareholder approval may be obtained in the future. All Share Units that have already been granted up to the current maximum number that have not yet been exercised will continue unaffected in accordance with their current terms.

In order for the foregoing to be effective, the following resolution must be passed by a majority of the votes cast at the Meeting. **In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR** the resolution approving the Unallocated Options under the Stock Option Plan.

"WHEREAS the Executive Share Unit Plan (ESUP) of the Corporation provides that the aggregate number of common shares which may be issued by the Corporation under the ESUP is limited to 300,000;

AND WHEREAS an increase in the maximum number of Share Units issuable under the ESUP requires approval by shareholders pursuant to the terms of the ESUP and the rules of the TSX;

NOW THEREFORE BE IT RESOLVED that an increase in the maximum number of Share Units issuable under the ESUP to 600,000 is hereby approved."

B. Confirmation of the Amendments to By-law No. 1

As part of the regular review cycle, the Corporation's existing By-law No.1, being a by-law relating generally to the business and affairs of the Corporation, was reviewed by the Governance Committee and determined to be in need of updating to reflect amendments to the Ontario Business Corporations Act as well as good governance practices. The existing version of By-law No. 1 was approved May 1, 2008.

On March 1, 2016 the Board, on the recommendation of the Governance Committee, approved the attached amended and restated By-law No.1. The amended By-law No. 1 is attached as Schedule "A". Pursuant to the *Ontario Business Corporations Act* the directors may make, amend or repeal any by-law and the amendments are effective from the date the directors approve any amendment. However where the directors make, amend or repeal a by-law they are required to submit it to the shareholders at the next meeting of the shareholders for confirmation of the amendments to the by-law.

Besides changes to modernize language and titles, the most significant amendments to the by-law are as follows:

Qualification of directors (section 4.02) – It is proposed to restrict the number of directors who are officers or employees of the Corporation to one third of the directors.

Election and Term of Directors (section 4.04) – It is proposed to permit the board to determine the number of terms a director may serve consecutively.

Quorum of Directors (section 4.19) – Currently a quorum for a director's meeting is two fifths of the directors. It is proposed to change the quorum to majority of directors.

Votes to Govern (section 4.20) – Clarified that if there is a tie in voting at a directors' meeting the chair is to declare the motion defeated.

If the amendments made to the by-law are not confirmed the amendments will cease to be effective after the Meeting and By-law No. 1 will continue in effect in its current form.

In order for the By-law No. 1, as amended, to continue to be effective, the following resolution must be passed by a majority of the votes cast at the Meeting. **In the absence of a contrary instruction, the person(s) designated by management of the Corporation in the enclosed form of proxy intend to VOTE FOR** the resolution confirming the amendments to By-law No.1.

"WHEREAS the Board of Directors has approved amendments to the Corporation's By-law No. 1, and

AND WHEREAS for the amendments continue to be effective the shareholders must confirm the amendments

NOW THEREFORE BE IT RESOLVED that the amendments to the Corporation's By-law No. 1, in the form attached hereto, are confirmed."

EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

This discussion addresses the Corporation's compensation philosophy, objectives and policies applicable to the employees of the Corporation and the executive officers named in the Summary Compensation table below, otherwise referred to as the Corporation's "Named Executive Officers" or "NEOs". To the extent that the Corporation may modify these objectives and policies in the future to reflect changing circumstances, the information contained in this discussion may change accordingly.

Compensation Philosophy and Strategy

The overall objective of the Corporation's compensation program is to align the compensation decisions with the Corporation's strategies, business plan and financial objectives.

The Corporation's goal is to motivate its employees and executives to focus on the success of the Corporation by establishing a strong link between performance and compensation. At the same time, it makes sure that compensation is in line with market practices, so the Corporation can attract executive talent when it needs to, and focus on retaining highly-qualified and experienced executives who have a proven track record of performance. In addition, variable compensation rewards are linked directly to the results of the Corporation. Performance targets and measures are set each year and represent an improvement in the Corporation's operations. The Corporation's compensation philosophy is reflected in the following principles:

- The Corporation's compensation programs link executive compensation with the achievement of specific strategic business objectives and the Corporation's performance goals.
- The Corporation's compensation programs align the financial and risk management interests and motivations of the Corporation's management team and employees with the annual financial performance of the Corporation
- The Corporation's compensation programs make an appropriate portion of total compensation equity based, further aligning the interests of its executives and shareholders.
- The Corporation's compensation programs foster pay for performance in order to deliver long-term results for our shareholders and compensate its executives competitively.

The compensation process is intended to be fair and simple so that all employees understand the goals and the outcomes of the process.

Compensation Governance

The Corporation's compensation governance structure consists of Management and Board committees responsible for the Corporation's compensation management policies and programs. The Corporation's compensation governance structure is reviewed regularly against industry best practices and regulatory standards.

The Board is ultimately responsible for oversight and decision-making with respect to the Corporation's executive compensation principles, policies and programs, including the management of compensation risk.

Governance Committee

The Governance Committee assists the Board in carrying out its responsibilities, which include compensation matters. The Governance Committee's compensation responsibilities include:

- Reviewing the Corporation's compensation policies and major compensation programs, particularly against business objectives and strategies, operations and risks to which the Corporation is exposed.
- Reviewing the design and payouts of compensation programs to ensure alignment with pay for performance and sound risk management principles; making recommendations to the Board regarding incentive and equity-based compensation programs; and reviewing and recommending, for Board approval, the design of compensation programs for the CEO and executive group; as well as the actual

amount of annual variable short-term incentive and mid and long-term incentives to be awarded to the CEO and each executive based on individual, business and overall Corporation performance.

Compensation Aligned with Risk Management Principles

The Corporation's executive compensation programs are founded on principles that support the management of risk, ensuring management's plans and activities are prudent and focused on generating shareholder value within an effective risk control environment.

The Corporation's compensation design and review process incorporates the following risk management practices:

- Each year an annual business plan is developed and approved by the Board based on the Corporation's risk appetite and is used as a basis for setting performance targets.
- Caps on bonus payouts are incorporated in the compensation plan.

The NEOs and directors are not permitted to purchase financial instruments, including, for greater certainty, prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, which are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director.

Compensation Structure and Decision-Making Process

The design of the Corporation's executive compensation programs and practices is based on its Compensation Framework. This framework includes processes for establishing target compensation levels, determining the pay mix and proportion of pay-at-risk, setting performance objectives, evaluating performance and determining total compensation, and ensuring compensation design and payouts appropriately reflect prudent risk.

The Corporation's compensation process starts at the beginning of every year, when it assesses and confirms its philosophy, program guidelines and structure. The target date each year for the completion of the Corporation's performance and compensation process is March 1st. The process includes the individual performance reviews for each NEO, noting that the Corporation also incorporates a 360 feedback component as part of the performance review process.

Compensation Review Structure

The Corporation reviews its overall compensation philosophy and structure for NEOs and recommends any changes up through the Governance Committee to the Board of Directors for approval.

Confirm Peer Group

The Corporation reviews and confirms the peer group of companies it uses to: (i) compare its compensation structure and levels, and (ii) assess its performance when making compensation decisions.

Assess Risk and Confirm Approach

The Corporation reviews the overall incentive plan design and the selected performance measures to: (i) consider potential payouts under different scenarios, (ii) ensure a balanced approach to risk, and (iii) make sure its decision-making process, incentive plans and compensation governance do not give executives incentive to take excessive risks or make inappropriate decisions.

Target Compensation

Compensation for the NEOs and other executive officers is evaluated and set annually by the Governance Committee based on the program design of corporations that are part of its compensation comparator group to ensure the Corporation's compensation programs remain market competitive. The Corporation obtains market information from a number of external consulting firms, including the Hay Group, Mercer, Morneau Shepell, Hewitt and the Toronto Board of Trade.

An individual executive's compensation is established after considering the following factors:

- Median compensation for similar roles and role levels in the market.
- The Corporation's performance against financial measures including book value per share, underwriting profit and gross written premiums.
- The Corporation's performance relative to goals approved by the Governance Committee.

- Individual performance versus personal goals and contributions to the Corporation's performance.
- Business climate, economic conditions, and other factors.

After an analysis of these factors, the Governance Committee develops compensation recommendations for the CEO to be considered by the Board of Directors. The CEO develops compensation recommendations for the other NEOs and presents them to the Governance Committee. The Governance Committee then sets NEO compensation after considering the recommendations of the CEO, as well as other relevant market and industry data.

The Compensation Comparator Group

The Corporation has generally benchmarked executive compensation target levels with reference to the median of comparable executive roles at the corporations forming part of its compensation comparator group. To evaluate the current executive compensation versus the competitive market, the Corporation reviews, for reference purposes, the compensation of executives in comparable positions at corporations that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the requisite skills and capabilities. Individual targets may be established above or below the median of this compensation comparator group based on an executive's knowledge, experience and performance track record. Other considerations in establishing the target compensation levels include determining which corporations are to be included in the comparator group. As such, the Corporation examines several criteria, including the relevant labour market for talent. A significant secondary factor that the Corporation takes into account in determining the composition of the comparator group is organizational scope. This factor focuses on corporations in the relevant industry sectors that are comparable in asset/revenue size, operational scope, market capitalization, and profitability. Also relevant is the selection of corporations from which is obtained high-quality, reliable and consistent compensation data.

The comparator group is periodically evaluated and updated to ensure the corporations in the group remain relevant. This group of approximately 7 companies is referred to as the comparator group. The composition of the comparator group is reviewed and discussed with the Governance Committee and with external compensation consultants, as required.

The comparator group is comprised of the following companies: Economical Insurance, Pembridge Insurance Company, Gore Mutual Insurance Company, Intact Financial Corporation, Home Capital Group Inc., Genworth Financial, Inc., and Element Financial Corporation.

In cases where the Corporation is not able to use the comparator group as a reference for compensation for some of the NEOs, it uses data from alternative, widely-used survey sources for financial services corporations.

Setting Performance Objectives

At the beginning of the fiscal year, the Governance Committee establishes performance objectives for the CEO based on the strategic, financial, and operational objectives of the Corporation. The CEO establishes objectives for each member of the executive group, based on the same categories, and which reflect each member's specific roles and responsibilities.

Summary Compensation

The following table sets out information concerning the compensation earned from the Corporation and any of the Corporation's subsidiaries during the three most recently completed financial years, by the Corporation's Chief Executive Officer, Chief Financial Officer and the Corporation's other three most highly compensated executive officers.

Name and Principal Position	Year	Salary	Share-Based Awards	Option-Based Awards	Non-Equity Incentive Plan Compensation	All Other Compensation	Total Compensation
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Steve Dobronyi ⁽¹⁾ Chief Executive Officer	2015	358,171	164,068	–	152,673	30,380	705,292
	2014	361,604	39,054	–	156,508	30,279	587,445
	2013	335,521	–	–	162,273	29,454	527,248
Alvin Sharma Chief Financial Officer	2015	249,692	149,331	–	125,871	24,984	549,877
	2014	249,423	65,091	–	112,355	24,929	451,798
	2013	225,575	–	–	34,776	23,802	284,153
Michelle Dodokin	2015	216,923	179,694	–	70,000	86,303	552,920
Michel Trudeau Chief Actuary	2015	249,692	149,331	–	125,871	24,984	549,877
	2014	249,423	253,853	–	72,216	24,424	599,916
	2013	137,115	–	–	10,000	13,722	160,837
Brian Clausen ⁽²⁾ , Chief Executive Officer, Qudos Insurance A/S	2015	503,049	–	–	–	1,873	504,922
	2014	439,800	–	–	–	37,600	477,400
	2013	391,600	–	–	–	73,600	465,200

(1) As previously announced on February 3, 2016, Steve Dobronyi will step down as the Corporation's CEO as of May 5, 2016, the date of this Annual Meeting.

(2) Brian Clausen owns 1.25% of Qudos Insurance A/S as at December 31, 2015.

The value for shared-based awards represents the market value of RSUs granted based on the volume-weighted, average trading price of the Corporation's common shares on the TSX during the immediately preceding 5 trading days of the grant date.

The option values shown are the grant date fair values of the stock options issued and are determined using the Black-Scholes option pricing methodology with the following assumptions: (i) risk-free rate of 1.25%; (ii) life expectancy of 2-5 years; and (iii) estimated volatility of 2.5%. The Corporation considers this methodology appropriate in valuing option grants, and it is a typical market approach to valuing options.

The fair values used are the same as those for financial statements purposes.

COMPONENTS OF EXECUTIVE COMPENSATION

The executive compensation program applies to all of the Corporation's executives. The program is designed to assist the Corporation in attracting and retaining the best available personnel for positions of substantial responsibility and align their interests with those of the Corporation's shareholders. Each year the Corporation reviews its compensation program to ensure alignment with the compensation philosophy. The Governance Committee also reviews the compensation philosophy on an annual basis. The following components are part of the executive compensation package:

Base Salary

The base salaries of the Corporation's NEOs, including the CEO, are broadly based on salaries for comparable positions in the market. The Corporation's goal is to provide fixed compensation based on the external market as well as internal equity with respect to the role, scope, responsibilities and accountabilities within the Corporation, and the experience and performance of the individual in the role. Base salaries are reviewed annually, and increases are generally granted when an executive assumes greater responsibilities, deepens knowledge and expertise, or when there is a change in the compensation levels of comparable roles in the comparator group. For each of the NEOs, base salaries are consistent with the terms of their respective employment agreements.

2015 Short-Term Incentive Plan (STIP)

Annual Bonus Plan: The purpose of this plan is to link compensation to a combination of individual contributions and Corporate performance that enhances shareholder and customer value, rewards employees who help the Corporation achieve its business goals, and attract and retain the talented employees necessary for the Corporation's success.

Administration of the Bonus Plan: All Canadian-based permanent employees, including NEOs and other executives, participate in the Annual Bonus Plan. The Bonus Plan formula for all employees is indicated below:

$$\text{Target Bonus} \times \text{Individual Multiplier} \times (50\% \text{ Underwriting Score} + 25\% \text{ Growth Score} + 25\% \text{ Company Score})$$

The Target Bonus will be paid for achieving budgeted amounts, as approved by the Board of Directors in advance of each year, subject to each employee's personal performance and contribution to the Corporation. Actual bonuses paid will be a minimum of 0% and a maximum of 200% of the Target Bonus. The Underwriting Score, Growth in Personal Lines Premiums and the Company Score, as measured by Net Operating Income Per Share, is gauged against the annual plan. All employees within the Canadian Division will receive the same score. The underwriting score for the Chief Executive Officer, Chief Financial Officer and Chief Actuary is based on Total Corporation underwriting profit. The target bonus opportunity is communicated to each participant, based on the internal value of the position as well as alignment to the relevant market. This target incentive opportunity is expressed as a percentage of the participant's salary, and reflects the bonus practice of other corporations for comparable positions.

Long-Term Incentives

On November 7, 2013, the Board of Directors made changes to the compensation plan for executives and senior management, with effect from January 1, 2014. The compensation plan is intended to better align the Corporation's compensation programs with the long-term strategies and interests of the Corporation and its shareholders. Moving forward, grants under the Corporation's current Stock Option program for senior management and executives will be discontinued. Stock options granted by the Corporation prior to January 1, 2014, will continue to vest and either be exercised or expire in accordance with the current Stock Option Plan. In its place, from January 1, 2014, the Corporation will make use of its existing Executive Share Unit Plan to allow grants of Restricted Share Units (RSUs) to senior managers and executives of the Corporation.

Equity Compensation Plan Information

The following table sets out aggregate information as at December 31, 2015, concerning securities authorized for issuance under equity compensation plans

Plan Category	Number of Securities to be Issued upon Exercise of Options, Warrants and Rights (a)	Weighted – Average Exercise Price of Outstanding Options, Warrants and Rights (b)	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (excluding securities reflected in (a)) (c)
Equity Compensation Plans Approved by Security Holders	418,668	9.64	754,243
Equity Compensation Plans Not Approved by Security Holders	–	–	–
Total	418,668	9.64	754,243

The material features of the Corporation's Stock Option Plan and Executive Share Unit Plan, each of which has been approved by shareholders, are as follows:

Stock Option Plan

No further stock option grants will be issued after January 1, 2014. The Stock Option Plan will remain open for the vesting of options previously granted. The total number of Common Shares issuable under the Stock Option Plan was capped at 1,173,291 representing 10% of the Corporation's number of outstanding Common Shares, less grants outstanding under the Corporation's Share Unit Plan as at the date of the Circular. The total number of Common Shares issued to date under the Stock Option Plan is 942,550 Common Shares (being approximately 8% of the current issued and outstanding Common Shares). The total number of Common Shares issuable in connection with outstanding, unexercised option grants under the Stock Option Plan as at March 10, 2016, is 293,325. Of the 293,325 outstanding unexercised options, 107,625 Common Shares are fully vested, with 185,700 remaining unvested.

The Corporation used the grant of stock options ("Options"), under its Stock Option Plan, as a performance incentive for senior employees, including the Chief Executive Officer, to provide the opportunity for overall compensation of senior management to be above industry-average levels and to increase the mutuality of interests between management and shareholders. The Stock Option Plan was used to provide long-term rewards linked directly to the market value of the Common Shares of the Corporation. The Corporation's Board of Directors is of the view that the Stock Option Plan is in the best interests of the Corporation and permitting continued vesting will assist the Corporation to motivate and retain executives and management employees.

Under the Stock Option Plan, Options to purchase Common Shares were granted to eligible participants (collectively, "Optionees") designated under the Stock Option Plan. Although eligible by its terms, Directors did not participate in the Corporation's Stock Option Plan. Optionees to whom Options were granted, the number of Options to be granted and the exercise price of each Option were determined in accordance with the Stock Option Plan. The exercise price per Common Share under each option is determined on the basis of the volume-weighted, average trading price of the shares traded on the TSX, or such other stock exchange on which the majority of the trading volume and value of the Common Shares occurs, for the five trading days immediately preceding the relevant effective date of grant. In the event that the Common Shares are not then listed or quoted on a stock exchange, the exercise price will be as otherwise determined in accordance with the Stock Option Plan.

The aggregate number of shares of the Corporation which may be issued and sold under the Stock Option Plan will not exceed 10% of the total of issued and outstanding shares from time to time (on a non-diluted basis), and shares reserved for issuance under employee stock option plans, options for services and employee stock purchase plans.

The maximum number of Common Shares reserved for issuance to any one person upon the exercise of Options is limited to 5% of the total number of Common Shares outstanding at the date of grant. Under the Stock Option Plan and any other security-based compensation arrangement of the Corporation: (i) the number of common shares issuable to insiders, at any time, shall not exceed 10% of the issued and outstanding common shares; and (ii) the number of common shares issued to insiders, within a one-year period, shall not exceed 10% of the issued and outstanding common shares.

The maximum number of Options that may be vested for exercise in any particular year shall be (i) 20% of the Common Shares granted under the Options, or (ii) such greater percentage of the Common Shares granted under the Options, so long as the cumulative vesting rate per year is not greater than the rate of 20% in any particular year. Each Option will be exercisable over such period as determined at the time of issue. Each Option, unless terminated pursuant to the Stock Option Plan, will expire on a date to be determined in accordance with the Stock Option Plan at the time the Option is granted, which date may not exceed eight years from the date of the grant of the Option. Any Option is personal to the Optionee and is non-assignable.

Options expire and terminate upon the Optionee ceasing to be a Director, Officer or a part-time or full-time employee of the Corporation or of any subsidiary, provided that if such cessation is other than for cause, the Optionee may exercise vested Options until the earlier of their expiry date or 90 days after such cessation.

If, before the expiry of the Option, the employment of the Optionee with the Corporation or any subsidiary shall terminate by reason of death of the Optionee, such Option may be exercised by the legal representative(s) of the estate of the Optionee at any time during the first 180 days following the death of the Optionee. If at any time when an Option granted under the Stock Option Plan remains unexercised with respect to any optioned shares, (i) a general offer to purchase all of the issued Common Shares of the Corporation is made by a third party; or (ii) the Corporation proposes to sell all or substantially all of its assets or to merge or amalgamate with another company (except a subsidiary of the Corporation) under any circumstances that may involve or require the liquidation of the Corporation, a distribution of its assets among its shareholders, or the termination of the corporate existence, the Corporation shall use its best efforts to give an Optionee 21 days' notice of the effective date of such offer or proposal or otherwise as soon as practicable and (A) the Option may be exercised, as to all or any of the optioned shares in respect of which such Option has not previously been exercised, by an Optionee at any time up to and including a

date 30 days following the date of the completion of such sale or prior to the close of business on the expiry date, whichever is earlier; and (B) the Corporation may require the acceleration of the time for the exercise of the Option and the time for the fulfilment of any conditions or restrictions on such exercise.

The Board of Directors may amend or discontinue the Stock Option Plan at any time upon receipt of applicable requisite regulatory and shareholder approval including without limitation, the approval of the TSX, provided, however, no such amendment may increase the maximum number of Common Shares that may be optioned under the Stock Option Plan, change the manner of determining the minimum exercise price or, without the consent of the Optionee, alter or impair any of the terms of any Option previously granted to an Optionee under the Stock Option Plan. Any amendments to the terms of an Option shall also require regulatory approval, including without limitation, the approval of the TSX.

The Stock Option Plan provides that shareholder approval will be required for amendments to: increase the number of shares issuable pursuant to the Stock Option Plan; reduce the subscription price of an outstanding option of an insider; extend the term of any option granted under this Stock Option Plan to an insider beyond the termination date of the option; allow for a maximum term of an option to be greater than 10 years; expand the transferability of options; add to the categories of participants who may be designated for participation in the Stock Option Plan; allow for an option exercise period to commence earlier than the first anniversary of the date of grant, other than in the case of death, disability or a change in control; increase or delete the percentage limits relating to shares issuable or issued to insiders; increase or delete the percentage limit on shares reserved for issuance to any one person; amend the Stock Option Plan to provide for other types of compensation through equity issuance; and any amendment to the amendment provisions of the Stock Option Plan. Subject to the foregoing, the Board of Directors may amend any term or condition of the Stock Option Plan or any option granted other than the items specified as requiring shareholder approval.

Executive Share Unit Plan

The Corporation has established an Executive Share Unit Plan ("ESUP"), effective November 6, 2009, amended on May 5, 2011 and November 23, 2011, under which the Board of Directors may from time to time determine (i) those eligible employees (a "participant") who shall receive a grant of Restricted Share Units ("RSUs") and/or Performance Share Units ("PSUs") (RSUs and PSUs are collectively referred to as "Share Units"), (ii) the number of such RSUs and/or PSUs and (iii) the grant date(s) applicable to such RSUs and/or PSUs.

The ESUP is intended to provide employees of the Corporation with an additional incentive to further the growth and development of the Corporation and will encourage them to remain with the Corporation.

The Governance Committee of the Board of Directors administers the ESUP and recommends to the Board of Directors the individual employees to whom grants of RSUs or PSUs should be made, as well as the amounts and terms of such grants. Directors who are not also employees are not eligible for grants under the ESUP. The selection of participants will be based on the participant's current and potential contribution to the Corporation and the terms of the grants may include performance targets or the achievement of certain collective performance-related criteria, such as the financial performance of the Corporation. The terms of any particular grant need not be identical to any other grant, and the Board of Directors may amend, suspend or terminate the terms of any grant, or the terms of the ESUP itself (subject to certain restrictions), without shareholder approval.

Each Share Unit granted under the ESUP will entitle the participant, upon satisfying all applicable vesting criteria, to receive one common share or, at the discretion of the Corporation, a cash payment equal to the market value of such share, calculated in accordance with TSX rules, on the date of payment. The grant of a Share Unit will not entitle the participant to exercise any voting rights, receive any dividends or exercise any other right which attaches to ownership of common shares.

Each grant and the participation of a participant in the ESUP shall be evidenced by a grant agreement between the Corporation and the participant. Each grant agreement shall set forth, at a minimum, the type and grant date of the grant evidenced thereby, the number of RSUs or PSUs subject to such grant, the applicable vesting conditions, the applicable vesting period(s) and performance periods (in the case of PSUs) and the treatment of the grant upon termination. The Board of Directors may determine such other terms and conditions with respect to a grant as are consistent with or required by the terms of the ESUP including (A) the conditions, if any, upon which vesting of any Share Unit will be waived or accelerated; (B) the circumstances upon which a Share Unit may be forfeited, cancelled or expire; (C) the consequences of an employment termination with respect to a Share Unit; (D) the manner of exercise or settlement of vested Share Units, including whether vested Share Units will be settled in cash, shares or a combination of cash and shares; (E) whether the terms upon which any Shares delivered upon exercise or settlement of a Share Unit must continue to be held by a participant for any specified period; and (F) terms or conditions pertaining to confidentiality of information relating to the Corporation's operations or businesses which must be complied with by a participant, including conditions of the grant or vesting of Share Units.

Share Units will become vested at such times, in such instalments and subject to such terms and conditions as may be determined by the Board of Directors and set forth in the applicable grant agreement. The conditions to vesting of RSUs will be based on the participant's continued employment or continued engagement, without regard to the satisfaction of any performance criteria and, in the event that the grant agreement applicable to a grant of RSUs does not specify the time(s) at which such RSUs shall become vested, such RSUs will vest on the third anniversary of the grant date, subject to plan rules.

The conditions to vesting of PSUs will be based on the satisfaction of performance criteria, either alone or in addition to any other vesting conditions, as may be determined by the Board of Directors and may be graduated such that different percentages (which may be greater or less than 100%) of the PSUs in a grant will become vested depending upon the extent to which one or more such conditions are satisfied.

The aggregate number of common shares which may be issued by the Corporation under the ESUP is currently limited to 300,000. At this Meeting shareholder approval is being sought to increase the maximum number to 600,000 – see “Matters to be Acted Upon at Meeting – Special Business – Approval of increase in the number of securities issuable under the Corporation's Executive Share Unit Plan”. All common shares subject to Share Units, that do not become vested or that otherwise expire, terminate or are cancelled without being settled, will be available for any subsequent Share Units under the ESUP.

As of March 10, 2016, 119,480 Common Shares (being approximately 1% of the issued and outstanding Common Shares) have been issued under the ESUP. During 2015 Share Units were granted in respect of 68,500 Common Shares (being approximately 0.6% of the issued and outstanding Common Shares) 52,834 Common Shares remain available for issuance pursuant to future grants under the ESUP (being approximately 0.5% of the issued and outstanding Common Shares).

No Share Units will be granted to any participant if the total number of Shares issuable to such participant under the ESUP, together with any Shares issued to such participant under any other security-based compensation arrangement of the Corporation would exceed 5% of the issued and outstanding common shares. Under the ESUP and any other security-based compensation arrangement of the Corporation: (i) the number of common shares issuable at any time pursuant to RSUs granted to insiders shall not exceed 10% of the issued and outstanding common shares; and (ii) the number of common shares issued to insiders, within a one-year period, shall not exceed 10% of the issued and outstanding common shares.

Unless otherwise determined by the Board of Directors, in the event a participant's employment is terminated by the Corporation or an affiliate, other than for cause, prior to the end of a vesting period relating to a grant, and such participant does not have a written contract of employment setting out a notice period during which he or she is deemed to be employed in accordance with plan rules, no Share Units relating to such grant that have not vested and been settled prior to the date of the participant's termination without cause will vest.

Unless otherwise determined by the Board of Directors, in the event a participant dies, experiences a disability termination date or ceases to be employed by reason of retirement prior to the end of the vesting period relating to a grant, a number of Share Units determined by a formula will become vested Share Units.

In the event of a change in control prior to the end of the vesting period relating to a grant, all Share Units relating to such grant will become vested Share Units effective as of the date of such change in control. In the case of PSUs, the relevant performance criteria will be deemed to have been satisfied to the extent required to produce vesting of 100% of the PSUs at the date of the change in control.

The Share Unit Plan may be amended or at any time by the Board of Directors in whole or in part; provided that, in accordance with TSX rules, specific security holder approval is required for: (i) a reduction in the purchase price under the ESUP benefiting an insider of the Corporation; (ii) an extension of the term under the ESUP benefiting an insider of the Corporation; (iii) any amendment to remove or to exceed the insider participation limit; (iv) an increase to the maximum number of securities issuable, either as a fixed number or a fixed percentage of the Corporation's outstanding capital represented by such securities; and (v) amendments to an amending provision within the ESUP.

No amendment of the ESUP or the terms of any outstanding Share Unit granted will adversely affect the rights accrued to such participants with respect to Share Units granted prior to the date of the amendment, without the consent of the participants affected by the amendment, unless required for purposes of complying with applicable law (including TSX rules).

Outstanding Option-Based and Share-Based Awards

The following table sets out, for each NEO, information concerning all option-based and share-based awards outstanding as of December 31, 2015. (This includes awards granted before the most recently completed financial year.)

Name	Option-based Awards				Share-based Awards	
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)	Number of shares or units of shares that have not vested (#)	Market or pay out value of share-based awards that have not vested (\$)
Steve Dobronyi	14,625	7.80	3/31/2016	77,951	15,500	203,515
	14,625	7.19	3/31/2017	86,873	–	–
	14,625	8.89	3/31/2020	62,010	–	–
Alvin Sharma	45,000	8.89	3/31/2020	190,800	13,334	175,075
Michel Trudeau	–	–	–	–	23,000	301,990
Brian Clausen	–	–	–	–	–	–
Michelle Dodokin	–	–	–	–	11,500	150,995

Value Vested or Earned During the Year

The following table sets out, for each NEO, information concerning the value of incentive plan awards – option-based and share-based awards as well as non-equity incentive plan compensation – vested or earned during the financial year ended December 31, 2015.

Name	Option-based awards	Share-based awards	Non-equity incentive plan compensation
	Value vested during the year (\$)	Value vested during the year (\$)	Value earned during the year (\$)
Steve Dobronyi	79,706	170,690	152,673
Alvin Sharma	45,990	21,875	125,871
Michel Trudeau	–	85,345	125,871
Brian Clausen	–	–	–
Michelle Dodokin	–	–	70,000

Pension Plan Benefits

The Corporation does not currently provide a pension plan for its executive group.

Other Executive Benefits, Including Perquisites

Group Benefit Plans

NEOs are eligible to participate in employee benefit programs and plans that are generally available to all full-time and part-time employees (subject to fulfilling certain eligibility requirements). These include benefits such as active employee extended health and dental plans (including medical, vision care, group life insurance, accidental death and personal loss insurance and employee assistance benefits), as well as other programs such as the Corporation's employee stock purchase plan and group retirement savings plan. In designing these benefits, the Corporation seeks to provide an overall level and mix of benefits that is competitive with those offered by corporations in its comparator group.

Perquisites

Certain perquisites are made available to NEOs. These include car allowance payments and a perquisite allowance. These types of perquisites are common among executives in the same industry. In addition, providing them as perquisites (as opposed to increasing base salary in an amount designed to compensate for the loss of these perquisites) avoids the increase that would otherwise occur in certain other benefit costs that are based on the level of an executive's base salary.

Executives and Senior Management Share Ownership Requirements

The Corporation believes it is important for the executives and senior management to have a stake in the Corporation to align their interests with those of the shareholders.

In 2014, the Corporation established minimum levels of share ownership that are in direct proportion to the executive's or senior management's position as shown below. Executives or senior management employed at January 1, 2014, are required to own the shares within three years. Those promoted or newly employed by the Corporation are required to meet the ownership criteria within 3 years from the date of promotion or employment as applicable. One third of the ownership target must be met each year. Once the target level is achieved, they must maintain that level of ownership for the duration of their tenure with the Corporation. In determining the number of shares owned, shares underlying any unexercised options or unvested RSUs will not be included.

Position	Ownership target (Number of Shares)
CEO	20,000
Senior VPs & CFO	10,000
Vice Presidents	5,000
Senior Management	3,000

Termination and Change of Control Provisions

NEOs may receive certain payments or benefits at, following, or in connection with a Change of Control of the Corporation, a change in the NEO's responsibilities, or a NEO's termination, including resignation, severance, retirement or constructive termination.

"Change of Control" refers to the occurrence of a transaction or series of transactions as a result of which: (i) at least 50% in fair-market value of all the assets of the Corporation are sold; or (ii) there is direct or indirect acquisition by a person or group of persons (excluding the Employee or any person associated with the Employee) acting jointly or in concert of voting securities of the Corporation (as defined in the *Securities Act*, as amended) that when taken together with any voting securities owned directly or indirectly by such person or group of persons at the time of the acquisition, constitute 51% or more of the outstanding voting securities of the Corporation, but does not include any transaction that may occur between the Corporation, any affiliate or subsidiary of the Corporation or, as applicable, any person associated with the Corporation or any affiliate or subsidiary of the Corporation, which, but for such relationship, the transaction would otherwise constitute a Change of Control hereunder.

The payment and provisions differ among the NEOs all of whom have employment agreements with the Corporation. There are differences among the agreements regarding the magnitude of the payments to be provided in the event of certain terminations that reflect, among other things, the degree to which these issues were critical to the particular executive.

Steve Dobronyi, Chief Executive Officer

Mr. Dobronyi's employment agreement with the Corporation provides for certain payments and benefits following his termination by the Corporation, other than for cause, death or disability. Upon such termination, Mr. Dobronyi would be entitled to two years base salary, target short-term incentive compensation at the then current rate, with continuation of benefit coverage, less appropriate deductions.

In the event of a Change in Control, notice of termination by the Corporation would be deemed to have been given to Mr. Dobronyi on the 30th day following the time of such Change of Control; however, such notice may be rescinded upon the mutual agreement by the parties.

These entitlements, post-termination, are subject to Mr. Dobronyi's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination, any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

In addition to the post-termination entitlements provided for in Mr. Dobronyi's employment agreement, in the event of a change of control (as such concept is defined in the ESUP and the Stock Option Plan, respectively), all Share Units (together with any dividend equivalent Share Units in connection therewith) and all Options held by Mr. Dobronyi will vest as of the date of such change of control. See "Components of Executive Compensation – Stock Option Plan" and "Components of Executive Compensation – Executive Share Unit Plan".

If such rights upon termination had been triggered as of December 31, 2015, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$1,600,000.

Alvin Sharma, Chief Financial Officer

Mr. Sharma's employment agreement with the Corporation provides for certain payments and benefits following his termination by EGI, other than for cause, death or disability. Upon such termination, he would be entitled to one year of base salary, target short-term incentive compensation at the then current rate, with continuation of benefit coverage, less appropriate deductions.

In the event of a Change of Control, and if Mr. Sharma's employment is terminated within six months following the date of such change of control, Mr. Sharma would be entitled to eighteen months base salary, from the date of change of control. In addition Mr. Sharma would be entitled to target incentive compensation at the then current rate, with continuation of benefit coverage, less appropriate deductions.

These entitlements post-termination are subject to Mr. Sharma's continued duty of confidentiality, and his agreement not to solicit for a period of one year after any such termination any customer or any employee of the Corporation for the benefit or on behalf of any competing business nor attempt to direct any such customer or employee away from the Corporation.

In addition to the post-termination entitlements provided for in Mr. Sharma's employment agreement, in the event of a change of control (as such concept is defined in the ESUP and the Stock Option Plan, respectively), all Share Units (together with any dividend equivalent Share Units in connection therewith) and all Options held by Mr. Sharma will vest as of the date of such change of control. See "Components of Executive Compensation – Stock Option Plan" and "Components of Executive Compensation – Executive Share Unit Plan".

If such rights upon termination had been triggered as of December 31, 2015, the last business day of the Corporation's most recently completed financial year, the incremental payments are estimated to be \$944,362.

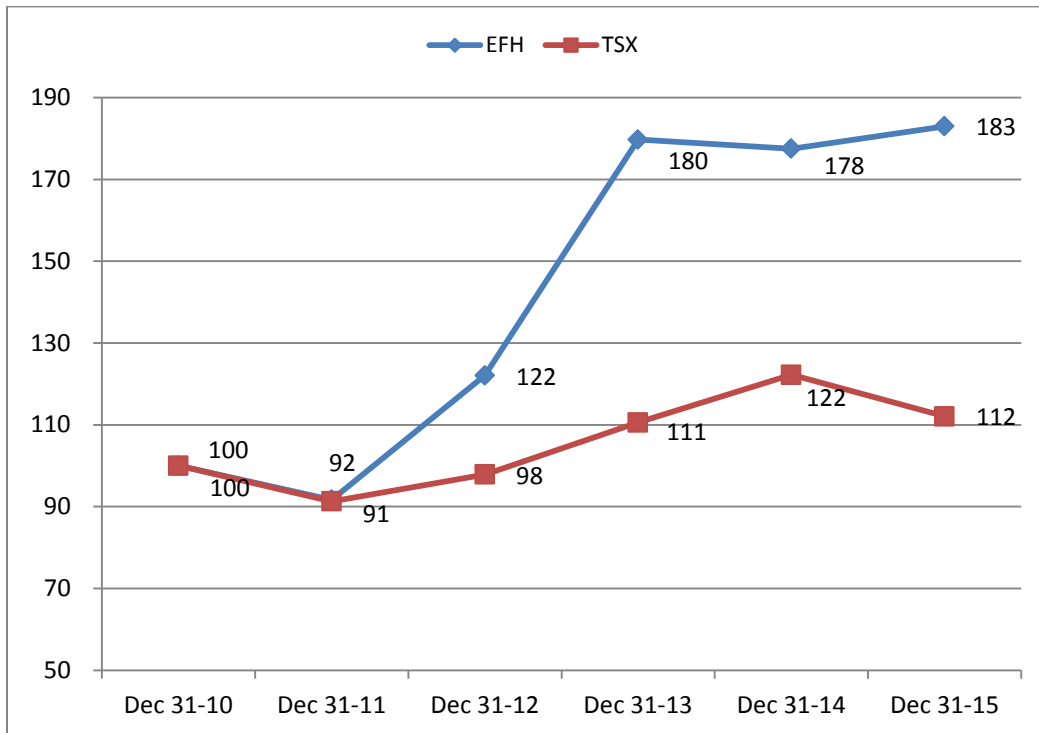
Other Employment Agreements

The Corporation has employment agreements with all the other NEOs which will automatically continue from year to year thereafter from January 1st of each year. The amount of salary and the value of benefits paid under these agreements have been included in the Summary Compensation table for the NEOs.

These employment agreements also provide for participation by the NEO in the Corporation's employee benefits plan and also provide for the payment of benefits upon the death or total disability of the NEO prior to retirement or termination.

PERFORMANCE GRAPH

The following graph compares the percentage change in the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return of the S&P/TSX Composite Index (the "S&P/TSX Index") during the five most recently completed financial years. The graph illustrates the cumulative return on a \$100 investment in Common Shares made on December 31, 2010, as compared with the cumulative return on a \$100 investment in the S&P/TSX Index made on December 31, 2010. The Common Share performance as set out in the graph does not necessarily indicate future price performance.



	<u>31 Dec 2010</u>	<u>31 Dec 2011</u>	<u>31 Dec 2012</u>	<u>31 Dec 2013</u>	<u>31 Dec 2014</u>	<u>31 Dec 2015</u>
Common Shares	\$100	\$92	\$122	\$180	\$178	\$183
S&P/TSX Index	\$100	\$91	\$98	\$111	\$122	\$112

The trend of the Corporation's performance-based compensation reflects the Corporation's share price in part, through the changing values of the share-based and option-based components of the awards. This and other performance-based compensation is intended to align the objectives of employees with the objectives of the Corporation and the long-term interests of shareholders. Short-term incentives are linked both to individual performance and to the achievement of the Corporation's financial and strategic results, while long-term incentives are linked to the Corporation's performance and financial results relative to the Canadian P&C insurance industry.

All permanent employees, including NEOs, executives and senior management, participate in the annual, cash-based Short-Term Incentive Plan. Awards are earned on the achievement of the Corporation's strategic financial objectives and the personal performance of individual participants. Growth and profitability for the incentive payment are based on the Corporation's performance relative to the P&C Insurance industry.

DIRECTOR COMPENSATION

Director Compensation Policy

Directors are compensated for their services as Directors through Board and Chair retainers. Directors who are also officers of the Corporation or its subsidiaries receive no remuneration as Directors. The Governance Committee is responsible for reviewing Director compensation and updating Director compensation as appropriate, to recognize the workload and responsibility of Board and Committee members and to remain competitive with director compensation trends in Canada. The Governance Committee reviews director compensation on a biennial schedule.

Although eligible by its terms, Directors do not participate in the Corporation's Stock Option Plan. Directors who are not employees are not eligible for grants under the Corporation's Executive Share Unit Plan.

We believe it is important for the Directors to have at stake in the Corporation to align their interests with those of the shareholders. As a result, the Directors are required to own a minimum of 10,000 shares and/or DSUs within 10 years of being elected to the board. As CEO, Mr Dobronyi has separate share ownership requirements, described on Page 16. All Directors are on target to achieve their minimum share ownership within the allotted time period.

During the financial year ended December 31, 2015, Directors of the Corporation who were not officers or employees of the Corporation received compensation totalling \$428,542. They were entitled to be paid the following fees:

	\$
Director Retainer	25,000
Board Chair Retainer	20,000
Board Meeting	1,500
Audit and Risk Committee Chair Retainer	7,500
Audit and Risk Committee Meeting	1,000
Investment Committee Chair Retainer	5,000
Investment Committee Meeting	750
Governance Committee Chair Retainer	5,000
Governance Committee Meeting	750
Telephone Meeting	500
Qudos Committee Chair Retainer	5,000
Qudos Director Retainer	5,000
Qudos Board Meeting	750
ICPEI Board Meeting	750

Director Compensation Earned (January 1, 2015 – December 31, 2015)

Name	Fees Paid \$	Share-Based Awards \$	Option-Based Awards \$	Non-Equity Incentive Plan Compensation \$	Pension Value \$	All Other Compensation \$	Total \$
Peter Crawford	32,375	32,375	–	–	–	–	64,750
Steve Dobronyi	–	–	–	–	–	–	–
Ani Hotoyan-Joly ⁽¹⁾	29,813	29,813	–	–	–	–	59,626
Serge Lavoie ⁽⁴⁾	9,375	31,500	–	–	–	–	40,875
Doug McIntyre ⁽²⁾	28,250	28,250	–	–	–	6,750	63,250
Carol Poulsen ⁽³⁾	30,750	–	–	–	–	–	30,750
Robert Purves ⁽²⁾	36,250	36,250	–	–	–	6,000	78,500
Brian Reeve ^{(5) (6)}	3,584	–	–	–	–	–	3,584
Angus Ross	27,875	27,875	–	–	–	–	55,750
Murray Wallace ⁽⁵⁾	1,792	1,792	–	–	–	–	3,584
Bruce West ⁽⁷⁾	21,625	–	–	–	–	–	21,625

Notes:

- (1) Fees paid to Ani Hotoyan-Joly include fees paid in her capacity as a Director of The Insurance Company of Prince Edward Island, a subsidiary of the Corporation.
- (2) Fees paid in their capacity as Directors for Qudos Insurance A/S, an indirect subsidiary of the Corporation, are reflected in "All Other Compensation".
- (3) Director's fees to which Carol Poulsen and Bruce West were entitled were paid, at their direction, to The Co-operators Group Limited.
- (4) Resigned as Director on November 13, 2015
- (5) Appointed as Director on December 3, 2015
- (6) Director's fees to which Brian Reeve was entitled were paid, at his direction to Cassels Brock LLP.
- (7) Ceased to serve as a Director on May 7, 2015.

Fair values used are the same as those for financial statements purposes.

In March 2016 the board approved a new director fee scheme. Effective January 1, 2016, directors will no longer be paid on a per meeting basis. Directors are entitled to be paid annual retainers as follows:

Director Retainer	\$75,000
Board Chair Retainer	\$45,000
Audit and Risk Committee Chair Retainer	\$20,000
Governance Committee Chair Retainer	\$20,000
Investment Committee Chair Retainer	\$10,000
Qudos Audit Chair Retainer	\$20,000
Qudos Director Retainer	\$5,000
ICPEI Director Retainer	\$5,000

Directors' Deferred Share Unit Plan

An eligible director, who is not otherwise a employee of the Corporation or any affiliate and is not employed by a corporation that holds at least 100,000 Shares of the Corporation, is eligible to participate in a Deferred Share Unit Incentive Plan (the "DSU Plan"), which allows them to elect to defer all or a portion of their annual retainer and meeting fees received in the form of deferred share units (DSUs), each of which is equivalent in value to one Common Share of the Corporation. The number of DSUs is established by dividing the amount of retainers not paid in cash by the weighted average trading price of the Common Shares for the last five trading days preceding the determination. Whenever cash dividends are paid on the Common Shares, the director's account under the DSU plan is credited with additional DSUs corresponding to the dividend paid on the Common Shares.

On November 7, 2013, the Board of Directors made changes to the Director Deferred Share Unit Plan to introduce a provisions to make Deferred Share Units (DSUs) earned by directors redeemable for cash in the event of the completion of a general offer by a third party to purchase all of the issued shares of the Corporation, or the sale of all or substantially all of the Corporation's assets and undertaking, or a merger, amalgamation or being absorbed by or into any other company (other than its subsidiary) under any circumstances which involve or may involve or require the liquidation of the Corporation, a distribution of its assets among its shareholders, or the termination of the corporate existence.

Indebtedness of Directors and Executive Officers

None of the directors or senior officers of the Corporation have been indebted to the Corporation during the financial year ended December 31, 2015.

Directors' and Officers' Liability Insurance

The Corporation maintains liability insurance for its directors and officers acting in their respective capacities in an aggregate amount of \$20,000,000, subject to a \$100,000 deductible for Corporation Indemnification Coverage. The premium paid by the Corporation during fiscal 2015 for this coverage was \$81,979.

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Since the beginning of the most recently completed fiscal year, no informed person of the Corporation, nominee for election as a director, or associate or affiliate of any informed person or nominee, has, or has had, any material interest, direct or indirect, in any transaction or proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries or affiliates, other than those described below.

The Corporation has entered into transactions with two related parties, Co-operators General Insurance Company and Purves Redmond Limited ("Purves Redmond"). These transactions are carried out in the normal course of operation and are measured at cost which approximates fair value. The transactions involving Co-operators General

Insurance Company, which is an insider of the Corporation, consist principally of the agent channel of distribution. Purves Redmond is involved in arranging insurance coverage for the subsidiaries of the Corporation. Robert Purves, a shareholder and director of the Corporation, is also a shareholder and Chairman of Purves Redmond.

The Insurance Company of Prince Edward Island (“ICPEI”), in which the Corporation has a 75% ownership, has entered into transactions with three related parties – Charlie Cooke Insurance Agency Ltd. (“CCIA”), Atlantic Adjusting & Appraisals Ltd. (“AAA”) and Maritime Finance and Acceptance Corporation (“MFAC”). These transactions are carried out in the normal course of operations and are measured at cost which approximates fair value. CCIA distributes ICPEI insurance products through its brokerage operations. CCIA has minority shareholders who are related parties of the minority shareholders of ICPEI. AAA and MFAC provide insurance operational services to ICPEI. The shareholders of AAA and MFAC are also directors and managers of ICPEI.

STATEMENT OF CORPORATE GOVERNANCE PRACTICES

The Canadian Securities Administrators have established National Instrument 58-101 – *Disclosure of Corporate Governance Practices* (the “National Instrument”) and National Policy 58-201 – *Corporate Governance Guidelines* (the “National Policy”). The National Policy sets out a series of guidelines for effective corporate governance (the “Guidelines”). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of Board members. The National Instrument requires the disclosure by each public corporation of its approach to corporate governance with reference to the Guidelines as it is recognized that the unique characteristics of individual corporations will result in varying degrees of compliance.

Set out below is a description of the Corporation’s approach to corporate governance in relation to the Guidelines and, where applicable, National Instrument 52-110 – *Audit Committees* (“NI 52-110”).

The Board of Directors

The National Instrument defines an “independent director” as a director who has no direct or indirect material relationship with the Corporation. A “material relationship” is, in turn, defined as a relationship which could, in the view of the Board of Directors, be reasonably expected to interfere with such member’s independent judgment. In determining whether a particular director is an “independent director” or a “non-independent director”, the Board of Directors considers the factual circumstances of each director in the context of the Guidelines.

The Board of Directors is currently comprised of 8 members, a majority of whom are “independent directors” within the meaning of the National Instrument. The 7 independent directors are Peter Crawford, Ani Hotoyan-Joly, Carol Poulsen, Robert Purves, Brian Reeve, Angus Ross and Murray Wallace. The one current director who is not considered to be independent by virtue of his material relationship with the Corporation is Steve Dobronyi, Chief Executive Officer of the Corporation, who will be stepping down on May 5, 2016.

In accordance with the Guidelines that provide that the Chair of the Board should be independent and the Corporation’s policy that the Chair of the Board shall at all times be an individual who is not otherwise an officer or employee of the Corporation or any of its affiliates, the Chair of the Board, Robert Purves, is an independent director. The Chair is responsible for acting as the communication link between the directors and the management of the Corporation, and managing the affairs of the Board of Directors.

The independent directors on the Board of Directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. Since January 1, 2015, 8 such meetings were held.

The information presented below reflects the Board of Directors and Board Committee meetings held since January 1, 2015, up to March 10, 2016, and attendance of the directors during such time.

Summary of Board of Directors and Committee Meetings Held

Meeting	Number of meetings held
Board of Directors	16
(a) Audit and Risk Committee	5
(b) Governance Committee	8
(c) Investment Committee	5

Summary of Attendance of Directors

Director	Total Board meetings attended	Total Committee meetings attended
Peter Crawford	16 of 16	13 of 13
Steve Dobronyi	16 of 16	N/A
Ani Hotoyan-Joly	16 of 16	13 of 13
Serge Lavoie ⁽¹⁾	9 of 10	3 of 4
Douglas E. McIntyre ⁽²⁾	14 of 14	6 of 6
Carol Poulsen	12 of 16	10 of 13
Robert Purves	16 of 16	N/A
Brian Reeve ⁽³⁾	4 of 4	–
Angus Ross	16 of 16	14 of 14
Murray Wallace ⁽³⁾	4 of 4	1 of 1
Bruce West ⁽⁴⁾	2 of 2	4 of 4

- (1) Resigned as Director on November 13, 2015
(2) Resigned as Director on February 8, 2016
(3) Appointed as Director on December 3, 2015
(4) Ceased to serve as a Director effective May 7, 2015

Currently, the Directors of the Corporation listed below serve on the boards of directors of other public companies shown beside their name

Director	Public Company
Murray Wallace	Axia NetMedia Corporation

Board of Directors Mandate

The Board of Directors is responsible for the overall stewardship of the Corporation. The Board of Directors discharges this responsibility directly and through delegation of specific responsibilities to committees of the Board of Directors, the Chair, and officers of the Corporation, all as more particularly described in the Board of Directors Mandate adopted by the Board of Directors.

As set out in the Board of Directors Mandate, the Board of Directors has established three committees to assist with its responsibilities: Audit and Risk Committee, Governance Committee, and Investment Committee. Each of these has a Charter defining its responsibilities.

The Board of Directors Mandate is attached as Schedule “B” to this Circular.

Board Tenure Policy

Directors will typically commit to serving a term of up to 3 years. Each year, the Corporation will nominate that Director for re-election and each year, under OSC rules and as related to NI 58-101 Disclosure of Governance Practices, the Director must be elected by the shareholders. Near the end of the 3-year term, the Director will be provided with a detailed assessment and performance review as related to their performance and contributions to the Board over the three year term. The assessment and performance review will be conducted by the Board Chair and Governance Committee Chair. Directors may be nominated for a second 3-year term, dependent on previous performance on the Board and the required skill sets of the Board at the time of renewal. Directors can serve up to 3 consecutive terms for a total of 9 years, with the exception that, in special circumstances, and on the recommendation of the Governance Committee, the Board of Directors may annually extend a Director’s tenure by one additional year. However, in no case shall a Director serve more than 12 years.

Director Interlock

The Board of Directors does not set a formal limit on the number of interlocking board memberships. The Governance Committee reviews director interlock as part of its annual evaluation of director independence. As of the date hereof, there are no public company board interlocks among the directors.

Special Strategic Review Committee

A Special Strategic Review Committee of the Board comprising of four of the Company's independent directors was formed in December, 2015. The Chair of the Committee is Murray Wallace. The other members of the Committee are Brian Reeve, Peter Crawford and Angus Ross. The Committee is responsible for assessing, examining and providing advice to the Board with respect to strategic and financial opportunities facing the Company, including its International operations.

Diversity Policy

The Board has approved a diversity policy which recognizes the importance and value of diversity. The diversity policy provides that the Corporation will recruit and retain the most qualified persons to serve on the Board and within the Corporation based upon the needs of the Corporation and the Board. The Nominating Committee, which is responsible for the director nominee selection process, is responsible for implementing the diversity policy. In identifying the highest quality director nominees, the Committee reviews present and future needs of the Corporation, focusing on the merits of an individual and ensuring a balance of expertise, skills, personal attributes and backgrounds on the Board and within executive officer positions.

The Corporation does not have a written policy specifically relating to the identification and nomination of women directors. The Nominating Committee in its implementation of the diversity policy considers the level of representation of women on the board by ensuring that appropriate women candidates are included in the slate of candidates for the Board's consideration.

The Corporation has not adopted targets for the level of representation of women on the Board or in executive officer positions, because the Corporation believes that it should not focus on a specific identified group. Diversity is important to the Corporation's management, as they believe that only through access to the most diverse pool of talent will they recruit and retain the most talented individuals to serve on its Board and within the Corporation. In considering new Board and executive officer appointments, diversity is one of the key criteria considered by the Corporation. The Corporation and the Board of Directors continually reviews and measures its composition, including the representation of women, having regard to the present and future needs of the company and the Board's structure, including the balance of expertise, and skills, personal attributes and backgrounds brought by individual executives and directors and their length of service, where continuity and diverse experience can add significantly to the strength of the Corporation and to the Board.

The diversity policy commits the Corporation to actively recruiting and advancing women into Board and executive management positions. As of March 10, 2016, 25% (2 of 8) directors of the Corporation and 18% (3 of 16) of the executive officers of the Corporation and its major subsidiaries are women. Of the directors nominated by management for election at this Meeting, 33% (3 of 9) are women.

Position Descriptions

The Board of Directors has developed written position descriptions for the CEO, the Directors of the Board, the Chair of the Board and for the Chairs of each Board committee.

Position Description of the Chief Executive Officer

Reporting to the Board of Directors (the "Board"), the Chief Executive Officer ("CEO") has overall accountability for the leadership, strategic development and operational management of the Corporation. The CEO is responsible for the development and implementation of the strategic plans of the Corporation in accordance with Board approved authorities, policies and ethical standards. The CEO is responsible for providing strong people leadership to the organization and ensuring that the Corporation is well represented to its shareholders, policyholders, government authorities and other stakeholders. Primary accountabilities are to:

- Develop the vision, mission, financial targets and strategic direction of the Corporation for Board approval.
- Implement Corporation strategies in accordance with Board delegated authorities and Board approved guidelines.
- Determine and align resources required to execute strategic initiatives and attain Corporation objectives – staffing, systems, processes, organizational structure, financial resources and capital needs.

- Build a strong management team and a deep pool of talented and motivated employees. Work with the Board on CEO and management succession plans.
- Present an annual plan and budget for Board approval. The plan will outline the major strategic initiatives and operational tactics that are intended to facilitate the achievement of Corporation objectives.
- Effective and on-going communication with the Board of Directors. Report financial results and progress on strategic initiatives on a quarterly basis, or more frequently, as required. Collaborate with the Chairman to help with Board communication, coordination and other Board related matters.
- On-going financial, risk and capital management of the Corporation and effective performance of the Corporation's investment portfolio.
- Build relationships with external stakeholders and ensure effective communication – shareholders, potential investors, the brokerage community, policyholders, business partners, industry associations, the business community, government authorities and the general public.
- Promote a culture of integrity. Ensure that the Corporation operates in accordance with high ethical standards, Board approved authorities and that the Corporation is in full compliance with applicable laws and regulations.

Position Description for a Board Director

As a member of the Board of Echelon Financial Holdings Inc., a Director participates fully in the governance of the Corporation. While the Board speaks with one voice as the highest decision-making body within the Corporation, each Director informs and participates in rigorous analysis and debate, contributing knowledge, experience and perspective. Directors ensure they are well prepared for Board meetings, remaining up-to-date on the business, industry, economy, regulatory environment and stakeholder expectations. The Board works with and manages the CEO as the single point of accountability for corporate performance. Directors respect the complementary roles of the Board and Management and work to sustain a productive partnership between the two. General Director responsibilities include:

1. Uphold the ethical standards and integrity of the Corporation
2. Contribute to Board decisions made in the best interests of the Corporation, mindful of fiduciary responsibilities
3. Understand stakeholder perspectives on the Corporation and its performance, and stakeholder expectations for Board performance and accountability
4. Maintain a governance-level view on appropriate Board engagement with Management
5. Bring a strategic, long term perspective on the business model and corporate performance
6. Contribute to the effective team performance of the Board with discipline and collegiality
7. Participate in the annual performance evaluation of the Board and CEO
8. Contribute fully to Board Committees
9. Attend all meetings of the Board and Committees on which a Director is a member

Position Description of the Chair of the Board

The Chair of the Board provides leadership and guidance to the Board, centering the work of the Board on the strategic direction of the Corporation. The Chair position is a non-management role and as such is not responsible for the management of any aspect of the business of the Corporation. The primary focus of the Chair is on governance, maintaining ethical standards and building the Board into an effective team capable of fulfilling a broad range of its responsibilities, including strategic planning and succession planning. The Chair should strive to create and maintain an effective Board culture at all times and in all situations the Chair will:

- Provide leadership to the Board on specific issues;
- Assist the Board in performing its duties and meeting its obligations, including those specified in the Mandate of the Board;
- Set a high standard for Board conduct by modeling, articulating and upholding rules of conduct set out in the Board Mandate. Intervenes when necessary in instances involving conflict-of-interest, confidentiality and other Board policies;

- Preside over Board meetings in a manner that encourages participation and information sharing while moving the Board toward timely closure and prudent decision-making;
- Ensure Board consensus within the decision-making process;
- In accordance with the mandate of the Board, act as the spokesperson for the Board;
- Facilitate the ongoing formal and informal communication with and among directors of the Board;
- Meet with Directors to provide constructive feedback and guidance on a regular basis;
- Serve as the Board's central point of official communication with the CEO. Develops a positive, collaborative relationship with the CEO, including acting as a sounding Board for the CEO on emerging issues and alternative courses of action;
- Promote and facilitate communication and understanding between the management of the Corporation and the Board;
- Ensure, in consultation with the Governance Committee and the full Board, that succession plans are in place at senior executive levels;
- Provide for an effective, objective Board self-evaluation process and support the implementation of recommendations for improvement;
- Seek feedback on his or her performance as chairperson.

Position Description of the Chair of the Governance Committee of the Board

The Chair of the Governance Committee of the Board of Directors is responsible to facilitate highly effective performance by the Committee in fulfilling its duties and responsibilities under its mandate. The Chair is not an executive of the Corporation and is not responsible for the management of any aspect of the Corporation's business. In discharging his/her responsibility, the Chair will provide:

- Oversight and leadership on Corporate governance matters;
- Leadership on composition and performance of the Board and its committees;
- Board and CEO succession planning;
- All matters relating to conflict and conduct review;
- Compensation, performance and incentive plan structures;
- Review of regulatory compliance;
- In accordance with the direction of the Committee, act as the spokesperson for the Committee.

Position Description of the Chair of the Audit and Risk Committee of the Board

The Chair of the Audit and Risk Committee of the Board of Directors is responsible for providing leadership to the Committee in fulfilling its duties and responsibilities under its mandate, and doing so at a very high and effective level of performance. In discharging this responsibility, the Chair must create and manage effective working relationships among the Committee members, management and the external auditors. The nature of that relationship should be characterized by the timely sharing of information and concerns, and by the willingness to work together in the best interests of the Corporation and its shareholders.

It is important that the Chairman:

- Meets the Committee's requirements as expressed by its members from time to time;
- Acts as the Committee's spokesperson as required;
- Provides advice and counsel on matters relating to the work of the Committee to:
 - the CEO, CFO or other members of management;
 - the Board of Directors
 - the external auditors;
- Reviews, annually, the Audit and Risk Committee Mandate;
- In collaboration with the CFO and the External Auditors creates an annual Work Plan for the Committee.

Position Description of the Chair of Investment Committee

The Chair of the Investment Committee provides leadership to enhance the Committee's effectiveness by:

- Ensuring that the areas of responsibilities of the Committee and management are understood and respected by both;
- Overseeing the discharge of the Committee's responsibilities including its reporting to the Board members;
- Acting as the liaison between the Committee and management by working with the Chief Executive Officer or his delegate to ensure that proper information is brought to the Committee including regular management reports and documentary materials in support of management's proposals.

Orientation and Continuing Education

The Governance Committee's duties include ensuring that new members of the Corporation's Board of Directors elected to the Board receive appropriate director orientation to familiarize such directors with, among other things, the Corporation's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, principal officers, and independent auditors. The Corporation encourages each director to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

Ethical Business Conduct

Under the guidance of the Audit and Risk Committee, the Board of Directors has adopted a written code of ethics (the "Code") for the Corporation's directors, officers and employees that sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the Corporation. The Code is available through SEDAR at www.sedar.com.

The Audit and Risk Committee has approved confidential reporting procedures in order to encourage employees, Directors and Officers to raise concerns regarding matters addressed by the Code, on a confidential basis free from discrimination, retaliation or harassment. Employees who violate the Code may face disciplinary actions, including dismissal.

The Corporation's managers and Chief Compliance Officer together are responsible for communicating the Code to officers and employees. The Vice President, Human Resources monitors overall compliance with the Code, provided that all issues and concerns specifically related to accounting, internal financial controls and/or auditing will be reviewed and forwarded to the Audit and Risk Committee.

In addition, in order to ensure independent judgment in considering potential transactions in which a Director, Officer or Insider has a material interest, the Governance Committee's duties include: reviewing any issues related to business ethics or potential conflict of interest between the Corporation and any parties related to Directors or Officers of the Corporation, and advise the Board of Directors on the appropriate course of action; reviewing and providing recommendations to the Board on any related party transactions that may have a material effect on the Corporation; and monitoring the procedures to resolve conflicts of interest established by the Board on the recommendation of the Governance Committee.

In addition to the Code, the Corporation has adopted a Disclosure Policy to ensure that communications to the public are timely, factual, accurate and broadly disseminated in accordance with applicable securities laws.

Audit and Risk Committee

Currently, the Audit and Risk Committee is comprised of three Directors of the Corporation. The members of the Audit and Risk Committee are Peter Crawford (Chair), Ani Hotoyan-Joly and Angus Ross, all of whom are independent and financially literate for the purposes of NI 52-110, and at least one of whom has accounting or related financial management experience. Further disclosure relating to the Audit and Risk Committee and its members, as required by NI 52-110 can be found on pages 12 and 13 and in Appendix "A" of the Corporation's Annual Information Form dated March 10, 2016, which is available on www.sedar.com.

Governance Committee

The current members of the Governance Committee are Ani Hotoyan-Joly (Chair), Peter Crawford, Carol Poulsen and Angus Ross. None of the members of the Governance Committee are officers or employees or former officers or employees of the Corporation.

The Governance Committee meets the best practice requirements for independence for the purposes of NI 52-110. The Governance Committee is comprised of a minimum of three directors, all of them being independent directors, and none of whom is an officer or employee of the Corporation. None of the Governance Committee members are eligible to participate in the Corporation's executive compensation programs. The Governance Committee's breadth of executive compensation knowledge was developed from their different combined experiences, as entrepreneurs, business owners and top executives in large corporations.

The Governance Committee is responsible for, among other things, reviewing and recommending the form and adequacy of compensation arrangements for executives, officers and directors, having regard to associated risks and responsibilities. The Committee also provides oversight of corporate governance matters, leadership on composition and performance of the Board and its committees, Board and CEO succession planning and review of regulatory compliance.

In addition, the Governance Committee also functions as a Nominating Committee. The Nominating Committee identifies, screens and recommends candidates to the Board for Board membership. Nominees for director are selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of the Corporation's business environment and willingness to devote adequate time and effort to Board responsibilities. The procedures for operation of the Nominating Committee are set out in Schedule "C".

The Nominating Committee was engaged in and approved the agreement dated December 2, 2015, between the Shareholder Group and the Corporation pursuant to which the Corporation agreed to appoint Brian Reeve and Murray Wallace as directors, as described in "Matters to be Acted Upon at Meeting – Election of Directors – Arrangements for Election of Directors".

The Governance Committee Chair and Board Chair conduct an annual performance review of the Chief Executive Officer based on the performance of the business, achievement of the Corporation's financial and strategic objectives, development of management and other criteria determined by the Governance Committee. The Chief Executive Officer's objectives are discussed with the Board from time to time. These objectives include the general mandate to manage the Corporation and to maximize shareholder value.

The Governance Committee is also responsible for business conduct review, director development and assessment and committee assignments.

Further information regarding the activities and recommendations of the Governance Committee is provided in the "Executive Compensation" section of this Circular.

Activities of the Governance Committee in 2015:

In 2015, the Governance Committee, in accordance with its mandate, accomplished the following:

Compensation

- Reviewed the market positioning of the Corporation and conducted annual merit and market review of senior management compensation, including that of the CEO;
- Reviewed and approved the remuneration for senior management;
- Reviewed and approved Short-Term Incentive Plans for Senior Management and employees and Long-Term Incentive Plans including plans for Senior Management;
- Reviewed and approved the CEO's Short-Term Incentive Plans, Long-Term Incentive Plans and total compensation.

Assessments and Succession Planning

- Conducted an external CEO assessment through the governance advisory services of The Anderson Governance Group;
- Developed a succession plan for the Chief Executive Officer and reviewed the succession plans with respect to other members of Senior Management, including the heads of the oversight functions;
- Met with the CEO to discuss the CEO's performance review for 2015 and discuss objectives for 2016;
- Reviewed the CEO's compensation for 2015; and
- Reviewed the succession plans with respect to the Board of Directors.

Strategies and Mandate of the Committee

- Reviewed and approved the Executive Compensation section and compensation and data analysis of the 2015 Management Proxy Circular; and
- Reviewed and approved the mandate of the Committee.

Board Performance

- Conducted an external Board assessment through the governance advisory services of The Anderson Governance Group; and
- Created a Board Capability Matrix and Board Dynamics Tool with the governance advisory services of The Anderson Governance Group.

Governance and Board Operations

- Reviewed committee charters and work plans;
- Reviewed Board mandates; and
- Reviewed Board tenure and Board independence criteria.

Investment Committee

The Investment Committee is currently comprised of Angus Ross (Chair), Carol Poulsen and Murray Wallace, who are independent for the purposes of NI 52-110. The Investment Committee is responsible for, among other things, reviewing and recommending to the Board formal investment guidelines including objectives and investment constraints, for all portfolios of investment assets within the Corporation.

Assessments

The Governance Committee is responsible for assessing the effectiveness of the Board, as a whole, and the committees of the Board. The Board has a formal annual process for the performance evaluation of the Board, its Committees, individual directors and the Chair of the Board through a self-assessment process. In 2015, the Governance Committee sponsored an external Board assessment through the governance advisory services of The Anderson Governance Group. The members of the Board reviewed the effectiveness of the Board and its Committees, contributions as a director, preparation for and performance at meetings and overall corporate governance matters.

The Nominating Committee will utilize the results of the assessment process in determining the characteristics and critical skills required of prospective candidates to the Board and making recommendations to the Board with respect to assignments of Board members to various committees. Further information regarding the assessment process of the Board is described in the Board of Directors Mandate attached as Schedule "B".

Majority Voting

In August 2015, on the recommendation of the Governance Committee, the Board adopted a Majority Voting policy. The policy requires that in an uncontested election of directors, if any director nominee has more votes withheld than voted in favour of that director nominee the nominee will immediately tender their resignation, effective on acceptance by the Board, to the Governance Committee. Within 60 days of receiving the tendered resignation the Governance Committee will consider the tendered resignation and make a recommendation to the Board on whether the resignation should be accepted. In considering the tendered resignation the Governance Committee will consider all relevant factors including (i) the reasons, if known, why shareholders "withheld" or were requested to "withhold" votes from the director; (ii) the director's history of service and contribution to the Corporation; (iii) the nominee's qualifications and skills; (iv) the current mix of director skills and attributes on the Board, and (v) legal requirements, policies or guidelines (regulatory, securities or corporate laws or stock exchange rules) for director numbers and qualifications. Within 90 days of receiving the tendered resignation the Board will decide whether to accept or reject the tendered resignation and will announce its decision and the reasons for the decision in a press release. If the Board accepts the resignation, the Governance Committee will make recommendations to the Board on whether the vacancy should be filled and, subject to legal restrictions, when and how the vacancy should be filled.

ADDITIONAL INFORMATION

Additional information relating to the Corporation is contained at the Corporation's website, www.egi.ca and at www.sedar.com, the Internet site maintained by the Canadian securities regulators.

Financial information for the Corporation's most recently completed financial year, being December 31, 2015, is provided in the Corporation's comparative financial statements for the year ended December 31, 2015, and management's discussion and analysis of such financial results.

Upon request to the Corporation, at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario L4W 0A5, fax number 905-214-8028, the Corporation will send to the person or company making such request (without charge to a shareholder) a copy of the Corporation's financial statements for the year ended December 31, 2015, and any interim financial statements of the Corporation issued after December 31, 2015, together with management's discussion and analysis of such financial results.

SHAREHOLDER PROPOSALS

Persons entitled to vote at the next annual meeting of the Corporation who wish to submit a proposal for consideration at the meeting must submit their proposal to the Corporation before March 6, 2017.

* * * * *

DIRECTORS' APPROVAL

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

Dated as of March 10, 2016.

BY-LAW NO. 1

A by-law relating generally to the
transaction of the business and
affairs of

Echelon Financial
Holdings Inc.

Contents

One	-	Interpretation
Two	-	Business of the Corporation
Three	-	Borrowing and Security
Four	-	Directors
Five	-	Committees
Six	-	Officers
Seven	-	Protection of Directors, Officers and Others
Eight	-	Shares
Nine	-	Dividends and Rights
Ten	-	Meetings of Shareholders
Eleven	-	Notices
Twelve	-	Effective Date and Repeal

BE IT ENACTED as a by-law of the Corporation as follows:

SECTION ONE

INTERPRETATION

1.01 Definitions. - In this by-law and all other by-laws and resolutions of the Corporation, unless the context otherwise requires:

- (a) "Act" means the *Business Corporations Act* (Ontario), and the regulations enacted pursuant and any statute or regulation enacted pursuant to it that may be substituted for them, as amended from time to time;
- (b) "appoint" includes "elect" and vice versa;
- (c) "articles" means the articles of incorporation of the Corporation as amended or restated from time to time;
- (d) "board" means the board of directors of the Corporation;
- (e) "by-laws" means this by-law and all other by-laws of the Corporation from time to time in force and effect;
- (f) "Corporation" means "Echelon Financial Holdings Inc.";
- (g) "meeting of shareholders" means any meeting of shareholders, whether annual or special; and "special meeting of shareholders" means a meeting of any class or classes of shareholders and a special meeting of all shareholders entitled to vote at an annual meeting of shareholders; and
- (h) "recorded address" has the meaning set forth in section 11.08;

(1) Save as aforesaid, all the words and terms appearing in this by-law shall have the same definition and application as in the Act.

1.02 Gender Neutrality. - In all by-laws, resolutions and policies of the Corporation, the singular shall include the plural and vice-versa, the word "person" shall include the firms and corporations, and the masculine shall include the feminine and vice-versa.

SECTION TWO

BUSINESS OF THE CORPORATION

2.01 Registered Office. - The registered office of the Corporation shall be in the municipality or geographic township within Ontario initially specified in its articles and thereafter at such location as the board may from time to time determine.

2.02 Corporate Seal. - The Corporation may, but need not have, a corporate seal and if one is adopted it shall be in a form approved from time to time by the board.

2.03 Financial Year. - Until changed by the board, the financial year of the Corporation shall end on the expiration of the 31st day of December in each year.

2.04 Execution of Instruments. - Except for documents executed in the usual and ordinary course of the Corporation's business, which may be signed by any officer of the Corporation within the scope of his or her authority, the following are the only persons authorized to sign a document on behalf of the Corporation:

- (1) Any individual or individuals appointed by resolution of the board to sign a specific document or type of document; or
- (2) Any director.

The board may determine the scope of authority of an officer to sign a document and the board may determine if more than one officer is required to sign a document or type of document.

Any document so signed may, but need not, have the corporate seal of the Corporation affixed. Any signing officers may affix the corporate seal to those documents requiring a seal.

2.05 Banking Arrangements. - The banking business of the Corporation including, without limitation, the borrowing of money and the giving of security therefor, shall be transacted with such banks, trust companies or other bodies corporate or organizations as may from time to time be designated by or under the authority of the board. Such banking business or any part thereof shall be transacted under such agreements, instructions and delegations of powers as the board may from time to time determine.

2.06 Voting Rights in Other Bodies Corporate. - The signing officers of the Corporation may execute and deliver proxies and arrange for the issuance of voting certificates or other evidence of the right to exercise the voting rights attaching to any securities held by the Corporation. Such instruments shall be in favour of such persons as may be determined by the officers executing or arranging for the same. In addition, the board may from time to time direct the manner in which and the persons by whom any particular voting rights or class of voting rights may or shall be exercised.

2.07 Divisions. - The board may cause the business and operations of the Corporation or any part thereof to be divided into one or more divisions upon such basis, including without limitation types of business or operations, geographical territories, product lines or goods or services, as may be considered appropriate in each case. In connection with any such division the board or, subject to any direction by the board, the chief executive officer may authorize from time to time, upon such basis as may be considered appropriate in each case:

- (a) Subdivision and Consolidation - the further division of the business and operations of any such division into sub-units and the consolidation of the business and operations of any such divisions and sub-units;
- (b) Name - the designation of any such division or sub-unit by, and the carrying on of the business and operations of any such division or sub-unit under, a name other than the name of the Corporation; provided that the Corporation shall set out its name in legible characters in all places required by law; and
- (c) Officers - the appointment of officers for any such division or sub-unit, the determination of their powers and duties, and the removal of any of such officers so appointed.

SECTION THREE

BORROWING AND SECURITY

3.01 Borrowing Power. - Without limiting the borrowing powers of the Corporation as set forth in the Act, but subject to the articles, the board may from time to time on behalf of the Corporation, without authorization of the shareholders:

- (a) borrow money upon the credit of the Corporation by obtaining loans or advances or by way of overdraft or otherwise;
- (b) issue, reissue, sell or pledge securities of the Corporation including bonds, debentures, debenture stock, for such sums on such terms and at such prices as they may deem expedient;
- (c) assign, transfer, convey, hypothecate, mortgage, pledge, charge or give security in any manner upon all or any of the real or personal, moveable or immoveable property, rights, powers, choses in action, or other assets, present or future, of the Corporation to secure any such securities or other securities of the Corporation or any money borrowed or to be borrowed or any obligations or liabilities as aforesaid or otherwise of the Corporation heretofore, now or hereafter made or incurred directly or indirectly or otherwise; and
- (d) without in any way limiting the powers herein conferred upon the Directors, give security or promise to give security, agreements, documents and instruments in any manner to form under the *Bank Act* (Canada) or otherwise to secure any money borrowed or to be borrowed or any obligations or

liabilities as aforesaid or otherwise of the Corporation heretofore, now or hereafter made or incurred directly or indirectly or otherwise.

3.02 Delegation. - Unless the articles of the Corporation otherwise provide, the board may from time to time delegate to a director, a committee of the board, or an officer of the Corporation any or all of the powers conferred on the board by section 3.01 to such extent and in such manner as the board may determine at the time of such delegation.

SECTION FOUR

DIRECTORS

4.01 Number of Directors. - Until changed in accordance with the Act, the board shall not consist of not fewer than the minimum and not more than the maximum number of directors provided in the Articles.

4.02 Qualification. - No person shall be qualified for election as a director if such person is less than 18 years of age, is of unsound mind and has been so found by a court in Canada or elsewhere, is not an individual, or has the status of a bankrupt. No election of a person as a director shall be effective unless the person consents in writing on or within ten days after the date of the election. At least one-third of the directors shall not be officers or employees of the Corporation or any of its affiliates.

4.03 Resident Canadians - Subject to the Act, at least twenty-five (25) per cent of the directors shall be resident Canadians.

4.04 Election and Term. - Each director named in the articles shall hold office from the date of incorporation until the first meeting of shareholders. The election of directors shall take place at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The board may determine limits on the number of terms directors may consecutively serve. Subject to the Act, the number of directors to be elected at a shareholder shall be the number of directors determined from time to time by resolution of the board. Where the shareholders adopt an amendment to the articles to increase the number or maximum number of directors, the shareholders may, at the meeting at which they adopt the amendment, elect the additional number of directors authorized by the amendment to take office from the effective date of the endorsement of the articles of amendment with respect thereto. The election shall be by resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

4.05 Resignation of Directors – A director who is not named in the articles may resign from office upon giving a written resignation to the Corporation and such resignation becomes effective when received by the Corporation or at the time specified in the resignation, whichever is later. A director named in the articles shall not be permitted to resign unless at the time the resignation is to become effective, a successor is elected or appointed.

4.06 Removal of Directors. - Subject to the Act, the shareholders may by ordinary resolution passed at an annual or special meeting of shareholders remove any director from office and the vacancy created by such removal may be filled by the election of any qualified individual at the same meeting, failing which it may be filled by the board.

4.07 Vacation of Office. - A director ceases to hold office on death, on removal from office by the shareholders, on ceasing to be qualified for election as a director, on receipt of a written resignation by the Corporation, or, if a time is specified in such resignation, at the time so specified, whichever is later. Until the first meeting of shareholders, the resignation of a director named in the articles shall not be effective unless at the time the resignation is to become effective a successor has been elected.

4.08 Vacancies. - Subject to the Act, a quorum of the board may appoint a qualified individual to fill a vacancy in the board for the remainder of the term.

4.09 Action by the Board. - The board shall manage or supervise the management of the business and affairs of the Corporation. The powers of the board may be exercised at a meeting (subject to section 4.10) at which a quorum is present or by resolution in writing signed by all the directors entitled to vote on that resolution at a meeting of the board. Where there is a vacancy in the board, the remaining directors may exercise all the powers of the board so long as a quorum remains in office.

4.10 Meeting by Telephone or Electronic Means. - If the chairperson of the meeting consents, a director may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or

other communications facilities as permit all persons participating in the meeting to communicate with each other, simultaneously and instantaneously. A director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board.

4.11 Place of Meetings. - Meetings of the board may be held at any place within or outside Ontario. In any financial year of the Corporation a majority of the meetings need not be held in Canada.

4.12 Calling of Meetings. - Meetings of the board shall be held from time to time at such time and at such place as the board, the chairperson of the board or any two directors may determine.

4.13 Notice of Meeting. - Notice of the time and place of each meeting of the board shall be given in the manner provided in Section Eleven to each director not less than 48 hours before the time when the meeting is to be held. No notice of a meeting shall be necessary if all the directors are present or if those absent waive notice of such meeting, except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business or the general nature thereof to be specified.

4.14 First Meeting of New Board. - Provided a quorum of directors is present, each newly elected board may without notice hold its first meeting immediately following the meeting of shareholders at which such board is elected.

4.15 Adjourned Meeting. - Notice of an adjourned meeting of the board is not required if the time and place of the adjourned meeting is announced at the original meeting.

4.16 Regular Meetings. - The board may appoint a day or days in any month or months for regular meetings of the board at a place and hour to be named. A copy of any resolution of the board fixing the place and time of such regular meetings shall be sent to each director forthwith after being passed, but no other notice shall be required for any such regular meeting except where the Act requires the purpose thereof or the business to be transacted thereat to be specified.

4.17 Conduct of Meetings of Directors. - The Directors shall establish the procedures for the calling and conduct of meetings of the Board and of its committees.

4.18 Chairperson. - The chairperson of any meeting of the board shall be the first mentioned of the following persons as have been appointed and who is a director and is present at the meeting: the chairperson of the board, vice-chairperson of the board, or chief executive officer. If no such person is present, the directors present shall choose one of their number to be chairperson.

4.19 Quorum. - Subject to section 4.21, the quorum for the transaction of business at any meeting of the board shall be a majority of the directors or such greater number of directors as the board may from time to time determine.

4.20 Votes to Govern. - At all meetings of the board every question shall be decided by a majority of the votes cast on the question. In case of an equality of votes, the chairperson of the meeting shall not be entitled to a second or casting vote and shall declare the motion lost.

4.21 Conflict of Interest. - A director who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or transaction or proposed material contract or transaction with the Corporation shall disclose to the Corporation the nature and extent of that interest at the time and in the manner provided by the Act. Such a director shall not attend that part of a meeting of directors during which the contract or transaction is discussed and shall not vote on any resolution to approve the same except as provided by the Act. If no quorum exists for the purpose of voting on such a resolution only because a director is not permitted to be present at the meeting, the remaining directors shall be deemed to constitute a quorum for the purposes of voting on the resolution. Where all of the directors are required to make a disclosure under this section, the contract or transaction may only be approved by the shareholders.

4.22 Remuneration and Expenses. - The directors shall be paid such remuneration for their services as the board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration therefor.

4.23 Validity of Acts. – Unless prohibited by or proscribed by law, all acts done in good faith by a meeting of the directors or by persons acting as directors shall, notwithstanding any discovery afterward that there was some defect in the appointment of any such person or persons acting as aforesaid or that they or any of them were disqualified, be as valid as if every such person had been duly appointed and was qualified to be a director.

SECTION FIVE

COMMITTEES

5.01 Committees of the Board. - The board may appoint from their number one or more committees of the board, however designated, and delegate to any such committee any of the powers of the board except those which pertain to items which, under the Act, a committee of the board has no authority to exercise.

5.02 Transaction of Business. - The powers of a committee of the board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee.

5.03 Audit Committee. - The board shall select annually from among their number an audit committee to be composed of not fewer than three (3) directors, none of whom shall be officers or employees of the Corporation. The audit committee shall have the powers and duties provided in the Act.

5.04 Advisory Bodies. - The board may from time to time appoint such advisory bodies as it may deem advisable.

5.05 Procedure. - Subject to the Act and unless otherwise determined by the board, each committee and advisory body shall have power to fix its quorum at not less than a majority of its members, to elect its chairperson and to regulate its procedure and location of meetings.

SECTION SIX

OFFICERS

6.01 Appointment. - The board may from time to time appoint a chief executive officer, president, one or more vice-presidents (to which title may be added words indicating seniority or function), a corporate secretary, a chief financial officer and such other officers as the board may determine. One person may hold more than one office. The board may specify the duties of and in accordance with this by-law and subject to the Act, delegate to such officers powers to manage the business and affairs of the Corporation. Subject to sections 6.02 and 6.03, an officer may but need not be a director.

6.02 Chairperson of the Board. - The board may from time to time also appoint a chairperson of the board who shall be a director. The chairperson shall have such powers and duties as this bylaw and the board may specify. The board may assign to the chairperson any of the powers and duties that are by any provisions of this by-law assigned to the chief executive officer or to the president.

6.03 Chief Executive Officer. - The board may from time to time also appoint a chief executive officer. If appointed, the chief executive officer shall, subject to the authority of the board, be responsible for the general supervision of the business and affairs of the Corporation and have such powers, authority and duties as the board may specify.

6.04 President. - The president shall be the chief operating officer and, subject to the authority of the board, shall have such other powers and duties as the board may specify. During the absence or disability of the chief executive officer, or if no chief executive officer has been appointed, the president shall also have the powers and duties of that office.

6.05 Vice-President. – The board may from time to time appoint one or more vice-presidents. If appointed, the vice president shall have such powers and such duties as the board or the chief executive officer may prescribe.

6.06 Secretary. - Unless otherwise determined by the board, the secretary shall be the secretary of all meetings of the board, shareholders and committees of the board that he attends. The secretary shall enter or cause to be entered in records kept for that purpose minutes of all proceedings at meetings of the board, shareholders and committees of the board, whether or not in attendance at such meetings. The secretary shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board. The secretary shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, records and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose, and have such other powers and duties as otherwise may be specified.

6.07 Chief Financial Officer. - The chief financial officer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation. The chief financial officer shall render to the board whenever required an account of all transactions as chief financial officer and of the financial position of the Corporation and shall have such other powers and duties as otherwise may be specified.

6.08 Powers and Duties of Officers. - The powers and duties of all officers shall be such as the terms of their engagement call for or as the board or (except for those whose powers and duties are to be specified only by the board) the chief executive officer may specify. The board and (except as aforesaid) the chief executive officer may, from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

6.09 Term of Office. - The board, in its discretion, may remove any officer of the Corporation. Otherwise, each officer appointed by the board shall hold office until his successor is appointed or until the officer resigns.

6.10 Agents and Attorneys. - The Corporation, by or under the authority of the board, shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers (including the power to sub delegate) of management, administration or otherwise as may be thought fit.

6.11 Conflict of Interest. - An officer shall disclose any interest in a material contract or transaction or proposed material contract or transaction with the Corporation in accordance with section 4.21.

SECTION SEVEN

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

7.01 Limitation of Liability. - All directors and officers of the Corporation in exercising their powers and discharging their duties to the Corporation shall act honestly and in good faith with a view to the best interests of the Corporation and exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other director, officer or employee, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on the part of such director or officer, or for any other loss, damage or misfortune which shall happen in the execution of the duties of office or in relation thereto; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

7.02 Indemnity.

(1) Subject to the Act and to section 7.02(2), every person who at any time is or has been a director or officer of the Corporation or who at any time acts or has acted at the Corporation's request as a director or officer of an entity of which the Corporation is or was a shareholder or creditor, and the heirs and personal representatives of every such person, shall at all times be indemnified by the Corporation in every circumstance where the Act so permits or requires.

(2) Without prejudice to the foregoing and subject to the limitations in the Act regarding indemnities in respect of derivative actions, every person who at any time is or has been a director or officer of the Corporation or properly incurs or has properly incurred any liability on behalf of the Corporation or who at any times acts or has acted at the

Corporation's request (in respect of the Corporation or any other person), and such person's heirs and legal representatives shall at all times be indemnified by the Corporation against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by such person in connection with any civil, criminal or administrative action or proceeding to which such person is or made a party, or in which such person is or may become otherwise involved, by reason of being or having been such a director or officer or by reason of so incurring or having so incurred with such liability or by reason of so acting or having so acted (or by reason of anything alleged to have been done, omitted or acquiesced in by such person in any such capacity or otherwise in request of any of the foregoing), and all appeals therefrom, if:

- (a) such person acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, such person had reasonable grounds for believing the impugned conduct was lawful.

(3) Nothing in this Section 7.02 shall affect any other right to indemnity to which any person may be or become entitled by contract or otherwise, and no settlement or plea of guilty in any action or proceeding shall alone constitute evidence that a person did not meet a condition set out in clause (a) or (b) or paragraph (1) of Section 7.02 or any corresponding condition in the Act. From time to time the board may determine that this Section 7.02 shall also apply to the employees of the Corporation who are not directors or officers of the Corporation or to any particular one or more or class of such employees, either generally or in respect of a particular occurrence or class of occurrences and either prospectively or retroactively. From time to time thereafter the board may also revoke, limit or vary such application of Section 7.02.

(4) So long as such person acts honestly and in good faith with a view to the best interests of the Corporation, no person referred to in paragraph (1), (2) or (3) of Section 7.02 (including, to the extent it is then applicable to them, any employees referred to therein) shall be liable for any damage, loss, cost or liability sustained or incurred by the Corporation, except where so required by the Act.

7.03 Advance of Costs. – The Corporation shall advance moneys to a director, officer, or other individual for the costs, charges and expenses of a proceeding referred to in section 7.02. The individual shall repay the moneys if the individual does not fulfill the conditions of section 7.02.

7.04 Insurance. - Subject to the Act, the Corporation may purchase and maintain such insurance for the benefit of any individual referred to in section 7.02 hereof as the board may from time to time determine.

SECTION EIGHT

SHARES

8.01 Allotment of Shares. - Subject to the Act and the articles, the board may from time to time allot or grant options to purchase the whole or any part of the authorized and unissued shares of the Corporation at such times and to such persons and for such consideration as the board shall determine, provided that no share shall be issued until it is fully paid as provided by the Act.

8.02 Commissions. - The board may from time to time authorize the Corporation to pay a reasonable commission to any person in consideration of such person purchasing or agreeing to purchase shares of the Corporation, whether from the Corporation or from any other person, or procuring or agreeing to procure purchasers for any such shares.

8.03 Registration of Transfers. - Subject to the Act, no transfer of a share shall be registered in a securities register except upon compliance with the reasonable requirements of the Corporation and its transfer agents and with such restrictions on issue, transfer or ownership as are authorized by the articles.

8.04 Non-Recognition of Trusts. - Subject to the Act, the Corporation may treat the registered holder of any share as the person exclusively entitled to vote, to receive notices, to receive any dividend or other payment in respect of the share, and otherwise to exercise all the rights and powers of an owner of the share.

8.05 Share Certificates. - Every holder of one or more shares of the Corporation shall be entitled, at the holder's option, to a share certificate, or to a non-transferable written certificate of acknowledgement of such right to obtain a share certificate, stating the number and class or series of shares held by such holder as shown on the securities register. Such certificates shall be in such form as the board may from time to time approve. Any such

certificate shall be signed in accordance with section 2.04 and need not be under the corporate seal. Notwithstanding the foregoing, unless the board otherwise determines, certificates in respect of which a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent has been appointed shall not be valid unless countersigned by or on behalf of such registrar, transfer agent, branch transfer agent or issuing or other authenticating agent. The signature of one of the signing officers under section 2.04 (or, in the case of a certificate which is not valid unless countersigned by or on behalf of a registrar, transfer agent, branch transfer agent or issuing or other authenticating agent, the signatures of both signing officers under section 2.04) may be printed or otherwise mechanically reproduced thereon. Every such printed or mechanically reproduced signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose printed or mechanically reproduced signature appears thereon no longer holds office at the date of issue of the certificate.

8.06 Replacement of Share Certificates. - The board or any officer or agent designated by the board may direct the issue of a new share or other such certificate in lieu of and upon cancellation of a certificate that has been mutilated or in substitution for a certificate claimed to have been lost, apparently destroyed or wrongfully taken on payment of such reasonable fee and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

8.07 Joint Shareholders. - If two or more persons are registered as joint holders of any share, the Corporation shall not be bound to issue more than one certificate in respect thereof, and delivery of such certificate to one of such persons shall be sufficient delivery to all of them. Any one of such persons may give effectual receipts for the certificate issued in respect thereof or for any dividend, bonus, return of capital or other money payable or warrant issuable in respect of such share.

8.08 Deceased Shareholders. - In the event of the death of a holder, or of one of the joint holders, of any share, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make any dividend or other payments in respect thereof except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

8.09 Transfer Agents and Registrars. - The Corporation may from time to time, in respect of each class of securities issued by it, appoint a trustee, transfer or other agent to keep the securities register and the register of transfers. If appointed, a registrar, trustee or agent shall maintain a record of issued security certificates and may appoint one or more persons or agents to keep branch registers. Subject to the Act, one person may be appointed to keep the securities register, register of transfers and the records of issued security certificates. Such appointment may be terminated at any time by the board.

SECTION NINE

DIVIDENDS AND RIGHTS

9.01 Dividends. - Subject to the Act and the articles, the board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation or options or rights to acquire fully paid shares of the Corporation. Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

9.02 Dividend Cheques. - A dividend payable in money shall be paid by cheque to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at the holder's recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold. In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the board may from time to time prescribe, whether generally or in any particular case.

9.03 Record Date for Dividends and Rights. - The board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of the right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled

to receive payment of such dividend or to exercise the right to subscribe for such securities, and notice of any such record date shall be given not less than 7 days before such record date in the manner provided by the Act. If no record date is so fixed, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the board.

SECTION TEN

MEETINGS OF SHAREHOLDERS

10.01 Annual Meetings. - The annual meeting of shareholders shall be held at such time in each year, and subject to section 10.04, at such place as the board or the chairperson of the board may from time to time determine, for the purpose of considering financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may be properly be brought before the meeting.

10.02 Special Meetings. - The board shall have power to call a special meeting of shareholders at any time.

10.03 Meetings by Electronic Means. - A meeting of the shareholders may be held in accordance with the Act, by electronic or other communication facilities that permit all participants to communicate adequately with each other during the meeting.

10.04 Place of Meetings. - Subject to the articles, meetings of shareholders of the Corporation shall be held at such place in or outside Ontario as the directors determine or, in the absence of such a determination, at the place where the registered office of the Corporation is located. A meeting held under Section 10.03 shall be deemed to be held at the place where the registered office of the Corporation is located.

10.05 Notice of Meetings. - Notice of the time and place of each meeting of shareholders shall be given in the manner provided in Section Eleven not less than 21 nor more than 50 days before the date of the meeting to each director, to the auditor, and to each shareholder who at the close of business on the record date for notice is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the minutes of an earlier meeting, financial statements and auditor's report, election of directors and reappointment of the incumbent auditor shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution or by-law to be submitted to the meeting.

10.06 List of Shareholders Entitled to Notice. - For every meeting of shareholders, the Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares held by each shareholder entitled to vote at the meeting. If a record date for the meeting is fixed pursuant to section 10.07, the shareholders listed shall be those registered at the close of business on such record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on the day immediately preceding the day on which notice of the meeting is given or, where no such notice is given, on the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the central securities register is maintained and at the meeting for which the list was prepared. Where a separate list of shareholders has not been prepared, the names of persons appearing in the securities register at the requisite time as the holder of one or more shares carrying the right to vote at such meeting shall be deemed to be a list of shareholders.

10.07 Record Date for Notice. - The board may fix in advance a date, preceding the date of any meeting of shareholders by not more than 60 days and not less than 30 days, as a record date for the determination of the shareholders entitled to notice of the meeting, and notice of any such record date shall be given not less than seven days before such record date, by newspaper advertisement in the manner provided in the Act and by written notice to each stock exchange in Canada on which the shares of the Corporation are listed for trading. If no such record date is so fixed, the record date for the determination of the shareholders entitled to receive notice of the meeting shall be at the close of business on the day immediately preceding the day on which the notice is given or, if no notice is given, shall be the day on which the meeting is held.

10.08 Meetings Without Notice. - A meeting of shareholders may be held without notice at any time and place permitted by the Act: (a) if all the shareholders entitled to vote thereat are present in person or duly represented or if those not present or represented waive notice of or otherwise consent to such meeting being held; and (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held; so long as

such shareholders, auditors or directors present are not attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact.

10.09 Chairperson, Secretary and Scrutineers. - The chairperson of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: chairperson of the board or vice-chairperson of the board. If no such officer is present within fifteen (15) minutes after the time fixed for holding the meeting, the persons present and entitled to vote shall choose one of their number to be chairperson. If the secretary of the Corporation is absent, the chairperson shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairperson with the consent of the meeting.

10.10 Persons Entitled to be Present. - The only persons entitled to be present at a meeting of shareholders shall be those entitled to vote thereat, the directors and auditor of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairperson of the meeting or with the consent of the meeting.

10.11 Quorum. - Subject to the provisions of the Act, the holders of a majority of the shares entitled to vote at a meeting of shareholders present in person or by proxy constitute a quorum for the transaction of business at any meeting of shareholders.

10.12 Right to Vote. - Every person named in the list referred to in section 10.06 shall be entitled to vote the shares shown thereon opposite such person's name at the meeting to which such list relates.

10.13 Proxyholders and Representatives. - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, as nominee of such shareholder to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy must be signed in writing or by electronic signature by the shareholder or an attorney who is authorized by a document that is signed in writing or by electronic signature or, if the shareholder is a body corporate, by an officer or attorney of the body corporate duly authorized and shall conform with the requirements of the Act. Alternatively, every such shareholder which is a body corporate or association may authorize by resolution of its directors or governing body an individual to represent it at a meeting of shareholders of the Corporation and such individual may exercise on the shareholder's behalf all the powers it could exercise if it were an individual shareholder. The authority of such an individual shall be established by depositing with the Corporation a certified copy of such resolution, or in such other manner as may be satisfactory to the secretary of the Corporation or the chairperson of the meeting. Any such proxyholder or representative need not be a shareholder. A proxy ceases to be valid one year from its date.

10.14 Time for Deposit of Proxies. - The board may fix a time not exceeding 48 hours, excluding Saturdays and holidays, preceding any meeting or adjourned meeting of shareholders before which time proxies to be used at the meeting must be deposited with the Corporation or an agent thereof, and any period of time so fixed shall be specified in the notice calling the meeting. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or if, no such time having been specified in such notice, it has been received by the secretary of the Corporation or by the chairperson of the meeting or any adjournment thereof prior to the time of voting.

10.15 Joint Shareholders. - If two or more persons hold shares jointly, any one of them present in person or duly represented at a meeting of shareholders may, in the absence of the other or others, vote the shares; but if two or more of those persons are present in person or represented and vote, they shall vote as one the shares jointly held by them.

10.16 Votes to Govern. - At any meeting of shareholders every question shall, unless otherwise required by the articles or by-laws or by law, be determined by a majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairperson of the meeting shall not be entitled to a second or casting vote and shall declare the motion lost.

10.17 Show of Hands. - Subject to the Act, any question at a meeting of shareholders shall be decided by a show of hands, unless a ballot thereon is required or demanded as hereinafter provided, and upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairperson of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect

of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

10.18 Ballots. - On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereon, the chairperson may require a ballot or any person who is present and entitled to vote on such question at the meeting may demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairperson shall direct. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken each person present shall be entitled, in respect of the shares which such person is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

10.19 Adjournment. - The chairperson at a meeting of shareholders may, with the consent of the meeting and subject to such conditions as the meeting may decide, adjourn the meeting from time to time and from place to place. If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that is adjourned. Subject to the Act, if a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

10.20 Declaration of Chairperson Binding. - At any meeting, unless a poll is demanded, a declaration by the Chairperson that a resolution has been carried or carried unanimously or by any particular majority shall be conclusive evidence of that fact.

10.21 Action in Writing by Shareholders. - A resolution in writing signed by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of shareholders unless, in accordance with the Act, (a) in the case of the resignation or removal of a director, or the appointment or election of another person to fill the place of such director, a written statement is submitted to the Corporation by the director giving the reasons for such resignation or the reasons why such director opposes any proposed action or resolution for such removal from office or the election of another person to fill the office of such director; or (b) in the case of the removal or resignation of an auditor, or the appointment or election of another person to fill the office of auditor, representations in writing are made to the Corporation by that auditor concerning the proposed removal, the appointment or election of another person to fill the office of auditor, or such resignation.

SECTION ELEVEN

NOTICES

11.01 Method of Giving Notices. - Any notice, any communication or other document required by the Act, the regulations, the articles, or the by-laws to be given by the Corporation to a shareholder, director, officer, auditor or member of a committee of the board of the Corporation under any provision of the Act, the articles or by-laws or otherwise shall be sufficiently given if delivered personally to the person to whom it is to be given, if mailed to such person at the person's recorded address by prepaid mail, if sent to such person at the person's recorded address by any means of any prepaid transmitted or recorded communication or by providing an electronic document subject to and in accordance with the Act. A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; a notice so sent by any means of transmitted or recorded communication; or by providing an electronic document shall be deemed to have been given when dispatched or delivered by dispatch. A notice so delivered shall be deemed to have been received when it is delivered personally, a notice so mailed shall be deemed to have been received on the fifth day after it is deposited in a post office or public letter box, and a notice so transmitted shall be deemed to have been received on the day it is transmitted. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the board in accordance with any information believed by the secretary to be reliable.

11.02 Notice to Joint Shareholders. - If two or more persons are registered as joint holders of any share, any notice may be addressed to all such joint holders, but notice addressed to one of such persons shall be sufficient notice to all of them.

11.03 Computation of Time. - In computing the date when notice must be given under any provision requiring a specified number of days' notice of any meeting or other event, the day of giving the notice shall be excluded and the day of the meeting or other event shall be excluded.

11.04 Undelivered Notices. - If any notice given to a shareholder pursuant to section 11.01 is returned on three consecutive occasions because the shareholder cannot be found, the Corporation shall not be required to give any further notices to such shareholder until informed in writing by the shareholder of a new address.

11.05 Omissions and Errors. - The accidental omission to give any notice to any shareholder, director, officer, auditor or member of a committee of the board or the non-receipt of any notice by any such person or any error in any notice not affecting the substance thereof shall not invalidate any action taken at any meeting held pursuant to such notice or otherwise founded thereon.

11.06 Persons Entitled by Death or Operation of Law. - Every person who, by operation of law, transfer, death of a shareholder or any other means whatsoever, shall become entitled to any share, shall be bound by every notice in respect of such share which shall have been duly given to the shareholder from whom such person derives title to such share prior to the name and address of such person being entered on the securities register (whether such notice was given before or after the happening of the event upon which such person became so entitled) and prior to such person furnishing to the Corporation the proof of authority or evidence of entitlement prescribed by the Act.

11.07 Waiver of Notice. - Any person entitled to notice under the Act, the articles or the by-laws may waive or agree to abridge that notice. Waiver or abridgement, whether given before or after the meeting or event referred to in the notice, shall cure any default in the giving or in the time of such notice, as the case may be. Any waiver or abridgement may be given in any manner.

11.08 Interpretation. - In this by-law, "recorded address" means in the case of a shareholder the address as recorded in the securities register; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; in the case of an officer, auditor or member of a committee of the board, the latest address as recorded in the records of the Corporation; and in the case of a director, the latest address as shown in the records of the corporation or in the most recent notice filed under the *Corporations Information Act* (Ontario), whichever is the more current.

SECTION TWELVE

EFFECTIVE DATE AND REPEAL

12.01 Effective Date. - This by-law shall come into force when made by the board in accordance with the Act.

12.02 Repeal. – Upon this by-law coming into force, the previous by-law number 1 of the Corporation is repealed provided that such repeal shall not affect the previous operation of such by-law so repealed or affect the validity of any act done or right, privilege, obligation or liability acquired or incurred under the validity of any contract or agreement made pursuant to any such by-law prior to its repeal.

The foregoing by-law was made by the directors of the Corporation on the ● day of ● , 2016 , and was confirmed without variation by the shareholders of the Corporation on the ● day of ● , 2016 .

Secretary

Echelon Financial Holdings Inc.

Board of Directors Mandate

The following mandate has been adopted by the Board of Directors (the “Board”) of Echelon Financial Holdings Inc. (the “Company”) to assist the Board in the exercise of its responsibilities. This mandate reflects the Board’s commitment to designing corporate governance principles and guidelines to monitor the effectiveness of policy and decision making both at the Board and management level, with a view to enhancing long-term shareholder value. This mandate is subject to modification from time to time by the Board.

THE BOARD

Role of Directors

The business and affairs of the Company shall be managed by or under the direction of the Board. The Board has responsibility for the stewardship of the Company.

The Board’s Goals

The Board’s goals are to build long-term value for the Company’s shareholders, to create a culture of integrity and to assure the vitality of the Company for its customers, employees and the other individuals and organizations who depend on the Company.

To achieve these goals the Board will monitor both the performance of the Company (in relation to its goals, strategy, conduct and competitors) and the performance of the Chief Executive Officer and other senior management, and offer constructive advice and feedback.

Size of the Board

The Board believes that it should generally have no fewer than seven and no more than ten directors. This range permits diversity of experience without hindering effective discussion or diminishing individual accountability. The size of the Board could, however, be increased or decreased if determined to be appropriate by the Board. For example, it may be desirable to increase the size of the Board in order to accommodate the availability of an outstanding candidate for director.

Selection of New Directors

The Board shall be responsible for nominating members for election to the Board and for filling vacancies on the Board that may occur between annual meetings of stockholders. The Governance Committee is responsible for identifying, screening and recommending candidates to the Board for Board membership. When formulating its Board membership recommendations, the Governance Committee shall also consider advice and recommendations from others as it deems appropriate.

Board Membership Criteria

Nominees for director shall be selected on the basis of, among other things, experience, knowledge, skills, expertise, integrity, ability to make independent analytical inquiries, understanding of the Company’s business environment and willingness to devote adequate time and effort to Board responsibilities.

The Governance Committee shall be responsible for assessing the appropriate balance of criteria required of Board members.

Other Public Company Directorships

The Company does not have a policy limiting the number of other public company boards of directors upon which a director may sit. However, the Governance Committee shall consider the number of other public company boards and other boards (or comparable governing bodies) on which a prospective nominee is a member.

Independence of the Board

The Board shall be comprised of a majority of directors who qualify as independent directors (“Independent Directors”) under the criteria of section 1.4 of National Instrument 52-110 (“Rule 52-110”).

The Board shall review annually the relationships that each director has with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company). Following such annual review, only those directors who the Board affirmatively determines have no direct or indirect material relationship with the Company which could, in the view of the board, be reasonably expected to interfere with the exercise of a member’s independent judgment will be considered Independent Directors, subject to additional qualifications prescribed under the standards of any applicable exchange or under applicable law. The Board may adopt and disclose categorical standards to assist it in determining director independence.

Directors Who Change Their Present Job Responsibility

The Board does not believe that directors who retire or change the position they held when they became a member of the Board should necessarily be obligated to leave the Board. Promptly following such event, the director must notify the Governance Committee, which shall review the continued appropriateness of the affected director remaining on the Board under the circumstances. The affected director is expected to act in accordance with the Governance Committee’s recommendation following such review.

Board Compensation

A director who is also an officer of the Company shall not receive additional compensation for such service as a director.

The Governance Committee will periodically review the level and form of the Company’s director compensation, including how such compensation relates to director compensation of companies of comparable size, industry and complexity.

Director’s fees (including any additional amounts paid to Chairs of committees and to members of committees of the Board) are the only form of compensatory fee a member of the Audit and Risk Committee may receive from the Company.

Strategic Direction of the Company

The Board is responsible for adopting a strategic planning process. It is management’s job to formalize, propose and implement strategic choices and the Board’s role to approve strategic direction and evaluate strategic results.

At least annually, the Board shall consider a strategic plan presented by management which takes into account, among other things, the opportunities and risks of the business.

As a practical matter, the Board and management will be better able to carry out their respective strategic responsibilities if there is an ongoing dialogue among the Chief Executive Officer, other members of top management and other Board members. To facilitate such discussions, members of senior management who are not directors may be invited to participate in Board meetings when appropriate.

Risk Identification

The Board or its designated committees shall regularly discuss with management the process for the identification of the principal risks of the Company’s business, and shall oversee the implementation of appropriate systems, including internal control and management information systems, to manage those identified risks.

Board Access to Management

Board members shall have access to the Company’s management and, as appropriate, to the Company’s outside advisors. Board members shall coordinate such access through the Chief Executive Officer and Board members will use judgment to assure that this access is not distracting to the business operation of the Company.

Attendance at Meetings

A director is expected to spend the time and effort necessary to properly discharge such director’s responsibilities. Accordingly, a director is expected to regularly attend meetings of the Board and committees on which such director sits, and to review prior to meetings material distributed in advance for such meetings. A director who is unable to

attend a meeting (which it is understood will occur on occasion) is expected to notify the Chairman of the Board or the Chairperson of the appropriate committee in advance of such meeting.

Frequency of Meetings

There shall be at least four regularly scheduled meetings of the Board each year. At least one regularly scheduled meeting of the Board shall be held in each quarter.

Attendance of Management Personnel at Board Meetings

The Board encourages the Chief Executive Officer to bring members of executive management from time to time into Board meetings to (i) provide management insight into items being discussed by the Board which involve the executive; (ii) make presentations to the Board on matters which involve the executive; and (iii) bring executives with significant potential into contact with the Board. Attendance of such management personnel at Board meetings is at the discretion of the Board. Should the Chief Executive Officer desire to add additional members of management as attendees on a regular basis, this should be suggested to the Board for its concurrence.

Separate Sessions of Non-Management Directors

The non-management directors of the Company shall meet regularly in executive session without management present.

Board Materials Distributed in Advance

Information and materials that are important to the Board's understanding of the agenda items and other topics to be considered at a Board meeting should, to the extent practicable, be distributed sufficiently in advance of the meeting to permit prior review by the directors. In the event of a pressing need for the Board to meet on short notice or if such materials would otherwise contain highly confidential or sensitive information, it is recognized that written materials may not be available in advance of the meeting.

Self-Evaluation by the Board

The Governance Committee will sponsor an annual self-assessment of the Board's performance as well as the performance of each committee of the Board, the results of which will be discussed with the full Board and each committee. The assessment should include a review of any areas in which the Board or management believes the Board can make a better contribution to the Company.

The Governance Committee will utilize the results of this self-evaluation process in assessing and determining the characteristics and critical skills required of prospective candidates for election to the Board and making recommendations to the Board with respect to assignments of Board members to various committees.

Board Orientation and Continuing Education

The Company shall provide new directors with director orientation to familiarize such directors with, among other things, the Company's business, strategic plans, significant financial, accounting and risk management issues, compliance programs, principal officers, and independent auditors. The Company encourages each director to participate in continuing educational programs in order to maintain the necessary level of expertise to perform his or her responsibilities as a director.

BOARD COMMITTEES

Number and Names of Board Committees

The Company shall have three standing committees: Audit and Risk, Governance and Investment. The purpose and responsibilities for the Audit and Risk, Governance and Investment committees shall be outlined in committee charters adopted by the Board. The Board may, from time to time, form a new committee or disband a current committee (other than the Audit and Risk Committee) depending on circumstances. In addition, the Board may determine to form ad hoc committees from time to time, and determine the composition and areas of competence of such committees.

Independence of Board Committees

Each of the Audit and Risk Committee and the Governance Committee shall be composed entirely of Independent Directors satisfying Rule 52-110 (in the case of the Audit and Risk Committee, including both sections 1.4 and 1.5

thereof) and all other applicable legal, regulatory and stock exchange requirements necessary for an assignment to any such committee.

The Investment Committee shall be composed of a majority of Independent Directors.

Assignment and Rotation of Committee Members

The Governance Committee shall be responsible, after consultation with the Chairman of the Board and the Chief Executive Officer, for making recommendations to the Board with respect to the assignment of Board members to various committees. After reviewing the Governance Committee's recommendations, the Board shall be responsible for appointing the members to the committees on an annual basis.

The Governance Committee shall annually review the Committee assignments and shall consider such assignments with a view toward balancing the benefits derived from continuity against the benefits derived from the diversity of experience and viewpoints of the various directors.

LEADERSHIP DEVELOPMENT

Selection of the Chief Executive Officer

The Board shall be responsible for identifying potential candidates for, and selecting, the Company's Chief Executive Officer. In doing so, the Board shall consider, among other things, a candidate's experience, understanding of the Company's business environment, leadership qualities, knowledge, skills, expertise, integrity, and reputation in the business community. When it is appropriate or necessary, it is the Board's responsibility to remove the Chief Executive Officer and to select a successor.

Evaluation of Chief Executive Officer

The Governance Committee will conduct an annual performance review of the Chief Executive Officer based on the performance of the business, achievement of the Company's financial and strategic objectives, development of management, and as further set forth in its charter.

Succession Planning

The Board is responsible for developing a succession plan for the Chief Executive Officer, and to discuss with the Chief Executive Officer succession plans for other senior management, and will review the plan each year.

The Board of Directors met several times with the Chief Executive Officer in 2015, without other members of management, to discuss his views on the executive leadership team in general, and his potential successors. The Board of Directors also met in camera, without the Chief Executive Officer, to discuss the candidates he had identified as possible successors. The succession plan for the Chief Executive Officer was a focus area for the board of directors and the Governance Committee in 2015.

Further to the discussion above regarding the Board of Directors' succession planning process, the Governance Committee has developed a succession plan for the Chief Executive Officer.

DIRECTOR RECRUITMENT, SELECTION AND NOMINATION PROCESS

Overview

The Governance Committee of the Board of Directors of the Company, is responsible for identifying, screening and recommending candidates to the Board to become members of the Company’s Board of Directors, considering advice and recommendations from others as it deems appropriate and will review and approve management recommended changes to subsidiary Boards prior to the appointment of Board candidates. For purposes of these procedures, the Governance Committee is constituted as the “Nominating Committee”.

In addition the Nominating Committee of the Company’s Board of Directors is responsible for implementing the Board and Company policy on diversity within the scope of its mandate, when recruiting directors to the Board. In considering new Board appointments, diversity is one of the key criteria considered by the Nominations Committee. The Board continually reviews its composition having regard to the present and future needs of the Company and the Board’s structure, including the balance of expertise, and skills, personal attributes and backgrounds brought by individual directors and their length of service, where continuity and experience can add significantly to the strength of the Board. Diversity is important to us as we believe that only through access to the most diverse pool of talent will we recruit and retain the most talented individuals to serve on our Board.

All nominating responsibilities and procedures will be in accordance with local regulatory requirements, and will take into consideration, advice and recommendations from others as it deems appropriate.

Potential candidates for these positions are identified by the Board of Directors and the Nominating Committee through a variety of means, including the use of search firms, recommendations of Board members, recommendations of executive officers and shareholder recommendations.

Director Recruitment

The Chairman of the Board, the Nominating Committee, or other Board members, identifies the need to add new members to the Board or to the Board of a subsidiary. The Nominating Committee of the Board reviews the Board Capability and Board Dynamics Matrix framework which identifies the appropriate specific criteria required for new and current directors to ensure a fit with both the current and future strategic needs of the business and the characteristics that contribute to a healthy and dynamic board culture.

Director Selection

Phase 1: The Nominating Committee Chair initiates a search working with staff support and seeking input from the members of the Board and senior management and hiring a search firm, if necessary. Board candidates can be found through various sources, including the Registrar at the Institute of Corporate Directors.

Phase 2: The Nominating Committee meets and reviews the resumes of potential candidates and makes a selection of those candidates who have the skills and the experiences that the Board is seeking to fill in.

Phase 3: The Nominating Committee Chair invites the candidates selected in Phase 2 to a telephone interview and after completing these interviews recommends the ones that meet the required criteria for a formal interview with the Chair of the Board, the Chair of the Nominating Committee and one other member of this Committee. A structured interview guide is used for consistency purposes. Candidates may be invited to meet the CEO for an informal discussion in regards to the business and relationship between the Board and Management.

Phase 4: The Nominating Committee Chair convenes the Committee for a decision making meeting, reviewing in aggregate the Candidates’ assessments using a weighted decision framework. The Committee then makes a decision and recommends the nomination of the chosen candidate(s) to the Board at the next Board meeting.

Phase 5: Once the candidates confirm they wish to have their names put forward for nomination, the candidates are screened for potential conflicts of interest and adherence to OSFI guideline E17 (i.e., background check).

Phase 6: The Board reviews the recommendations for nomination by the Nominating Committee and formally nominates a candidate(s) for election to the Board, having confirmed the candidate’s willingness to stand for election. The Board Chair, on behalf the Board, invites the candidate(s) to have their name stand for nomination and consent to resign if majority voting threshold for election is not met.