



**DISCOVERY AIR INC.**

**NOTICE OF ANNUAL AND SPECIAL MEETING  
OF SHAREHOLDERS**

**AND**

**MANAGEMENT PROXY CIRCULAR**

**May 10, 2013**



May 10, 2013

Dear Shareholders,

On behalf of the directors, management and employees of Discovery Air Inc., we invite you to attend our 2013 annual and special meeting of shareholders to be held at The Westin Calgary located at 320 4th Avenue SW, Calgary, Alberta, T2P 2S6 at 3:00 p.m. (Mountain Time) on Tuesday, June 11, 2013.

We appreciate your participation in the meeting and we urge you to exercise your right to vote. If you are unable to attend the meeting and vote in person, we encourage you to vote by completing and returning the enclosed form of proxy or voting instruction form, as may be applicable to you.

The enclosed Notice of Annual and Special Meeting of Shareholders and Management Proxy Circular provide important information regarding the meeting, the senior management team, the persons who have been nominated as directors, our compensation philosophy and our governance practices. We invite you to review this material.

Yours truly,

*“Brian J. Semkowski”*

Brian J. Semkowski  
Chair of the Board

*“Jacob Shavit”*

Jacob Shavit  
President and Chief Executive Officer



**DISCOVERY AIR INC.**  
**NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**

**When**

Tuesday, June 11, 2013 at 3:00 p.m. (Mountain Time).

**Where**

The Westin Calgary, 320 4th Avenue SW, Calgary, Alberta, T2P 2S6.

**Business of the 2013 Annual and Special Meeting of Shareholders (the “Meeting”)**

The following matters will be dealt with at the Meeting:

1. receipt of the financial statements of Discovery Air Inc. (the “**Corporation**”) for the fiscal year ended January 31, 2013 and the report of the auditor thereon;
2. election of directors of the Corporation who will serve until the end of the next annual meeting of shareholders or until their successors are elected or appointed or they otherwise cease to be directors;
3. appointment of the auditor for the ensuing year and authorization of the directors of the Corporation to fix the auditor’s remuneration;
4. adoption of a stock option incentive plan;
5. amendment of the Articles of Continuance of the Corporation to change the jurisdiction in which the registered office of the Corporation is situated to Ontario;
6. confirmation of an amendment to By-Law No. 1; and
7. consideration of such other business, if any, as may properly come before the Meeting or any adjournment thereof.

The Management Proxy Circular enclosed with this Notice of Annual and Special Meeting of Shareholders (the “**Notice**”) provides specific details of the business to be considered at the Meeting.

Shareholders are encouraged to express their vote in advance by completing the form of proxy or voter instruction form, as applicable, enclosed with this Notice. The completed form of proxy or voter instruction form must be submitted by 3:00 p.m. (Mountain Time) on June 10, 2013 to be counted. Shareholders can also vote by telephone, internet or fax or mail using the instructions described in the enclosed form of proxy or voter instruction form. Further instructions are contained in the enclosed Management Proxy Circular.

DATED at the City of Toronto, this 10<sup>th</sup> day of May, 2013.

BY ORDER OF THE BOARD OF DIRECTORS

*“Dennis Lopes”*

Dennis Lopes  
Vice President, General Counsel  
and Corporate Secretary



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**MANAGEMENT PROXY CIRCULAR  
FOR THE ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS  
to be held on Tuesday, June 11, 2013**

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**SECTION I: VOTING**

**SOLICITATION OF PROXIES BY MANAGEMENT**

This Management Proxy Circular (the “Circular”) is furnished to shareholders in connection with the solicitation of proxies by or on behalf of Management for use at the 2013 annual and special meeting (the "Meeting") of the holders of Class A common voting shares (the “Class A Shares”) and Class B common variable voting shares (the “Class B Shares”) of the Corporation (collectively, the “Common Shares”). The information contained in this Circular is current as of May 1, 2013 unless otherwise indicated. The Meeting will be held at The Westin Calgary, 320 4th Avenue SW, Calgary, Alberta, T2P 2S6 on Tuesday, June 11, 2013 at 3:00 p.m. (Mountain Time) for the purposes set forth in the accompanying Notice of Annual and Special Meeting of Shareholders (the “Notice”). It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally or by telephone by officers and directors and other representatives of the Corporation. The cost of solicitation by or on behalf of Management will be borne by the Corporation.

Any reference in this document to “the Corporation’s shareholders”, “shareholders”, “you” or “your” refers to shareholders of the Corporation. Any reference to “we”, “us”, “our”, the “Corporation” or “Discovery Air” refers to Discovery Air Inc. Any reference to “Management” refers to the management of the Corporation. Any reference to “director” or “directors”, unless specified otherwise, refers to a director or the directors of the Corporation.

**PRINCIPAL HOLDERS OF VOTING SECURITIES, RECORD DATE AND QUORUM**

*Principal Holders of Voting Securities*

As of April 30, 2013, there were 14,510,851 Class A Shares and 44,760 Class B Shares issued and outstanding. Subject to the voting restrictions and adjustments outlined below under “Restrictions on Voting of Shares”, each such Voting Share carries the right to one vote.

To the best of the knowledge of the Corporation, no person beneficially owns or controls or directs, directly or indirectly, greater than 10% of the outstanding Common Shares of the Corporation, other than: (i) Adam Bembridge, Group President, Northern Services of the Corporation, who, to the best of the knowledge of the Corporation, owns, controls or directs, directly or indirectly, 2,345,058 Class A Shares (being approximately 16.1% of such class); and (ii) Ian Campbell, who, to the best of the knowledge of

the Corporation, owns, controls or directs, directly or indirectly 2,345,143 Class A Shares (being approximately 16.1% of such class).

#### *Record Date*

The board of directors of the Corporation (the “**Board**”) has fixed May 3, 2013 as the record date (the “**Record Date**”) for determining the holders of Common Shares entitled to receive notice of and to vote at the Meeting. A person shown as a shareholder in the Corporation’s records on the Record Date is entitled to vote the Common Shares registered in his, her or its name on the Record Date, except to the extent that the person has transferred the ownership of any of his, her or its Common Shares after the Record Date and the recipient transferee of those Common Shares produces properly endorsed share certificates or otherwise establishes that he, she or it owns such Common Shares and demands, not later than 10 days before the Meeting, that his, her or its name be included in the list of shareholders entitled to receive notice of the Meeting, in which event the transferee shall be entitled to vote such Common Shares at the Meeting.

#### *Quorum*

A quorum is present at the Meeting if holders of at least one per cent (1%) of the Common Shares are present in person or represented by proxy. If a quorum is present at the opening of the Meeting, shareholders present may proceed with the business of the Meeting even if a quorum is not present throughout the Meeting. If a quorum is not present at the opening of the Meeting, shareholders present may adjourn the Meeting to a fixed time and place but may not transact any other business.

### **PROXIES**

#### *Persons Making the Solicitation*

**This solicitation is made by or on behalf of the Management.** In addition to the solicitation of proxies by the mailing of this Circular, directors, officers and employees of the Corporation may solicit proxies personally, by telephone or by other means of communication. All costs of the solicitation made by or on behalf of the Management, including any costs incurred in the preparation and mailing of the form of proxy (the “**Management Proxy**”) accompanying this Circular, the Notice and this Circular will be borne by the Corporation.

#### *Appointment of Proxies*

Those shareholders who desire to be represented at the Meeting by proxy must ensure that their proxies are received by Computershare Investor Services Inc. either electronically or at the address shown on the enclosed envelope by 3:00 p.m. (Mountain Time) on **June 10, 2013**. Proxies must be executed by the shareholder or his, her or its attorney authorized in writing, and, if the shareholder is a corporation, under its corporate seal or by an authorized officer or attorney thereof.

**The persons named as proxy holders in the enclosed Management Proxy are directors or officers of the Corporation. You have the right to appoint another person (who need not be a shareholder) to represent you at the Meeting. To do so, insert the name of that person in the space provided in the Management Proxy and strike out the other names, or complete and submit another appropriate form of proxy, and in either case deposit such proxy with the Corporation at the place and within the time specified below for the deposit of proxies.** Please read and follow the instructions provided on the Management Proxy or voting instruction form to submit your completed proxy.

### *Revocability of Proxy*

You may revoke a submitted proxy at any time prior to its use. In addition to revoking your proxy in any other manner permitted by law, you may revoke your proxy by instrument in writing executed by you or your authorized attorney and, if the Shareholder is a corporation, under its corporate seal or by an authorized officer or attorney thereof, and deposited either at the Corporation's office located at 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5 (Attention: Corporate Secretary) at any time up to and including the last business day before the Meeting, or with the Chair of the Meeting prior to the commencement of the Meeting. If you are a non-registered shareholder, please contact your Intermediary (as defined below under "Beneficial Holders of Securities") for instructions on how to revoke your voting instructions.

### *Exercise of Discretion by Proxy*

The persons named in the Management Proxy must vote or withhold from voting your Common Shares in accordance with your instructions on the Management Proxy. **If you appoint a director or officer named in the Management Proxy as your proxy holder and you do not provide instructions in your Management Proxy, the persons named in the Management Proxy will vote your Common Shares FOR the matters to be acted on at the Meeting. The persons named in a Management Proxy will have discretionary authority with respect to any amendments or variations of those matters or any other matters properly brought before the Meeting and the persons named in a Management Proxy will vote on such matters in accordance with their best judgment.** As of the time of printing of this Circular, Management is not aware of any amendment or variation to the matters to be acted upon at the Meeting or any other matter to be brought before the Meeting.

**Shareholders registered on the records of the Corporation who plan to attend the Meeting and wish to vote their Common Shares in person at the Meeting should not complete or return any form of proxy as their votes will be taken and counted at the Meeting. Such shareholders are to register with the scrutineer upon their arrival at the Meeting.**

**Beneficial Shareholders (as defined below) should review the section titled "Beneficial Holders of Securities."**

### *Declaration*

You must complete the declaration regarding whether or not the Common Shares you own or represent are owned or controlled by a "Canadian" for purposes of the Corporation's voting control restrictions. This declaration is included on your Management Proxy or voter instruction form. The definition of "Canadian" can be found below under "Restrictions on Voting of Shares".

## **BENEFICIAL HOLDERS OF SECURITIES**

**The information in this section is applicable to shareholders who do not hold their Common Shares in their own names but who hold their Common Shares through "Intermediaries" (i.e. banks, trust companies, securities brokers, clearing agencies, trustees or other nominees). If shares are listed in an account statement provided to you by a broker, bank or other intermediary, then in almost all cases those shares will not be registered in your name on the records of the Corporation. Shareholders who do not hold their Common Shares in their own names are referred to in this document as a "Beneficial Shareholder."**

Common Shares held in the name of Intermediaries can only be voted upon the instructions of the Beneficial Shareholders. Without specific instructions, Intermediaries are prohibited from voting Common Shares on behalf of Beneficial Shareholders.

Intermediaries are required to seek voting instructions from Beneficial Shareholders in advance of the Meeting. Every Intermediary has its own procedures which should be carefully followed by a Beneficial Shareholder in order to ensure that their Common Shares are voted at the Meeting. If you are a Beneficial Shareholder, please contact your Intermediary for instructions in this regard.

Beneficial Shareholders should note that only proxies deposited by shareholders whose names appear on the records of the Corporation as the registered holders of the Common Shares can be recognized and acted upon at the Meeting.

A Beneficial Shareholder will have received from an Intermediary a request for voting instructions that is similar to the Management Proxy provided to registered shareholders; however, the purpose of the proxy is limited to instructing the Intermediary how to vote on behalf of the Beneficial Shareholder. **A BENEFICIAL SHAREHOLDER THAT RECEIVES A VOTING INSTRUCTION FORM FROM AN INTERMEDIARY CANNOT USE THE VOTING INSTRUCTION FORM TO VOTE THEIR VOTING SHARES DIRECTLY AT THE MEETING. The voting instruction form must be returned to the Intermediary well in advance of the Meeting in order to have the shares voted.**

**A Beneficial Shareholder who wishes to vote in person at the Meeting or have its nominee vote in person at the Meeting may need to provide the Intermediary with documentation in addition to the voting instruction form in order to be appointed as proxy holder. If you are a Beneficial Shareholder, you should contact your Intermediary to determine what documentation the Intermediary needs from you in order for you, or someone else appointed by you, to vote your Common Shares at the Meeting. AS A BENEFICIAL SHAREHOLDER, YOU OR YOUR NOMINEE CANNOT VOTE YOUR VOTING SHARES DIRECTLY AT THE MEETING UNLESS YOUR INTERMEDIARY HAS APPOINTED YOU OR YOUR NOMINEE AS A PROXYHOLDER.**

### **RESTRICTIONS ON VOTING OF SHARES**

The *Canada Transportation Act* ("CTA") requires a holder of a license to operate a domestic air service to be Canadian within the meaning of the CTA. For this purpose, "Canadian" has the meaning set forth in Subsection 55(1) of the CTA, which may be summarized as follows:

- (a) a Canadian citizen or a permanent resident within the meaning of the *Immigration and Refugee Protection Act* (Canada);
- (b) a government in Canada or an agent thereof; and
- (c) a corporation or other entity that is incorporated or formed under the laws of Canada or a province, that is controlled in fact by Canadians (as defined in paragraph (a)) and of which at least 75% (or such lesser percentage as the Governor in Council may by regulation specify) of the voting interests are owned and controlled by Canadians (as defined in paragraph (a)).

The Corporation's Articles of Continuance contain foreign voting control restrictions designed to ensure that the Corporation maintains its Canadian status under the CTA.

Specifically, Class A Shares may be beneficially owned and controlled, directly or indirectly, only by persons who are Canadians, and Class B Shares may be beneficially owned or controlled, directly or indirectly, only by persons who are not Canadians.

Further, each issued and outstanding Class A Share will be converted into one Class B Share, automatically and without any further act of the Corporation or the holder, if such Class A Share is or becomes beneficially owned or controlled, directly or indirectly, by a person who is not a Canadian. Each issued and outstanding Class B Share will be automatically converted into one Class A Share without any

further act on the part of the Corporation or of the holder, if such Class B Share is or becomes beneficially owned and controlled, directly or indirectly, by a Canadian.

The Class B Shares carry one vote per share, unless (i) the number of issued and outstanding Class B Shares exceeds 25% (or such other percentage as the Governor in Council may by regulation specify) of the total of all issued and outstanding Common Shares; or (ii) the total number of votes cast by holders of Class B Shares at any meeting of shareholders of the Corporation exceeds 25% (or such other percentage as the Governor in Council may by regulation specify) of the total number of votes that may be cast at such meeting.

If either of the above two thresholds is met at any time, the votes attached to the Class B Shares will decrease automatically to equal the maximum vote per Class B Share to ensure that the Class B Shares as a class do not carry more than 25% (or such other percentage as the Governor in Council may by regulation specify) of the aggregate votes attached to Common Shares, or the votes that can be cast at the meeting, as applicable.

To the best of Management's knowledge, neither of the above thresholds has been met and therefore, to the best of Management's knowledge, the votes attached to the Class B Shares will not be decreased for the purposes of the Meeting.

In the event that an offer is made to purchase Class A Shares (the "**Offer**"), and the Offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class A Shares are then listed, to be made to all or substantially all of the holders of Class A Shares in a province of Canada to which the requirement applies, each Class B Share will become convertible at the option of the holder into one Class A Share at any time while the Offer is in effect until one day after the time prescribed or permitted by applicable securities legislation for the offeror to take up and pay for such shares as are to be acquired pursuant to the Offer. Such conversion may be exercised only for the purpose of depositing the resulting Class A Shares pursuant to the Offer and the voting rights attached thereto are deemed to remain subject to the restrictions applicable to the Class B Shares, notwithstanding their conversion. In the event that any Class B Shares converted into Class A Shares are not taken up and paid for pursuant to the Offer, the Class A Shares resulting from such conversion will be re-converted into Class B Shares. The above conversion rights apply, *mutatis mutandis*, if an offer is made to purchase Class B Shares and the offer is one which is required, pursuant to applicable securities legislation or the rules of a stock exchange on which the Class B Shares are then listed, to be made to substantially all of the holders of Class B Shares. Further details are contained in the Corporation's Articles of Continuance.

The Corporation's Articles of Continuance also grant to the Board all powers necessary to give effect to the ownership restrictions. The Corporation may adopt various procedures and policies with respect to the transfer of Common Shares of the Corporation to ensure that the 25% limitation (or such higher percentage as the Governor in Council may by regulation specify) on non-Canadian voting of Class B Shares is complied with. In addition, the Corporation may adopt policies and procedures to monitor the number of Common Shares owned by Canadians to ensure that the provisions of the CTA are complied with. To that end, the Corporation currently requires all shareholders to declare whether or not they are Canadian before each meeting of shareholders in order to make any appropriate conversion of Class A Shares to Class B Shares if a shareholder is no longer Canadian and vice versa if a shareholder becomes a Canadian within the meaning of the CTA.

In March 2009, the Government of Canada's Bill C-10, the *Budget Implementation Act, 2009*, received Royal Assent. Bill C-10 contains provisions that would amend the CTA to allow the Governor in Council to increase the foreign ownership limit contained in the CTA from the current 25% to a maximum of 49%. These provisions will come into force on a day to be fixed by order of the Governor in Council made on the recommendation of the Minister of Transport.

## SECTION II: MATTERS TO BE ACTED UPON AT THE MEETING

The Meeting is being called to address the following matters. As of the time of printing of this Circular, Management is not aware of any amendment or variation to the matters to be acted upon at the Meeting or any other matter to be brought before the Meeting.

### FINANCIAL STATEMENTS

The audited consolidated financial statements of the Corporation for the fiscal year ended January 31, 2013 and the auditor's report thereon are included in the 2013 Annual Report of the Corporation available on SEDAR at [sedar.com](http://sedar.com). Shareholders and proxy holders will have an opportunity to review and discuss the financial statements with Management at the Meeting.

### ELECTION OF DIRECTORS

Management's nominees for election as directors are set out below. If elected, each director will serve until the earlier of the Corporation's next annual meeting of shareholders or until the director otherwise ceases to hold office pursuant to the provisions of the *Canada Business Corporations Act*.

Pursuant to the Corporation's Articles of Amendment, the Corporation is authorized to have between one and 15 directors. In accordance with the Corporation's by-laws, the Board has determined that seven directors will be elected at the Meeting.

The Board is in the process of recruiting two additional directors but is unable, at the date of this Circular, to confirm the identity of those directors. The Board expects that it will be in a position to confirm the identity of the additional directors subsequent to the Meeting, in which case the Board will appoint the additional directors in the manner permitted by the Corporation's Articles of Continuance and the *Canada Business Corporations Act*.

**The Management Proxy permits you to vote in favour of all of Management's nominees, to vote in favour of some nominees and to withhold votes for other nominees, or to withhold votes for all nominees. Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the election of all of Management's nominees as directors.**

#### *Nominees for Election as Directors*

The table below sets out information about the persons proposed to be nominated for election as directors at the Meeting. The information as to shares beneficially owned, directly or indirectly, or over which control or direction was exercised as set forth in the table below, has been furnished by the respective proposed nominees individually.

Each of Kenneth Rotman, John Krediet and General Raymond Henault (Ret'd) are being nominated in accordance with the terms of the shareholders agreement dated September 23, 2011 (the "**Shareholders Agreement**") among the Corporation, the holders of the \$70,000,005 principal amount of secured convertible debentures issued by the Corporation on September 23, 2011 (the "**Secured Debentures**") and certain Management shareholders. Among other things, the Shareholders Agreement provides the holders of the Secured Debentures with the right to nominate up to three directors for election or appointment to the Board.

NAME	INFORMATION ABOUT NOMINEE	HOLDINGS <sup>(1), (2), (3), (4)</sup>
<p><b>JAMES L. GOODFELLOW</b> Oakville, Ontario, Canada</p> <p>Director since October 24, 2008</p> <p>Chair of the Audit Committee</p> <p>Member of the Finance and Investment Committee</p> <p>Principal Occupation: Business Consultant</p>	<p>Mr. Goodfellow has been a business consultant since June 2008.</p> <p>Mr. Goodfellow also serves as a director of Canadian Tire Corporation, Limited.</p> <p>Previously, Mr. Goodfellow was a partner and Vice-Chairman of Deloitte &amp; Touche LLP.</p>	<p>Common Shares – nil</p> <p>Deferred Share Units – 50,196</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – nil</p> <p>Unsecured Debentures – nil</p>
<p><b>ALAN R. HIBBEN</b> Toronto, Ontario, Canada</p> <p>Director since August 7, 2008</p> <p>Chair of the Finance and Investment Committee</p> <p>Member of the Audit Committee and the Governance Committee</p> <p>Principal Occupation: Managing Director, RBC Capital Markets</p>	<p>Mr. Hibben has held the position of Managing Director of RBC Capital Markets since April 2011.</p> <p>Mr. Hibben also serves as a director of HudBay Minerals Inc.</p> <p>Mr. Hibben was previously a Partner at Blair Franklin Capital Partners from 2009 to March 2011. Previous to that, he was a Principal at Shakerhill Partners Ltd. (2007 to 2009), the Head, Strategy &amp; Development at RBC Financial Group (2005 to 2007) and the Chief Executive Officer (“CEO”) of RBC Capital Partners (2000 to 2005).</p>	<p>Common Shares – 17,400</p> <p>Deferred Share Units – 58,167</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – nil</p> <p>Unsecured Debentures – nil</p>
<p><b>RAYMOND R. HENAULT, GENERAL (RET'D)</b> Orleans, Ontario, Canada</p> <p>Director since June 12, 2012.</p> <p>Chair of the Governance Committee</p> <p>Member of the Audit Committee</p> <p>Principal Occupation: Strategic Executive Advisor and Chairman of the Board of ADGA Group Consultants Inc.</p>	<p>General Henault (Ret'd) is currently a Strategic Executive Advisor and the Chairman of the Board of ADGA Group Consultants Inc.</p> <p>General Henault (Ret'd) also serves as a director of Eurocopter Canada Limited.</p> <p>General Henault (Ret'd) was previously the Chairman of the NATO Military Committee and a senior military advisor to the North Atlantic Council from June 2005 to June 2008. From June 2001 to February 2005, General Henault (Ret'd) was Chief of the Defence Staff at the rank of General, Canadian Forces. From 1968 to 2008, he was a General Officer in the Canadian Forces.</p>	<p>Common Shares – nil</p> <p>Deferred Share Units – 8,764</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – nil</p> <p>Unsecured Debentures – nil</p>
<p><b>JOSEPH D. RANDELL</b> Wellington, Nova Scotia, Canada</p> <p>Director since August 7, 2008</p> <p>Chair of the Human Resources Committee</p> <p>Member of the Governance Committee</p> <p>Principal Occupation: President and CEO and director of Chorus Aviation Inc.</p>	<p>Mr. Randell is currently the President and CEO and a director of Chorus Aviation Inc.</p> <p>Mr. Randell is also the Chairman of the National Airline Council of Canada. He is also director of the Regional Airlines Association.</p> <p>Mr. Randell was a director of Air Canada Jazz when it made an application pursuant to the <i>Companies' Creditors Arrangement Act</i> (“CCAA”).</p>	<p>Common Shares – nil</p> <p>Deferred Share Units – 58,648</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – nil</p> <p>Unsecured Debentures – nil</p>

NAME	INFORMATION ABOUT NOMINEE	HOLDINGS <sup>(1), (2), (3), (4)</sup>
<p><b>G. JOHN KREDIET</b> Manalapan, Florida, U.S.A.</p> <p>Director since October 14, 2011</p> <p>Member of the Human Resources Committee</p> <p>Principal Occupation: Chairman of C.F. Capital Management LLC</p>	<p>Since 1987, Mr. Krediet has been the Chairman of C.F. Capital Management LLC.</p> <p>Mr. Krediet also serves as a director of Clairvest Group Inc. (since 2004), the Chairman of DS Waters (since 2005) and the Chairman of Can-Eng Partners Ltd. and Can-Eng Furnaces International Ltd. (since 2007).</p> <p>Mr. Krediet was previously the Chairman of TB Wood's, Incorporated (2006 to 2007), the Chairman and CEO of Sparkling Spring Water Holdings Ltd. (1993 to 2003), the Chairman and CEO of independent Pepsi bottling companies named Maritime Beverages and EastCan Beverages (1986 to 1992). Prior to 1986, Mr. Krediet worked in roles in Europe and the U.S.A. at GE Credit Corp., Citibank and Amro Bank.</p>	<p>Common Shares – nil</p> <p>Deferred Share Units – 7,201</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – \$2,000,002.50</p> <p>Unsecured Debentures – nil</p>
<p><b>KENNETH B. ROTMAN</b> Toronto, Ontario, Canada</p> <p>Director since October 14, 2011</p> <p>Member of the Human Resources Committee, the Governance Committee and the Finance and Investment Committee</p> <p>Principal Occupation: Co-CEO, Managing Director and a director of Clairvest Group Inc.</p>	<p>Mr. Rotman joined Clairvest Group Inc. in 1993 and has been the Co-CEO, Managing Director and a director of Clairvest since June 2000.</p> <p>Mr. Rotman also serves as a director of Light Tower Rentals, Inc. (since 2008), Landauer Metropolitan (since 2012) and Wellington Financial. He is one of the founders of Wellington Financial and has been its Chairman since 2000.</p> <p>Prior to joining Clairvest, Mr. Rotman was employed by E. M. Warburg, Pincus &amp; Co. from 1991 to 1993. He has also previously served on the boards of PEER 1 Network Enterprises (2009-2013), Allied International Credit (2001 to 2007), Consoltex (1997 to 1999), Hudson Valley Waste Holding (2010 to 2011), Shepell-fgi (2005 to 2008), Signature Security (1997 to 2006), Sparkling Spring Water (1996 to 2003), Van-Rob (2002 to 2011), Voxcom, Western Co-Axial (1994 to 1997) and Winters Bros. Waste Systems (2006 to 2007), all of which are former Clairvest Group portfolio companies.</p> <p>Mr. Rotman has been a board member of the University Health Network since 2008 and Honest Reporting Canada since 2003, both of which are non-profit organizations.</p> <p>Mr. Rotman served as a director of NRI Industries Inc. when, on September 6, 2006, it and two of its subsidiaries (collectively, “NRI”) filed for protection under CCAA. On April 27, 2007, NRI filed assignments into bankruptcy. He also served as a director of Integral Orthopedics Inc. (“IOI”) until July 18, 2008 when a receiver was appointed under the <i>Bankruptcy and Insolvency Act</i> to sell the assets of IOI. Finally, he served as a director of Nexient Learning Inc. (“Nexient”) until June 5, 2009; on June 26, 2009, Nexient applied for creditor protection under the CCAA.</p>	<p>Common Shares – 59,520</p> <p>Deferred Share Units – 22,535</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – \$70,000,005</p> <p>Unsecured Debentures – nil</p>

NAME	INFORMATION ABOUT NOMINEE	HOLDINGS <sup>(1), (2), (3), (4)</sup>
<p><b>BRIAN J. SEMKOWSKI</b> London, Ontario, Canada</p> <p>Director and Chair of the Board since December 13, 2012</p> <p>Principal Occupation: President, Southwest Sun Group Inc.</p>	<p>Mr. Semkowski has served as the Chair of the Board of the Corporation since December 13, 2012.</p> <p>Mr. Semkowski was first appointed as a director of the Corporation on June 17, 2008 and served in that role until June 20, 2012, when he resigned as a director to serve as the Corporation's interim President and CEO. On December 13, 2012, he concluded his service as the Corporation's President and CEO and was re-appointed as a director of the Corporation and as its Chair of the Board.</p> <p>Mr. Semkowski serves as the President of Southwest Sun Group Inc., Itinerant Software Inc., Pro-Tips Sports Corp. and London City Chrysler Inc. He is also a member of the Fowler Kennedy Sports Medicine advisory board and a director of Scalar Decisions Inc.</p> <p>Previously, Mr. Semkowski served as the Chair of the London Economic Development Corporation.</p>	<p>Common Shares – 114,659</p> <p>Deferred Share Units – 58,065</p> <p>Options &amp; Warrants – nil</p> <p>Secured Debentures – nil</p> <p>Unsecured Debentures – nil</p>

Notes:

- (1) Holdings reflect the number (or, in the case of debentures, principal amount) of securities beneficially owned, or controlled or directed, directly or indirectly, by the proposed director.
- (2) "Unsecured Debentures" refers to the \$34.5 million principal amount of 8.375% convertible unsecured subordinated debentures issued by the Corporation in May 2011 and which are listed on the Toronto Stock Exchange under the symbol DA.DB.A.
- (3) Secured Debenture holdings are stated by reference to their original principal amount (excluding accrued interest).
- (4) Neither the Secured Debentures nor the Unsecured Debentures carry the right to vote on any of the matters before the Meeting.

### ***Material Interests of Directors in the Corporation***

Kenneth Rotman is a director, the Co-CEO and Managing Director of Clairvest Group Inc. ("**Clairvest**"). Mr. Rotman, together with certain of his family members, controls approximately 50% of Clairvest's voting shares. Clairvest's affiliates and investors in certain of Clairvest's funds (the "**Clairvest Parties**") own or exercise control or direction over the rights attaching to approximately \$55 million original principal amount of Secured Debentures. Clairvest also exercises control or direction over the rights attaching to a further \$15 million original principal amount of Secured Debentures, effectively giving Clairvest the ability to exercise control or direction over the rights attaching to all of the Secured Debentures.

John Krediet is also a director of Clairvest and holds approximately \$2 million original principal amount of Secured Debentures.

The Secured Debentures are convertible into Common Shares. The Common Shares issuable on the conversion of the Secured Debentures held by Clairvest, the Clairvest Parties and Mr. Krediet would, on an "as converted basis", represent greater than 10% of the issued and outstanding Common Shares.

### ***Majority Voting for Directors***

The Board has adopted a "Majority Voting Policy", the effect of which is that a nominee for election as a director of the Corporation who receives a greater number of votes "withheld" than votes "for" shall be considered not to enjoy the confidence of the shareholders, even though duly elected as a matter of

corporate law. In such circumstances, a person elected as a director who is considered under this test not to enjoy the confidence of the shareholders will forthwith submit to the Board his/her resignation as a director of the Corporation, to take effect upon acceptance by the Board. In the absence of unusual circumstances as determined by the Board, the Board will accept the resignation and will do so as soon as possible, consistent with an orderly transition.

Subject to any corporate law restrictions, the Board may (i) leave any resulting vacancy unfilled until the next annual general meeting, (ii) fill the vacancy through the appointment of a new director whom the Board considers to merit the confidence of the shareholders, or (iii) call a special meeting of the shareholders at which there will be presented a Management slate to fill the vacant position or positions.

This policy does not apply in any case where the election involves a proxy battle, that is, where proxy material is circulated in support of one or more nominees who are not part of the slate supported by Management and the Board.

### **APPOINTMENT OF AUDITOR**

The Board unanimously recommends that shareholders vote FOR the re-appointment of KPMG LLP as the Corporation's auditors, to hold office until the next annual meeting of shareholders. KPMG LLP has been the accountant, and later the auditor, of the Corporation since its incorporation in November 2004.

The Board proposes that the shareholders authorize the directors to fix the remuneration of the auditor. In the past, the directors have fixed the remuneration of the auditor of the Corporation. Such remuneration has been based upon the complexity of the matters dealt with and time spent by the auditor in providing services to the Corporation. The Board and Management feel that the remuneration negotiated in the past with the auditor of the Corporation has been reasonable under the circumstances and would be comparable to fees charged by another auditor providing similar services.

**Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the resolution to re-appoint KPMG LLP as the Corporation's auditor and authorize the directors to fix the auditor's remuneration.**

### **APPROVAL OF THE 2013 STOCK OPTION PLAN**

Management is proposing that shareholders approve the Corporation's 2013 Stock Option Plan (the "**2013 Plan**"). According to the rules of the Toronto Stock Exchange (the "**TSX**"), all unallocated options, rights or other entitlements under any previously-approved stock option plan that does not have a fixed maximum aggregate of securities issuable must be approved every three years by the listed company's board of directors and (subject to limited exceptions) its shareholders. Rather than seek approval of the unallocated options under the Corporation's existing 2010 Stock Option Plan (the "**2010 Plan**"), Management is proposing approval of the 2013 Plan, which is more flexible than the 2010 Plan and contains additional terms and conditions customarily found in stock option plans. To this end, on April 19, 2013, the Board approved, subject to the approval of the TSX and the Corporation's shareholders, the 2013 Plan in favour of select senior employees and executive officers of the Corporation and its subsidiaries.

The 2013 Plan replaces the 2010 Plan. As such, any stock options granted after the effective date of the 2013 Plan will be issued under, and will be governed by the terms of, the 2013 Plan. All issued and outstanding stock options granted under previous stock option plans (the terms of which are described later in this Circular) will continue to be governed by the terms of those stock option plans. A summary of the 2013 Plan is set out below.

### *Limits on Common Shares Issuable*

The 2013 Plan is a 10% stock option plan, which means that the maximum number of Common Shares issuable pursuant to the 2013 Plan, together with the number of Common Shares issuable pursuant to all other security-based compensation arrangements of the Corporation, cannot exceed 10% of the total issued and outstanding Common Shares of the Corporation as of the date of the grant. The 2013 Plan is also an “evergreen” stock option plan since any increase in the number of issued and outstanding Common Shares and any exercises of options (whether under the 2013 Plan or other security-based compensation arrangements) will result in an increase in the number of Common Shares available for issuance under the 2013 Plan, effectively “re-loading” the number of options available for grant under the 2013 Plan. Accordingly, based on 14,555,611 issued and outstanding Common Shares as of April 30, 2013, the maximum number of Common Shares available for option under the 2013 Plan and all other security-based compensation arrangements of the Corporation is 1,455,561. Since 1,171,205 stock options have already been granted and remain outstanding under the 2006 Plan and 2010 Plan, 284,356 options remain available for granting under the 2013 Plan (if approved by shareholders).

In addition to the above limits, the maximum number of Common Shares issuable to all insiders of the Corporation under the 2013 Plan, together with all Common Shares issuable to insiders under all other security-based compensation arrangements of the Corporation, is limited to no more than 10% of the issued and outstanding Common Shares as of the date of the grant. In addition, the maximum number of Common Shares which may be issued to insiders of the Corporation under the 2013 Plan, together with the number of Common Shares issuable to insiders under all of the Corporation’s other security-based compensation arrangements, may not, in any 12-month period, exceed 10% of the issued and outstanding Common Shares at the date of grant. Subject to the foregoing limits, there is no limit on the number of Common Shares issuable to any one optionee under the 2013 Plan.

### *Eligibility, Exercise Price and Term*

The Board will have the authority to grant options to directors, officers and employees of the Corporation and its subsidiaries. The exercise price for each option will be set by the Board, provided that it may not be less than the market price of a Common Share on the grant date. The market price of a Common Share on the grant date will be calculated by reference to the weighted average trading price of the Common Shares on the TSX, or if the Common Shares are not listed on the TSX, such other stock exchange or securities market on which the Common Shares are listed, on the five trading days (on which at least one board lot of the Common Shares was traded) prior to such date. If the Class B Shares are not listed on any stock exchange or securities market, they will be deemed to have the same Market Price as the Class A Shares.

The Board will have the authority to determine the expiry date for each option, provided that it may not be more than 10 years from the grant date. Where an option expires during a “black-out period” or the 10 day period following the end of such period (the “**Black-Out Expiration Term**”), the term of such option will be extended to the end of the applicable Black-Out Expiration Term.

### *Vesting*

The Board will have the authority to determine when an option will become exercisable or terminable, including whether it will be exercisable in installments, pursuant to a vesting schedule or otherwise. Unless varied by the Board in an option agreement, the 2013 Plan provides that (i) the Board may at any time accelerate all unvested options under the 2013 Plan upon notice to optionees, (ii) the Board may grant optionees the right to acquire the kind and amount of shares or other securities or property that the optionees would have been entitled to receive as a result of certain types of corporate reorganizations if,

on the effective date thereof, the optionees had been holders of all Common Shares issuable upon the exercise of vested or unvested options, (iii) in the event that any person, entity or group of persons or entities acting jointly or in concert acquire direction or control over all of the Common Shares or all or substantially all of the assets of the Corporation such that the Corporation is effectively sold in its entirety, all unvested options will vest; and (iv) in the event that an optionee's employment is terminated without just cause in the 12 month period following a change of control of the Corporation, all unvested options will vest.

For purposes of the latter scenario, a "change of control" of the Corporation means any one or more of (i) a consolidation, merger, amalgamation, arrangement or other reorganization or acquisition involving the Corporation or any of its affiliates and another corporation or entity as a result of which holders of outstanding Common Shares prior to the completion of the transaction hold less than 50% of the Common Shares of the successor corporation after the completion of the transaction, (ii) assets, rights or properties of the Corporation and/or any of its subsidiaries having an aggregate book value greater than 50% of the book value of the assets, rights and properties of the Corporation and its subsidiaries on a consolidated basis are sold, leased, exchanged or otherwise disposed of to another person or entity (other than disposition to a wholly-owned subsidiary of the Corporation), (iii) the Board adopts a resolution to wind-up, dissolve or liquidate the Corporation, (iv) any person, entity or group of persons or entities acting jointly or in concert acquire control or direction over Common Shares which, when added to the Common Shares which they already hold or have direction or control over, would entitle them to cast or direct the casting of more than 50% of the votes attached to all of the Common Shares which may be cast to elect the directors of the Corporation or its successor, or (v) the Board adopts a resolution determining, in its sole and unfettered discretion, that a "change of control" or another event that would materially alter the structure of the Corporation or its ownership has occurred or is imminent. Notwithstanding the above, a "change of control" will not be deemed to have occurred under scenarios (i) through (iv) if the change of control results from (a) the purchase and cancellation by the Corporation of securities of its own issue, (b) the acquisition (including upon the exercise of a conversion right or otherwise) of securities of the Corporation by any one or more of the Corporation's security holders that holds (on a post-conversion basis) 10% or more of all issued and outstanding Common Shares or anyone under the control or direction of any one or more of such security holders, or (c) a combination of (a) and (b).

#### *Stock Appreciation Rights*

The Board may grant stock appreciation rights ("SARs") in conjunction with any grant of options. Each SAR may only be exercised at the same time and to the same extent that the option to which it relates is exercisable. On the exercise of a SAR, the optionee will be entitled to receive such number of Common Shares or the cash equivalent equal to the excess, if any, of (i) the market price of Common Shares entitled to be acquired upon exercise of such option as of the date of the exercise, over (ii) the exercise price of such option.

#### *Termination of Affiliation*

In the event that an optionee ceases to be a director, officer or employee of the Corporation and its subsidiaries, the optionee may exercise his or her vested options as follows: (i) in the event of the optionee's death or permanent disability, the vested portion of each option may be exercised at any time up to but not later than the earlier of the option's expiry date and the date that is 12 months after the date of death or permanent disability; (ii) in the event of the optionee's termination for cause, the vested portion of each option may be exercised at any time up to but not later than the earlier of the option's expiry date and the date the optionee ceased to be a director, officer or employee of the Corporation; and (iii) in the event that the optionee ceases to be employed or engaged by the Corporation and its subsidiaries for any other reason (including voluntary resignation, involuntary termination without cause or retirement), the vested portion of each option may be exercised at any time up to but not later than the

earlier of the option's expiry date and the date that is 90 days after the date on which the optionee ceases to be employed or engaged by the Corporation and its subsidiaries.

#### *Financial Assistance, Assignability and Transferability*

The Corporation does not provide any financial assistance to optionees under the 2013 Plan. Options are non-assignable and non-transferable by the optionee, other than by will or the laws of descent and distribution or to a registered retirement savings plan, registered retirement income fund or tax free savings account.

#### *Amendments*

The Corporation retains the right to terminate the 2013 Plan or amend the terms and conditions of the 2013 Plan and any option agreement thereunder by resolution of the Board (the "**Amendment Procedure**"). Amendments to the 2013 Plan will take effect only with respect to options granted after the effective date of such amendment, provided that it may apply to any outstanding options with the mutual consent of the Corporation and the optionees to whom such options have been granted. Without limiting the generality of the foregoing, the Board may use the Amendment Procedure without seeking shareholder approval when:

- (i) altering, extending or accelerating the terms and conditions of vesting of any options;
- (ii) extending the term of options held by a person other than a person who, at the time of the extension, is an insider of the Corporation;
- (iii) accelerating the expiry date of options;
- (iv) amending the definitions contained within the 2013 Plan;
- (v) amending or modifying the mechanics of exercise of options, provided however, if no corresponding SAR was granted, payment in full of the exercise price for the Common Shares shall not be so amended or modified;
- (vi) effecting amendments of a "housekeeping" or administrative nature including, without limiting the generality of the foregoing, any amendment for the purpose of curing any ambiguity, error, inconsistency or omission in or from the 2013 Plan or any option agreement thereunder;
- (vii) effecting amendments necessary to comply with the provisions of applicable laws (including, without limitation, the rules, regulations and policies of the TSX);
- (viii) effecting amendments respecting the administration of the 2013 Plan;
- (ix) effecting amendments necessary to suspend or terminate the 2013 Plan; and
- (x) any other amendment, whether fundamental or otherwise, not requiring shareholder approval under applicable law (including, without limitation, the rules, regulations, and policies of the TSX).

Shareholder approval will be required for the following types of amendments:

- (a) amendments that increase the number of Common Shares issuable under the 2013 Plan, except such increases due to special distributions, share or corporate reorganizations;
- (b) any reduction in the exercise price of an option if the optionee is not an insider at the time of the proposed amendment; and
- (c) amendments required to be approved by shareholders under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the TSX).

Disinterested shareholder approval (as defined in the rules, regulations and policies of the TSX) will be required for the following types of amendments:

- (a) amendments to the 2013 Plan that could result at any time in the number of Common Shares reserved for issuance under the 2013 Plan to insiders exceeding 10% of the outstanding issued and outstanding Common Shares;

- (b) amendments to the 2013 Plan that could result at any time in the issuance to insiders, within a 12 month period, of a number of Common Shares exceeding 10% of the outstanding issued and outstanding Common Shares;
- (c) any reduction in the exercise price of an option if the optionee is an insider at the time of the proposed amendment; and
- (d) amendments requiring disinterested shareholder approval under applicable law (including, without limitation, pursuant to the rules, regulations and policies of the TSX).

#### *Approval of 2013 Plan*

The 2013 Plan will not become effective unless it is approved by a majority of the votes cast in its favour by the shareholders present in person or represented by proxy at the Meeting. The resolution to adopt the 2013 Plan is set forth below:

**“RESOLVED THAT:**

- 1. the 2013 Stock Option Plan (the “2013 Plan”) of Discovery Air Inc. (the “Corporation”), as described in the Management Proxy Circular of the Corporation dated May 10, 2013, is hereby approved;**
- 2. the Corporation shall seek the approval of its shareholders for all unallocated options, rights or other entitlements under the 2013 Plan by no later than May 10, 2016; and**
- 3. any officer of the Corporation is hereby authorized to do all such things and to sign, execute and deliver any and all documents and instruments as may be necessary or advisable in order to give effect to this resolution.”**

The Board and Management recommend that the shareholders vote in favour of the approval of the resolution. **Unless contrary instructions are indicated on the form of proxy or the voting instruction form, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the adoption of the 2013 Plan.**

#### AMENDMENT TO ARTICLES

The Corporation’s Articles of Continuance (as amended by Articles of Amendment) currently provide that the jurisdiction in which the registered office of the Corporation is situated is the Northwest Territories. As the Corporation intends to change the location of its head office to Toronto, Ontario, Management proposes changing the jurisdiction in which the registered office of the Corporation is situated to the Province of Ontario. The resolution to approve the change in the jurisdiction of the Corporation’s registered office is set forth below:

**“RESOLVED THAT:**

- 1. the Articles of Continuance of Discovery Air Inc. (the “Corporation”) be amended to state that the province or territory in Canada where the registered office of the Corporation is to be located is the Province of Ontario; and**
- 2. any officer of the Corporation is hereby authorized to do all such things and to sign, execute and deliver any and all documents and instruments as may be necessary or advisable in order to give effect to this resolution.”**

The Board recommends that the shareholders vote in favour of the approval of the resolution. **In the absence of a contrary instruction, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the proposed amendment to the Corporation’s Articles of Continuance.**

## AMENDMENT TO BY-LAW NO. 1

On April 19, 2013, the Board approved several amendments to By-Law No. 1 of the Corporation (the “By-Law”):

- Section 4.2 of the By-Law was amended to state that, in addition to the President or any two directors, the Chairman of the Board may also convene a meeting of the Board.
- Section 4.8 of the By-Law was amended to state that the Chairman of the Board (not the President or any other officer in his absence), shall preside as chair of every meeting of directors of the Corporation.
- Section 10.8 of the By-Law was amended to state that the Chairman of the Board (not the President) or any other director (not any other officer) shall preside as chair of every meeting of shareholders of the Corporation.

The Board believes that the above amendments are consistent with common corporate practice.

Sections 4.2, 4.8 and 10.8 of the By-Law are reproduced below in their entirety with the new text shown underlined and the deleted text shown with a line through it:

### **4.2 Calling Meetings**

A meeting of the Board may be convened at any time by the President, the chairman of the Board or any two directors, and the Secretary shall upon direction of any of the foregoing, convene a meeting of the Board. A meeting of any committee may be convened at any time by the committee chair or any two members of the committee, and the Secretary shall upon the direction of either of the foregoing, convene a meeting of such committee. Except as otherwise provided by the Act and the by-laws, the directors either as a Board or as a committee thereof may convene, adjourn and otherwise regulate their meetings as they think fit.

### **4.8 Chair of Meeting**

The ~~President~~ chairman of the Board ~~or in his or her absence, any other officer,~~ shall preside as chair of every meeting of directors of the Corporation, but if at any meeting the ~~chair~~ chairman of the Board is not present within 30 minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chair of the meeting.

### **10.8 Calling Meeting**

The ~~President~~ chairman of the Board, or in his or her absence, any other ~~officer~~ director shall preside as chair of every meeting of shareholders of the Corporation. If ~~there is~~ no such chair, ~~or if at any meeting he or she is not~~ present within 30 minutes after the time appointed for holding the meeting or he or she is unwilling to act as chair, the shareholders present may choose one of their number to be chair of the meeting.

The foregoing amendments are contained in the Second Amendment to By-Law No. 1 (the “**By-Law Amendment**”), which was approved by the Board on April 19, 2013 and is attached as Annex “A” to this Circular. In accordance with the *Canada Business Corporations Act*, the Board must submit the By-Law Amendment to the shareholders at the next meeting of shareholders. At such meeting, the shareholders may, by ordinary resolution, confirm, amend or reject the By-Law Amendment.

The resolution to confirm the By-Law Amendment is set forth below:

**“RESOLVED THAT the Second Amendment to By-Law No. 1 of Discovery Air Inc. (the “Corporation”), as approved by the Corporation’s Board of Directors on April 19, 2013, and as attached as Annex “A” to the Corporation’s Management Proxy Circular dated May 10, 2013, is hereby confirmed.”**

The Board recommends that the shareholders vote in favour of the confirmation of the By-Law Amendment. **In the absence of a contrary instruction, the persons designated in the accompanying form of proxy or voting instruction form intend to vote FOR the confirmation of the By-Law Amendment.**

### **OTHER MATTERS**

The Meeting may transact such further other business as may properly come before the Meeting or any adjournment thereof.

## **SECTION III: CORPORATE GOVERNANCE**

### **BOARD PRACTICES AND STRUCTURES**

#### ***Meetings***

The Board holds quarterly, scheduled meetings throughout the fiscal year and, in addition thereto, holds a number of other in-person and telephone meetings to deal with specific issues as they arise. The Board and each committee of the Board regularly (although not always) holds *in-camera* meetings at which members of Management are not in attendance (except, on occasion, the Corporate Secretary who remains in the meeting at the request of the meeting chair). During the last fiscal year, the Board held eight *in-camera* meetings, the Audit Committee held five *in-camera* meetings, the Human Resources Committee held four *in-camera* meetings, the Governance Committee held one *in-camera* meeting and the Finance and Investment Committee did not hold any *in-camera* meetings.

#### ***Composition of the Board and Independence***

According to the Corporation’s Articles of Continuance (as amended) and by-laws, the Board must be comprised of between one and 15 directors and the Board fixes the number of directors within that range. The Board has fixed the size of the Board at seven, and Management proposes to nominate seven persons for election as directors at the Meeting. The Board considers a board size of nine members to be the ideal number for the Corporation’s size and the nature of its business, however, as at the date of this Circular, the Board is unable to confirm the identity of two of the proposed directors. Accordingly, the Board expects that it will be in a position to confirm the identity of the additional directors subsequent to the Meeting, in which case the Board will appoint the additional directors in the manner permitted by the Corporation’s Articles of Continuance and the *Canada Business Corporations Act*.

Brian Semkowski, the Chair of the Board, is independent. Although he served as the Corporation’s President and Chief Executive Officer between June 20, 2012 and December 13, 2012, his service was on

an interim basis only and the Board does not consider him to have a material relationship with the Corporation. His role and responsibilities as the Chair of the Board are set out in the Position Description for the Chair of the Board, which is attached hereto as Annex “C.”

In addition to being directors of the Corporation, several of the directors proposed for election at the Meeting sit on the boards of other reporting issuers. Alan Hibben is a director of HudBay Minerals Inc., John Krediet is a director of Clairvest, James Goodfellow is a director of Canadian Tire Corporation, Limited and Kenneth Rotman is a director of Clairvest.

The Board has determined that six of the seven proposed directors are “independent” for the purposes of the Canadian Securities Administrators’ National Policy 58-201 – Corporate Governance Guidelines (“NP 58-201”).

NAME	INDEPENDENCE STATUS OF DIRECTOR NOMINEES			
	MANAGEMENT	INDEPENDENT	NOT INDEPENDENT	REASON FOR NON-INDEPENDENT STATUS
James L. Goodfellow		✓		
Raymond R. Henault, General (Ret’d)		✓		
Alan R. Hibben		✓		
G. John Krediet		✓		
Joseph D. Randell		✓		
Kenneth B. Rotman			✓	Merchant banking agreement, and the ability to exercise control or direction over all of the Secured Debentures
Brian J. Semkowski		✓		

#### ***Non-Independent Director***

In addition to being a director of Clairvest, Kenneth Rotman is also Clairvest’s Co-CEO and Managing Director. Due to certain advisory services provided by Clairvest to the Corporation in exchange for compensation, Mr. Rotman is deemed by section 1.5 of *National Instrument 52-110 – Audit Committees* (“NI 52-110”) not to be independent for purposes of Audit Committee membership. The Board has also determined that Mr. Rotman has a “material relationship” (as that term is defined in NI 52-110) with the Corporation by virtue of his position as Co-CEO of Clairvest and Clairvest’s ability to exercise control or direction over all of the Secured Debentures.

#### ***Independent Directors***

In determining that six of the directors proposed for election are independent, the Board decided that each such director has no material relationship with the Corporation, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Corporation, and that each director did not receive any consulting, advisory or other compensatory fees from the Corporation, except in his capacity as a member of the Board or a committee of the Board. In addition, in determining independence, the Board found that (i) no director has been an employee (and no immediate family member of the director has been an executive officer of the Corporation within the past three years), (ii) each director has not received (and no immediate family member of the director has received) more than \$75,000 per year in direct compensation from the Corporation, other than director and committee fees and other forms of deferred compensation for prior service, in any of the past three years, and (iii) each director is not a current partner or employee of KPMG LLP, the Corporation’s external auditor, and within the past three years has not been a partner or employee of KPMG LLP (and no immediate family member of a director

is a current partner or employee of KPMG LLP who participates in that firm's audit, assurance or tax compliance practice or within the past three years was a partner or employee of KPMG LLP who personally worked on the Corporation's audit).

In order to assist the Board in making its determination with respect to the independence of its members, each director is asked annually to disclose any direct or indirect business relationships or interests in transactions between such director and the Corporation or any of its subsidiaries. This information is further supplemented by internal inquiries that are conducted concerning the details of any business relationships or transactions that may exist between the Corporation and other corporations or organizations in which our directors have a direct or indirect interest. This information is reviewed by the Board at least annually as well as on an on-going basis as appropriate in light of applicable factual circumstances in order to permit the Board to make its independence determinations.

In addition, either the Board or one of its committees regularly reviews a summary of the equity holdings of the insiders of the Corporation, which includes the holdings of each director.

Finally, each year, all directors certify their compliance with the Corporation's Code of Conduct, which includes a requirement for the directors to declare any material relationships and any actual or potential conflict of interest.

Although John Krediet was presented in the Corporation's 2012 Management Proxy Circular as a non-independent director, the Governance Committee of the Board re-examined Mr. Krediet's independence and, on the recommendation of the Governance Committee, the Board determined on September 7, 2012 that Mr. Krediet is an independent director. In making this determination, the Board considered the Governance Committee's analysis which included, among other factors, consideration of the extent to which Mr. Krediet exercised control or direction over the Secured Debentures and the alignment between his personal interest as a holder of Secured Debentures and the interests of the Corporation's shareholders.

***Interlocking Directorships***

Kenneth Rotman and John Krediet are both directors of the Corporation and directors of Clairvest.

***Board and Committee Attendance***

The following numbers of Board and committee meetings were held since the beginning of fiscal 2013:

Board of Directors.....	19
Audit Committee.....	6
Human Resources Committee.....	8
Governance Committee .....	5
Finance and Investment Committee.....	3

For the period since the start of fiscal 2013, the following table sets out: (i) the number of Board meetings attended by each person who was a director during the period; and (ii) the number of Board committee meetings attended by each member of the respective Board committees.

Name	Number of Meetings Attended					Percentage
	Board (19 meetings)	Audit Committee (6 meetings)	Human Resources Committee (8 meetings)	Governance Committee (5 meetings)	Finance and Investment Committee (3 meetings)	
Gilbert S. Bennett *	12 of 14					86%
James L. Goodfellow	16 of 19	6 of 6			3 of 3	89%
Raymond R. Henault	13 of 13	2 of 3		4 of 4		95%
Alan R. Hibben	19 of 19	6 of 6	2 of 2	5 of 5	3 of 3	100%
David A. Jennings *	7 of 10				1 of 2	67%
G. John Krediet	11 of 19		4 of 4			65%
Joseph D. Randell	18 of 19		8 of 8	5 of 5		97%
Kenneth B. Rotman	18 of 19		8 of 8	5 of 5	3 of 3	97%
Wayne C. Sales *	9 of 9		2 of 2	1 of 1		100%
Brian J. Semkowski	12 of 12	3 of 3	2 of 2			100%

Note 1: The symbol “\*” indicates that the director will not be proposed for election at the Meeting.

Note 2: General Henault (Ret’d) and Messrs. Bennett, Jennings, Sales and Semkowski did not serve on the Board for the entire period; therefore, their attendance at Board and committee meetings is based on the number of meetings that were held while they served as directors. Similarly, Messrs. Hibben and Krediet did not serve as members of the Human Resources Committee for the entire fiscal year; therefore, their attendance is based on the number of meetings that were held while they served as members of the Human Resources Committee. Also note that two of the 18 Board meetings were held without prior notice but with the consent of the absent directors.

## **BOARD MATTERS**

### ***Board Mandate***

A copy of the Mandate of the Board can be found attached hereto as Annex “B”.

### ***Position Descriptions***

Position descriptions adopted by the Board can be found attached hereto as follows:

- Position Description for the Chair of the Board – Annex “C”;
- Position Description for Committee Chairs – Annex “D”;
- Position Description for Directors – Annex “E”; and
- Position Description for the Chief Executive Officer – Annex “F”.

As indicated above, the Board has created one position description for all committee chairs. The Board believes that there sufficient similarities in the roles and responsibilities of committee chairs that they should be dealt with in one position description. Their respective roles and responsibilities are then further delineated by reference to each Board committee’s roles and responsibilities as set out in their respective charter.

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

The Governance Committee is responsible for the orientation and continuing education of new directors. The expectations of a new director on the Board, including specific responsibilities, committee appointments, workload and time commitments, are discussed with potential candidates. New directors are provided with, among other things, the Corporation’s Articles of Continuance, by-laws, Board mandate and committee charters, Code of Conduct, position descriptions for the Board Chair, committee chairs and the CEO, copies of the Corporation’s key policies and procedures, the strategic plan, the current year budget and forecasts, financial statements, and minutes of meetings of the Board and its committees.

The continuing education of Board members is accomplished through the preparation and presentation of written material to the directors by Management regarding various subject matters. In addition, members of Management give presentations on emerging issues in order to keep the Board up-to-date with relevant matters. This process may be initiated at the request of the Board, a committee or an individual director, or it may be initiated by Management. In addition, the Board’s committees have the authority to engage independent advisors as they deem necessary to permit them to carry out their duties.

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

The Board has adopted a written Code of Conduct for the directors, officers and employees of the Corporation and its subsidiaries. The Code of Conduct is available with the Corporation’s other publicly disclosed documents on SEDAR at [www.sedar.com](http://www.sedar.com). A copy may also be requested by contacting the Corporate Secretary of the Corporation at 170 Attwell Drive, Toronto, Ontario, M9W 5Z5. The Board reviews the Code of Conduct each year and receives reports from Management regarding compliance with various aspects of the code.

In addition to the Code of Conduct, the Board has adopted a Conflict of Interest Policy which applies to all directors, officers and employees. The policy defines conflicts and sets out the rules regarding conflicts within the Corporation. It further provides a mechanism whereby potential conflicts are to be identified and reported.

The Board has also adopted a Confidential Submissions Policy. To assist with the implementation of the policy, the Corporation has established a confidential reporting service maintained by an independent outside service provider, EthicsPoint Inc. Employees may make a confidential submission with respect to any concern they may have by a toll-free telephone line or via a web-based reporting system. The Board receives quarterly reports from the Corporate Compliance Officer (currently the General Counsel) with respect to reports received and the disposition thereof.

### ***Nomination of Directors***

From time to time it is both necessary and desirable for new candidates to be identified and appointed to the Board. The Governance Committee is, among other things, responsible for identifying and recommending candidates for election or appointment to the Board.

Three of the four members of the Governance Committee are independent. At present, the Governance Committee includes all members (regardless of whether they are independent or not) in discussions concerning potential candidates for Board membership. The Board encourages an objective nomination process by soliciting the views of all directors on the skills and experience required by the Board and by ensuring that all directors have an equal opportunity to nominate candidates and debate the relative merits of all proposed candidates openly at meetings of the Governance Committee and the Board.

### ***Board Assessments***

It is a responsibility of the Governance Committee to regularly assess the Board, its committees and individual directors with respect to their effectiveness and contribution. Assessments were completed for the Board and its committees during fiscal 2013. The Corporate Secretary and the Chair of the Governance Committee produced a compendium of the responses and reviewed the results with the Governance Committee and, subsequently, the Board.

### ***Director Succession Planning***

The Board, through the Governance Committee, has the responsibility to review the skills and experience represented on the Board in light of the Corporation's strategic direction, opportunities and risks, and the Board's most recent performance evaluations. With a view to succession planning and recruitment, the Governance Committee maintains a Board composition matrix which describes the current directors' experience, competencies and skills and identifies areas where additional skills would be helpful. The Chair of the Governance Committee also periodically requests the views of all Board members as to the skills and experience they believe are required by the Board. These inputs assist the Board with the identification and recruitment of new directors. Key attributes identified with respect to the current Board include in-depth knowledge of the U.S. and South American markets, and influence in the mining, oil and gas and defence sectors.

### ***Enterprise Risk Management***

The Board has oversight responsibility for risk. This includes taking reasonable steps to ensure that Management has an effective risk management structure in place to identify, understand and appropriately manage the risks of the Corporation's business. In addition, the Board has the responsibility to understand the material risks of the Corporation's business and the related mitigation strategies and tactics.

Management has developed and implemented an enterprise risk management process that assesses the most significant risks to the business of the Corporation and its subsidiaries as a whole. The process includes an annual assessment of the Corporation's strategic, operational, reporting and compliance risks by members of the Corporation's senior management team, and the subsequent creation of risk mitigation

plans for those risks identified through the assessment process as having the highest combined probability and impact ratings.

### COMMITTEES OF THE BOARD

The Board has four standing committees: the Audit Committee, the Human Resources Committee, the Governance Committee and the Finance and Investment Committee. The following directors are members of the following Board committees:

AUDIT COMMITTEE	GOVERNANCE COMMITTEE	HUMAN RESOURCES COMMITTEE	FINANCE AND INVESTMENT COMMITTEE
James L Goodfellow <b>(Chair)</b>	Gen. Raymond R. Henault (Ret'd) <b>(Chair)</b>	Joseph D. Randell <b>(Chair)</b>	Alan R. Hibben <b>(Chair)</b>
Gen. Raymond R. Henault (Ret'd)	Alan R. Hibben	G. John Krediet	James L Goodfellow
Alan R. Hibben	Joseph D. Randell	Kenneth B. Rotman	David A. Jennings*
--	Kenneth B. Rotman	--	Kenneth B. Rotman

The symbol “\*” indicates that the director will not be proposed for election at the Meeting.

#### ***Governance Committee Report***

The Governance Committee met twice during fiscal 2013. In the course of the year, the Governance Committee, among other things:

- reviewed the Corporation’s director orientation and continuing education practices;
- reviewed and made certain recommendations to the Board concerning the Corporation’s Conflict of Interest Policy and Code of Conduct;
- reviewed and made certain recommendations to the Board concerning the composition of the Board’s committees;
- reviewed and made certain recommendations to the Board concerning the Mandate of the Board, the charters of the Board committees and the position descriptions for the Chair of the Board, the Board committee chairs and the CEO;
- re-assessed the independence of John Krediet and recommended that the Board declare him to be an independent director;
- reviewed the appropriateness of the form and amount of the compensation payable to directors, including for the new Finance and Investment Committee;
- conducted an assessment of the effectiveness of the Board and its committees;
- reviewed the skills and experience possessed by the Board; and
- reviewed the Board’s delegation of authority to the CEO and recommended certain changes thereto.

For further information about the role and responsibilities of the Governance Committee, see the Governance Committee Charter attached hereto as Annex “G”.

### ***Human Resources Committee Report***

The report of the Human Resources Committee can be found under the heading “Part IV: Executive Compensation - Compensation Governance.”

For further information about the role and responsibilities of the Human Resources Committee, see the Human Resources Committee Charter attached hereto as Annex “H”.

### ***Audit Committee Report***

Information pertaining to the Audit Committee can be found in the Corporation’s Annual Information Form for the year ended January 31, 2013, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Copies of the Annual Information Form can be obtained free of charge upon request in writing to the contacting the Corporate Secretary of the Corporation at 170 Attwell Drive, Toronto, Ontario, M9W 5Z5.

For further information about the roles and responsibilities of the Audit Committee, see the Audit Committee Charter attached hereto as Annex “I”.

### ***Finance and Investment Committee Report***

The Finance and Investment Committee met twice during fiscal 2013. In the course of the year, the Finance and Investment Committee, among other things:

- developed a preliminary review process for proposed investment and financing transactions requiring Board approval;
- developed with Management templates for use in the preliminary review process and business case presentations to the Board;
- reviewed Management’s model for forecasting the Corporation’s surplus cash available for investment and debt capacity; and
- reviewed the Corporation’s existing capital structure and potential sources of financing.

For further information about the role and responsibilities of the Finance and Investment Committee, see the Finance and Investment Committee Charter attached hereto as Annex “J”.

## **DIRECTOR COMPENSATION**

### ***Director Compensation Program***

The director compensation program is designed to appropriately compensate Board members for undertaking the responsibilities, commitments and risk associated with Board membership and to assist the Corporation in attracting and retaining individuals with necessary experience and abilities.

Director compensation is determined by the Board upon the recommendation of the Governance Committee. In formulating its recommendations, the Governance Committee considers publicly available reports regarding prevailing practices and trends in the area of director compensation.

Unlike compensation for named executive officers (as such term is defined in Form 51-102F6), the directors’ compensation is not designed to pay for performance. Rather, directors (other than the Chair of the Board) receive a combination of retainers, chair fees, meeting attendance fees and travel fees as shown in the chart below. For any Board or committee meeting of less than one hour’s duration, the Chair of the Board, in his discretion, may determine that a reduced attendance fee be paid or that no attendance fee be paid for that meeting. The Chair of the Board receives an annual Chair retainer of

\$130,000 but receives no other retainer or fees payable to directors. All directors (including the Chair of the Board) are reimbursed for reasonable travel and other expenses incurred when attending meetings.

A portion of the retainers and fees payable to directors (including the Chair of the Board) may be received in the form of deferred share units (“**DSUs**”). DSUs serve to align the directors’ interests with the interests of the Corporation, as the value of each DSU equates to the value of a Class A Share and cannot be accessed until the director ceases, or is deemed by law to have ceased, to serve as a director of the Corporation. To encourage that alignment, the Board has established share ownership guidelines for the directors which are set at four times the value of the annual Board retainer to be achieved within five years of becoming a director. The share ownership guidelines may be achieved through the holding of Common Shares or DSUs, and the value of a director’s holdings is calculated by reference to the original acquisition cost to the director of such Common Shares or DSUs. The value of the DSUs received by the directors in relation to the fiscal year ended January 31, 2013 is provided in the chart below under the column entitled “Share-based Awards”.

DSUs are governed by the terms of an Amended and Restated Deferred Share Unit Plan for Directors (the “**DSU Plan**”). The DSU Plan permits directors to elect the percentage of their remuneration from the Corporation that they wish to receive in the form of DSUs. The DSU Plan is unfunded, and DSUs may not be assigned or otherwise transferred by the directors. The Board has the authority to amend (subject to certain conditions) or terminate the DSU Plan.

**Summary of Fees for Fiscal Year Ended January 31, 2013**

The compensation arrangements for directors in fiscal 2013 were as follows:

TYPE OF FEE <sup>(1),(2)</sup>		AMOUNT
<b>ANNUAL RETAINER</b>		
Chair of the Board (inclusive of all other meeting fees)		\$130,000
Board Member (except Board Chair)		\$37,500
Audit Committee Chair		\$12,000
Governance Committee Chair		\$9,000
Human Resources Committee Chair		\$11,000
Finance and Investment Committee Chair		\$17,500
Audit Committee Member		\$4,000
Governance Committee Member		\$3,000
Human Resource Committee Member		\$3,500
Finance and Investment Committee Member		\$11,500
<b>ATTENDANCE FEES <sup>(3)</sup></b>		
a)	Fees for In-Person Attendance (including committee Chairs)	
	Board Meetings	\$2,000
	Audit Committee Meetings	\$2,000
	Governance Committee Meetings	\$1,500
	Human Resources Committee Meeting	\$1,800
	Finance and Investment Committee Meeting <sup>(4)</sup>	nil

TYPE OF FEE <sup>(1),(2)</sup>		AMOUNT
b)	Fees for Telephone Attendance (including committee Chairs)	
	Board Meetings	\$1,500
	Audit Committee Meetings	\$1,500
	Governance Committee Meetings	\$1,200
	Human Resources Committee Meeting	\$1,500
	Finance and Investment Committee Meeting <sup>(4)</sup>	nil
Travel Fee <sup>(5)</sup>		\$1,000
Notes:		
(1)	Pursuant to the DSU Plan, directors may elect to receive some, none or all of their compensation in DSUs (with the remainder, if any, paid in cash).	
(2)	In fiscal 2013, retainers were paid to directors quarterly in advance and meeting fees were paid to directors quarterly in arrears. The Board recently eliminated this distinction such that all director compensation is now paid quarterly in arrears.	
(3)	If a meeting of the Board or a committee thereof has a duration of less than one hour, the Chair of the Board is authorized to reduce the attendance fee payable for such meeting or determine that no attendance fee is payable.	
(4)	The Chair and the members of the Finance and Investment Committee are paid an all-inclusive retainer for their service in lieu of any meeting attendance fees.	
(5)	If a director is required to travel for more than four hours (round trip) to attend a Board or committee meeting, the director receives a travel fee of \$1,000.	
(6)	(a) Mileage Expense - Directors who drive their cars to attend Board or committee meetings are entitled to receive a mileage charge at the same rate paid to employees of the Corporation. (b) Other Expenses - Director are reimbursed for other expenses reasonably incurred by them to attend Board or committee meetings (including economy airfare and overnight accommodation costs) based on submitted receipts. (c) Technology - Directors are provided (upon request) with an iPad for the receipt and review of Board and committee meeting materials. Directors are required to return the iPad to the Corporation upon ceasing to be a director.	

### ***Summary of Director Compensation for the Fiscal Year Ended January 31, 2013***

The following table sets out the compensation earned by members of the Board in fiscal 2013.

Name	Fees Paid in Cash (\$)	Share-based Awards <sup>(1)</sup> (\$)	All Other Compensation (\$)	Total (\$)
Gilbert S. Bennett*	48,750	48,750	nil	97,500
James L. Goodfellow	83,492	19,764	nil	103,256
Raymond R. Henault	43,516	18,651	nil	62,167
Alan R. Hibben	70,743	38,364	nil	109,107
David A. Jennings*	52,705	nil	nil	52,705
G. John Krediet	52,809	14,064	nil	66,873
Joseph D. Randell	75,431	25,569	nil	101,000
Kenneth B. Rotman	64,918	34,739	nil	99,657
Wayne C. Sales*	35,412	4,688	nil	40,100
Brian J. Semkowski	58,444	29,770	nil	88,213

Note 1: The value of share-based awards represents the value of DSUs earned by each director in the fiscal year ended January 31, 2013. All DSUs vest on the date of grant but are only accessible to the director upon ceasing (or being deemed to cease) to serve as a director of the Corporation. The value is calculated by multiplying the number of DSUs on the date of grant by the weighted average price at which Class A Shares traded on the TSX during the 10 day period prior to and including the last day before the date of grant.

Note 2: The symbol “\*” indicates that the director will not be proposed for election at the Meeting.

## SECTION IV: EXECUTIVE COMPENSATION

### COMPENSATION GOVERNANCE

#### *Human Resources Committee Report*

The Board has established a committee of the Board known as the Human Resources Committee (the “**HR Committee**”). The primary purpose of the HR Committee is to assist the Board in fulfilling its oversight responsibilities in the area of human resources. This oversight includes, but is not limited to:

- (a) the existence within the Corporation of effective policies and practices to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet the primary objective(s) which, with the approval of the Board, the President and CEO proposes to pursue in managing the business and affairs of the Corporation;
- (b) the appointment, performance evaluation and compensation of the CEO and other officers of the Corporation, and Presidents of the Corporation’s subsidiaries and business units (collectively, “**Executive Management**”);
- (c) the succession planning systems and processes relating to members of Executive Management;
- (d) the compensation structure for members of Executive Management, including salaries, annual and long-term incentive plans;
- (e) benefit plans for members of Executive Management;
- (f) the design of any profit sharing or other incentive programs for employees (other than members of Executive Management) of the Corporation and its subsidiaries and affiliates; and
- (g) share ownership guidelines (if any) for members of Executive Management.

The HR Committee met six times during fiscal 2013. At three of the six meetings, the HR Committee held a portion of the meeting *in camera* with no members of Management present. At the other three meetings, the only members of Management who remained in the *in camera* portion of the meeting were the Corporate Secretary or the interim President and CEO, or both.

In the course of the year, the HR Committee:

- reviewed and made recommendations to the Board concerning the Corporation’s compensation philosophy;
- reviewed and made recommendations to the Board concerning the Corporation’s annual and long-term incentive plans for Executive Management;
- reviewed and made recommendations to the Board concerning base salary increases for select members of Executive Management;
- managed the process for identifying and recruiting the Corporation’s new President and CEO;
- reviewed and made recommendations to the Board concerning the appointment and compensation of certain officers of the Corporation, including the Chief Financial Officer (the “**CFO**”) and the President and CEO;
- reviewed the Corporation’s succession plan and training and development initiatives for Executive Management; and
- reviewed a summary of the securities of the Corporation held by members of Executive Management.

The following directors are members of the HR Committee:

Joseph Randell (Chair)  
John Krediet  
Kenneth Rotman

As noted above, all members of the HR Committee are independent with the exception of Mr. Rotman, whom the Board has determined has a material relationship with the Corporation (see “Board Structures and Practices” above). The Board encourages an objective process for the determination of executive compensation through several means, including by: according the chair of the HR Committee (who is an independent director) the authority to engage the services of independent compensation consultants to assist with the evaluation of compensation proposals under consideration by the HR Committee; welcoming all of the Corporation’s directors (all of whom are independent save and except for Mr. Rotman) to attend and actively participate in meetings of the HR Committee; and encouraging the Board to engage in a fulsome review of any significant executive compensation recommendations made by the HR Committee.

The Board considers the members of the HR Committee to, collectively, possess the knowledge, skills and experience to enable the committee to make decisions as to the suitability of the Corporation’s compensation policies and practices.

For further information about the roles and responsibilities of the HR Committee, see the HR Committee Charter attached hereto as Annex “H”.

## **COMPENSATION DISCUSSION & ANALYSIS**

### ***Background***

The Corporation was created through the acquisition of several companies, including Discovery Air Fire Services Inc. (formerly Hicks & Lawrence Limited), Great Slave Helicopters Ltd., Air Tindi Ltd., Discovery Air Defence Services Inc. (formerly, Top Aces Inc.), and Discovery Mining Services Ltd. More recently, the Corporation established Discovery Air Technical Services Inc. as a new venture. In certain instances, former owners of the acquired companies were retained in leadership roles in order to leverage their skills and entrepreneurial drive, generally on terms that reflected acquisition arrangements rather than prevailing market conditions respecting compensation. Current compensation for such executives reflects the value that they bring to the Corporation, legacy arrangements to which the Corporation remains contractually bound, and the need to retain, motivate and develop those individuals. The description of the Corporation’s compensation philosophy below (the “**Compensation Philosophy**”) may not apply to all aspects of the compensation arrangements in place for those executives with legacy contracts.

Other executives and senior managers are recruited to bring particular competencies and skills to the Corporation. Compensation arrangements for these individuals generally reflect prevailing market conditions, the level of responsibility, and the need to retain, motivate and develop such individuals.

The Corporation’s strategic plan includes growth targets for profitability and cash flow and a re-positioning of its businesses for long-term, sustainable growth. The plan contemplates, and Management will be organized around, achieving this growth through a combination of organic growth, acquisitions and the development of new markets. The Compensation Philosophy is reviewed regularly and amended as necessary to ensure that Executive Management compensation is based on success in executing the Corporation’s strategic plan.

### ***Compensation Philosophy***

The Corporation's compensation policies and practices are designed to:

- (a) attract and retain senior managers with the skills and qualifications to assist the Corporation in achieving its strategic objectives;
- (b) motivate senior managers to drive the Corporation's performance and position it for long-term success, for the benefit of its shareholders and stakeholders; and
- (c) appropriately reward the contribution of those senior managers.

In line with the Corporation's strong emphasis on the safety of its customers and its people, bonuses under the Corporation's annual incentive plan are subject to reduction or forfeiture, at the Board's discretion, based on the safety performance of the Corporation and its subsidiaries. Beyond that proviso, the Corporation believes that:

- (a) there should be a clear relationship between the compensation of senior management and the Corporation's operating and financial performance; and
- (b) appropriate behavior and decision-making on the part of senior management can be encouraged by linking a significant amount of compensation to the achievement of common goals based on consolidated corporate and individual operating unit results.

In other words, the Corporation pays for performance achieved at an acceptable risk and without compromising safety.

Aside from the legacy compensation arrangements referenced above, the Corporation bases its compensation practices for Executive Management on:

- (a) compensation levels for positions of similar seniority at other Canadian public companies (the Corporation periodically reviews such comparators but acknowledges that compensation practices elsewhere are not always relevant to the Corporation's operational requirements or strategic objectives);
- (b) a need to balance short-term and long-term objectives; and
- (c) a desire to achieve and maintain internal pay equity, such that a reasonable range exists between total compensation for the President and CEO, other members of Executive Management and employees generally.

The Corporation's ability to achieve pay equity may be limited by the legacy compensation arrangements discussed above.

### ***Compensation Processes***

In addition to designing and delivering compensation in a manner that is aligned with the Compensation Philosophy, the Corporation's executive compensation arrangements are subject to the following annual processes:

- (a) review by the HR Committee and the Board to gain reasonable assurance that executive compensation is designed to support the Corporation's strategy, and that legal and tax implications are identified and assessed;
- (b) monitoring by the HR Committee and the Board to gain reasonable assurance that all of the Corporation's contractual arrangements with respect to compensation are identified, approved, recorded and controlled; and

- (c) review by the HR Committee and the Board to gain reasonable assurance that such contractual arrangements are subject to appropriate disclosure controls and procedures.

### ***Compensation Design***

The Corporation's Executive Management compensation arrangements comprise the following three elements, each of which is managed to achieve particular objectives:

<b>OBJECTIVE</b>	<b>DESIGN ELEMENT</b>	<b>IMPLEMENTATION</b>
Attract and retain the right people	Salaries, perquisites and benefits	Pay competitively
Motivate executives and managers to balance risk and reward in building shareholder value	Variable compensation	<ul style="list-style-type: none"> <li>- Provide competitive incentive opportunities</li> <li>- Place significant compensation at risk based on annual operating and financial results</li> </ul>
Align Executive Management's interests with those of the Corporation	Stock option and other long-term incentive awards	<ul style="list-style-type: none"> <li>- Provide competitive opportunities to acquire equity positions</li> <li>- Award selectively, and with deferred and/or performance-based vesting, to encourage focus on generating long-term shareholder value</li> </ul>

More broadly, the Corporation designs its management compensation plans around the following two distinct management groups:

- (a) Corporate Executives: this group comprises the President and CEO together with his direct reports and certain support staff; and
- (b) Operating Unit Management: this group comprises senior management at the Corporation's operating business units.

The discussion below highlights the Corporation's use of salary, variable compensation and stock option and other long-term incentive awards in developing compensation plans for each of these groups.

The Board occasionally adjusts individual compensation, on an exception basis, in recognition of extraordinary performance on behalf of the Corporation. Such adjustments may take the form of a salary adjustment, a special bonus, or an increase in short or long-term incentive compensation opportunities.

### ***Design Element I - Annual Salary, Perquisite Allowances and Benefits***

Annual salaries for corporate executives and operating unit management are designed to:

- (a) provide compensation that is competitive, based on the level of responsibility of each individual executive; and
- (b) where applicable, meet the legacy compensation commitments discussed above.

In lieu of customary automobile allowances, club memberships or local cost of living allowances, the Corporation pays certain executives a flat perquisite allowance as a supplement to their respective salaries. In addition, the Corporation maintains a group benefits plan in which executives may participate and which provides participants with:

- (a) pooled benefit arrangements, including basic and dependent life insurance, critical care illness insurance and short-term and long-term disability insurance; costs of these arrangements are for the account of the individual employee; and
- (b) extended health and dental care benefits as well as accidental death and dismemberment coverage; costs of these benefits are paid by the Corporation.

Salary adjustments are made as necessary to reflect changes in responsibility, the cost of retaining key individuals in certain locations and the need to remain competitive in sourcing managerial talent.

### ***Design Element II - Variable Annual Compensation***

The Corporation's executives and operating unit management participate in annual incentive plans ("AIPs"), which are variable compensation plans comprising cash bonus payments based on the achievement of annual objectives. The AIPs are designed to reward performance, ensuring that executives participate in the increase in value created as a result of their efforts, while at the same time leaving them with significant compensation at risk if such value is not created. As a general guideline:

- (a) corporate executives participate in the corporate AIP, and are eligible for bonus payouts based on the achievement of annual consolidated financial results and, commencing in fiscal 2014, based on the achievement of individual objectives; and
- (b) operating unit management participate in an operating unit AIP, and are eligible for bonus payouts based on the achievement of annual operating unit results and, commencing in fiscal 2014, based on the achievement of individual objectives. In addition, commencing in fiscal 2014, operating unit presidents have a portion of their AIP tied to the achievement of consolidated financial results.

### **Fiscal 2013 AIP**

In fiscal 2013, bonuses under the AIP for Executive Management were calculated by reference to fiscal 2013 consolidated performance measured against two financial metrics: net income after tax (the "**Profitability Target**") and net working capital as a percentage of revenue (the "**Liquidity Target**"). Of the total bonus opportunity, 80% was tied to achievement of the Profitability Target and 20% was tied to the achievement of the Liquidity Target.

Each of the targets had a threshold value (i.e., the minimum achievement required to earn any bonus), a target value (i.e., the level of achievement required to earn the target bonus value for the position), and a stretch value (i.e., the level of achievement required to earn a bonus in excess of the target bonus value for the position). For the Profitability Target, the threshold value represented a 25% improvement over fiscal 2012 normalized earnings, the target value represented a 50% improvement in fiscal 2012 normalized earnings, and the stretch value represented a 240% improvement in fiscal 2012 normalized earnings. For the Liquidity Target, the threshold value represented a 3.5% improvement over fiscal 2012 results, the target represented a 7% improvement over fiscal 2012 results and the stretch value represented a 15% improvement over fiscal 2012 results. As indicated above (see "Compensation Philosophy"), the Board reserved the right to reduce or forfeit bonuses under the fiscal 2013 AIP if, in the Board's judgment, the safety performance of the Corporation and its subsidiaries warranted such action. The HR Committee and the Board believed that the Profitability Target and Liquidity Target were appropriate short-term measures to incentivize Management and further believed that, based on Management's budget for fiscal 2013, the threshold, target and stretch values were appropriate.

In the third quarter of fiscal 2013, Mr. Semkowski (then the interim President and CEO) presented to the Board a revised budget for the balance of fiscal 2013. As it was apparent that the revised budget would not result in the achievement of the Profitability Target, and in order to maintain Management's motivation to improve annual operating results, the Board agreed to amend the Profitability Target to

provide a reduced bonus opportunity for participants if the Corporation achieved approximately an 8% year-over-year increase in its EBITDA.<sup>1</sup>

The bonuses paid out under the fiscal 2013 reflect a failure to achieve the Profitability Target and under-performance relative to the Liquidity Target. On average (based on fully annualized salaries and bonuses), the named executive officers, other than the individuals who served as President and CEO, earned bonuses under the fiscal 2013 AIP equal to 3.5% of their respective base salaries; Messrs. Semkowski and Shavit (each of who served as President and CEO) earned bonuses under the fiscal 2013 AIP equal to 21.5% and 14% of their respective base salaries. No bonus was paid to Mr. Jennings. The aggregate value of the AIP bonuses paid to all named executive officers in fiscal 2013 was \$104,829.

#### Fiscal 2014 AIP

The fiscal 2014 AIP differs in several respects from the fiscal 2013 AIP.

First, the Profitability Target and the Liquidity Target have been replaced with a single financial target based on the Corporation's EBITDA performance in the year. Consistent with past practice, participants will be required to achieve at least a threshold EBITDA value in order to be eligible for any bonus on account of EBITDA performance and will have the opportunity to earn up to twice their target bonus if actual EBITDA performance exceeds the target for the year. The threshold value is set at 80% of the EBITDA target, and the stretch value is set at 116% of the EBITDA target.

Second, a portion of the AIP bonus will be tied to the completion of individual objectives approved by the individual's manager (and, in the case of the President and CEO, the Board). These objectives may be quantitative or qualitative in nature and will generally comprise between three and five annual objectives.

The portion of the AIP opportunity tied to the achievement of the EBITDA target is 60%, and the portion tied to the completion of the individual objectives is 40%. As with the fiscal 2013 AIP, the Board reserves the right to reduce or forfeit bonuses under the fiscal 2014 AIP if, in the Board's judgment, the safety performance of the Corporation and its subsidiaries warrants such action.

The table below shows the bonus opportunity for each of the named executive officers under the fiscal 2014 AIP.

<i>President and CEO</i>		Corporate Financial Performance				
		< Threshold	Threshold	Target	Stretch	> Stretch
Individual Objectives*	Not Met	0%	0%	60%	160%	160%
	Completed	40%	40%	100%	200%	200%

<i>Other Named Executive Officers</i>		Corporate Financial Performance				
		< Threshold	Threshold	Target	Stretch	> Stretch
Individual Objectives*	Not Met	0%	0%	15%	40%	40%
	Completed	10%	10%	25%	50%	50%

\* The achievement of individual objectives is portrayed as a binary outcome for ease of illustration only.

<sup>1</sup> "EBITDA" means net earnings (loss) before finance costs, income taxes, depreciation of property and equipment and intangible assets and non-cash gain on extinguishment of debt and gains and losses resulting from the change in fair value of financial liabilities.

### *Design Element III - Stock Option and Other Long-Term Incentive Arrangements*

The HR Committee and the Board view long-term incentive awards as particularly critical compensation elements for:

- (a) aligning the interests of Executive Management with the interests of shareholders;
- (b) incentivizing strong, long-term performance by Executive Management; and
- (c) providing for a total compensation package that will enable the Corporation to attract and retain the talent it requires to achieve its strategic objectives.

Those members of Executive Management who were former owners of acquired companies generally accepted a significant portion of the purchase price for their companies in the form of Common Shares. Each of them maintains a significant ownership interest, directly and indirectly, in Common Shares and, as a result, their interests are considered to be well-aligned with those of shareholders. Nevertheless, the Board may grant long-term incentive awards to those individuals if it considers it appropriate to do so in light of the other objectives references above.

The Corporation's long-term incentive plan ("**LTIP**") consists of cash-settled share unit grants and stock options. Participation in the LTIP is generally restricted to members of Executive Management, however, the Board approves all LTIP awards and reserves the right to extend participation in the LTIP to other members of Management (other than Executive Management). All requests for LTIP awards are initiated by the President and CEO, reviewed by the HR Committee and, if appropriate, approved by the Board on the recommendation of the HR Committee.

The Corporation's stock option plans and share unit plan are described below.

#### 2006 Stock Option Plan

The 2006 Stock Option Plan (the "**2006 Plan**") was a stock option plan adopted by the Corporation in 2006 to provide all employees with compensation opportunities that included share ownership. Because the 2006 Plan did not have a fixed maximum number of shares issuable, the rules of the TSX required shareholder approval of the unallocated shares under the 2006 Plan every three years. At the Corporation's 2008 annual meeting of shareholders, Management sought the necessary shareholder approval. It became clear based on proxies submitted in advance of the 2008 annual meeting that the necessary approval would not be obtained and, therefore, the motion for approval was withdrawn at the meeting. No further options may be granted under the 2006 Plan.

Options that have been granted under the 2006 Plan have a term not greater than 10 years and become exercisable at such time or times after the option was granted as was determined by the Board or the HR Committee at the time of grant, provided that if no such times were specified, options vest one-third on the grant date, one-third on the first anniversary of the grant date and one-third on the second anniversary of the grant date. Options are not assignable and may not be transferred other than by will or the laws of succession and distribution.

#### 2010 Stock Option Plan

In 2010, the Board adopted the 2010 Plan in favour of select senior employees and executive officers of the Corporation and its subsidiaries. The 2010 Plan, which was approved by the Corporation's shareholders at the shareholders' meeting held on June 3, 2010, is similar to the 2006 Plan and is described in the Corporation's 2012 Management Proxy Circular available on SEDAR at [www.sedar.com](http://www.sedar.com).

The 2010 Plan provides that, unless otherwise determined by the Board or a committee of the Board, each option vests in accordance with the following vesting schedule: (a) one-third vests immediately on the

date of the grant; (b) one-third vests on the first anniversary of the date of the grant; and (c) one-third vests on the second anniversary of the date of the grant. With respect to options granted under the 2010 Plan during fiscal years 2011 and 2012, the Board exercised its discretion to set the vesting period at different periods ranging from three to five years from the effective date of those grants, and included a provision in the applicable option agreements whereby all options granted to an optionee will immediately vest if such optionee's employment with the Corporation or a subsidiary of the Corporation, as the case may be, is terminated without cause within three months following a change of control of the Corporation. Subject to certain limited exceptions, a "change in control" of the Corporation includes, among other things, the acquisition by an individual, corporation or entity of 20% or more of shares of the Corporation having the right to vote for the election of the Corporation's directors.

With respect to options granted under the 2010 Plan during fiscal 2013, the Board exercised its discretion to set the vesting period at five years with vesting occurring in five equal tranches on each anniversary of the grant date. The Board also included provisions in the applicable option agreements whereby all options granted to an optionee will immediately vest if (a) such optionee's employment with the Corporation or a subsidiary of the Corporation, as the case may be, is terminated without cause within 12 months following a change of control of the Corporation, or (b) all shares of the Corporation having the right to vote for the election of the Corporation's directors, or all or substantially all of the Corporation's assets (on a consolidated basis) are sold in any transaction or series of related transactions. For purposes of the scenario described in clause (a), a "change in control" of the Corporation generally consists of the acquisition by any person or persons (broadly defined) acting jointly or in concert of shares of the Corporation to which more than 50% of the votes that may be cast for the election of the directors of the Corporation are attached, or the sale, assignment or other transfer by the Corporation of more than 50% of the assets of the Corporation on a consolidated basis. Notwithstanding the foregoing, a change in control of the Corporation will not be considered to be a "change in control" for purposes of the option agreements if the change in control results from (i) the purchase and cancellation by the Corporation of securities of its own issue, (ii) the acquisition of securities of the Corporation by any one or more of Clairvest, Adam Bembridge or Ian Campbell or any person under the control or direction of any of the foregoing, or (iii) any combination of (i) and (ii).

In fiscal 2013, the 2010 Plan was amended to include provisions relating to the Corporation's tax withholding and remittance obligations upon the exercise of stock options under the 2010 Plan. Specifically, the provisions require option holders who wish to exercise their options under the 2010 Plan to (in addition to any other applicable exercise procedures) either deliver payment to the Corporation in an amount equal to any taxes that the Corporation is required to withhold or remit to governmental authorities upon the exercise of the option, or otherwise ensure, in a manner acceptable to the Corporation, that such amount will be made available to the Corporation on a secure and timely basis. As the Board was authorized by the terms of the 2010 Plan to approve amendments of a "house-keeping" nature, the Board approved these amendments.

Because the 2010 Plan does not specify a fixed maximum number of Common Shares issuable thereunder, the rules of the TSX require shareholder approval of the unallocated options, rights or other entitlements under the 2010 Plan every three years. Rather than seek approval of the unallocated options under the 2010 Plan, Management is proposing that the shareholders approve the 2013 Plan (see "*Approval of the 2013 Stock Option Plan*"). Provided that the 2013 Plan is approved by shareholders, any stock options granted after the effective date of the 2013 Plan will be issued under, and will be governed by the terms of, the 2013 Plan.

## Outstanding Options

As at the date of this Circular, there are outstanding 260,605 stock options granted under the 2006 Plan (with strike prices ranging from \$5.00 to \$18.50) and 910,600 stock options granted under the 2010 Plan (with a strike price ranging from \$2.55 to \$6.00). Stock options granted under the 2006 Plan continue under the 2010 Plan, and the 2006 Plan was terminated upon adoption of the 2010 Plan.

As described above, the 2010 Plan is a “rolling” 10% stock option plan. As of April 30, 2013, there were 14,510,851 Class A Shares and 44,760 Class B Shares outstanding, meaning 1,455,561 Common Shares were available for option. The existing 1,171,205 stock options (stated on a post-consolidation basis<sup>2</sup>) granted under the 2006 Plan and 2010 Plan represent the first 1,171,205 options that will be notionally granted under the 2013 Plan (if approved by the shareholders), leaving 284,356 new options available for granting under the 2013 Plan.

## Share Unit Plan

The Corporation has implemented a share unit plan (the “**Share Unit Plan**”) for select members of management of the Corporation and its subsidiaries approved by the Board from time to time.

The Share Unit Plan provides for the issuance of restricted share units (“**RSUs**”) and performance share units (“**PSUs**”, and together with RSUs, “**Share Units**”). The value of each Share Unit is deemed to be equal to the fair market value of a Class A Share (which, in turn, is calculated by reference to the five day average closing price per Class A Share on the TSX ending on the last trading day immediately preceding the date of the value determination). Every holder of a Share Unit is also credited with additional Share Units in an amount equal to the value of any dividends that he or she would have received if the Share Units held by him or her were Class A Shares, divided by the fair market value of a Class A Share on the date on which dividends were paid by the Corporation. Additional Share Units issued on account of dividends are issued to the holder in the same form as the Share Units to which they related (i.e., RSUs or PSUs) and vest on the same date as the Share Unit award to which the additional Share Units relate.

RSUs automatically vest and become payable to the holder on the entitlement date determined by the Board at the time the RSUs are granted. PSUs operate in the same manner as RSUs except that PSUs do not vest and do not become payable to the holder unless the performance condition(s) specified by the Board at the time of the grant have also been fulfilled. In order to ensure that the Share Unit Plan is not a “salary deferral arrangement” under the *Income Tax Act* (Canada), the entitlement date of each Share Unit is no later than December 31 of the third calendar year following the calendar year of the grant.

The Share Units are also subject to accelerated vesting in certain circumstances. All Share Units held by an individual will immediately vest if (a) the individual’s employment with the Corporation or a subsidiary of the Corporation, as the case may be, is terminated without cause within 12 months following a change of control of the Corporation, or (b) all shares of the Corporation having the right to vote for the election of the Corporation’s directors, or all or substantially all of the Corporation’s assets (on a consolidated basis) are sold in any transaction or series of related transactions. For purposes of the scenario described in clause (a), a “change in control” of the Corporation generally consists of the acquisition by any person or persons (broadly defined) acting jointly or in concert of shares of the Corporation to which more than 50% of the votes that may be cast for the election of the directors of the Corporation are attached, or the sale, assignment or other transfer by the Corporation of more than 50% of the assets of the Corporation on a consolidated basis. Notwithstanding the foregoing, a change in control of the Corporation will not be considered to be a “change in control” for purposes of the option agreements if the change in control results from (i) the purchase and cancellation by the Corporation of

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<sup>2</sup> Refers to the 10 for 1 Voting Share consolidation made effective September 23, 2011.

securities of its own issue, (ii) the acquisition of securities of the Corporation by any one or more of Clairvest, Adam Bembridge or Ian Campbell (each of who is currently a significant security holder of the Corporation) or any person under the control or direction of any of the foregoing, or (iii) any combination of (i) and (ii). In addition, all Share Units held by an individual will immediately vest upon the death of the individual or 60 days following a determination by the Board that the individual has become permanently disabled.

Share Units are settled in cash (not securities of the Corporation) on the entitlement date based on the fair market value of a Class A Share then prevailing. If, however, the Share Units were issued to the individual at an implied value per Share Unit that was greater than the fair market value of a Class A Share at the time of issuance, the Share Units will be valued at the greater of (i) the fair market value of a Class A Share on the entitlement date, and (ii) the value that is calculated by referenced to the EBITDA multiple implied by the price at which the Share Units were originally issued.

In the event that a holder of Share Units resigns or retires, or his or her employment with the Corporation or a subsidiary of the Corporation (as the case may be) is terminated (with or without just cause), all Share Units credited to the holder automatically terminate on the date of such resignation, retirement or termination.

### ***Pension Supplement***

The Corporation does not have a formal pension plan. However, in order to ensure the overall competitiveness of executive compensation arrangements, certain executive officers are entitled to receive from the Corporation an annual cash amount as a Registered Retirement Savings Plan (“RRSP”) contribution equal to that executive’s maximum allowable RRSP contribution. In relation to the fiscal year ended January 31, 2012, the Corporation paid \$92,794.00 in total RRSP contributions on behalf of such executive officers.

### ***Other Compensation and Perquisites***

To reflect the requirements of their roles and to ensure the overall competitiveness of executive compensation arrangements, each named executive officer is entitled to a perquisite allowance and certain life and disability insurance benefits, which are described in the compensation summary below.

### ***Competitive Benchmarking***

In order to attract and retain the general and specialized leadership talent necessary to achieve its business goals, the Corporation maintains a general understanding of the compensation practices among North American (predominantly Canadian) specialty aviation organizations. The pay practices of these organizations do not explicitly define the Corporation’s pay mix and levels but rather serve as an important point of reference for decision-making that also takes into consideration legacy arrangements, geographic considerations, business performance and uniqueness of skill set.

### ***Securities Trading and Reporting Policy***

The Corporation’s *Securities Trading and Reporting Policy* permits executive officers and other insiders of the Corporation to purchase securities of the Corporation for investment purposes only and prohibits them from engaging in any transactions in respect of the Corporation’s securities that could be perceived as speculative or influenced by positive or negative perceptions of the Corporation’s prospects, including through the use of puts, calls, collars, spread bets and contracts for difference.

### ***Risks of Incentive Compensation***

The HR Committee and the Board recognize that providing significant incentives for performance through short and long-term incentive bonuses or stock options bears with it the inherent risk of incentivizing Management to use unrealistic planning assumptions to drive compensation outcomes or, in the most extreme case, manipulate financial results to achieve compensation outcomes. To mitigate these risks, the HR Committee and the Board, among other things, allocate dedicated time to review Management's annual plan and budget and the reasonableness of the underlying assumptions and have also implemented incentive compensation claw back provisions in the employment agreements of the CFO and the President and CEO. In summary, these claw back provisions would require these individuals to repay to the Corporation the excess portion of any incentive compensation that was received on the basis of financial results that are subsequently found to have been incorrectly reported as a result of fraud or other intentional misconduct which the individual knowingly engaged in.

### ***Engagement of Compensation Consultants***

On June 12, 2013, the HR Committee engaged Mercer (Canada) Limited ("**Mercer**") to provide independent advice to the HR Committee in relation to the competitiveness and appropriateness of the compensation programs for the Corporation's CEO, top executive officers and Board members, as required. The terms of Mercer's engagement by the Corporation specify that Mercer is to report directly to, and receive its instructions from, the Chair of the HR Committee.

Mercer is not restricted from providing advice or other services to the Corporation or its subsidiaries, however, Mercer is required to annually disclose to the HR Committee any such services (and the fees charged for them) provided in Canada and, upon request, information regarding any services provided outside of Canada or by Mercer's affiliates. In fiscal 2013, Mercer did not provide any services to the Corporation other than pursuant to its engagement with the HR Committee.

Set out below are the aggregate fees billed by Mercer (or its affiliates) for services related to determining compensation for any of the Corporation's directors and executive officers:

<b>Fiscal Year</b>	<b>Executive Compensation-Related Fees</b>	<b>All Other Fees</b>
2013	\$28,005	Nil
2012	Nil	Nil

### **COMPENSATION SUMMARY**

The Corporation's named executive officers are Jacob Shavit, Brian Semkowski and David Jennings (each having served as President and CEO of the Corporation in fiscal 2013), William (Bill) Martin and Andrien (Andy) Min (each having served as CFO of the Corporation in fiscal 2013), Adam Bembridge (Group President, Northern Services of the Corporation), Paul Bouchard (President of Discovery Air Defence Services Inc.) and Didier Toussaint (Group President, Government Services of the Corporation).

Messrs. Bembridge, Bouchard, Jennings and Toussaint were vendors of an operating unit at the time the Corporation purchased that unit. Their compensation was, therefore, negotiated and settled with each of them during the acquisition process (though Mr. Jennings' compensation as strategic advisor was settled upon his departure as President and CEO). It was important to the Corporation that the former owners, all of who were key leaders of their respective companies, remained with the Corporation after the acquisition. The Corporation believed that continuity in the leadership of the acquired companies would allow for a more streamlined integration process, ensure the retention of other key employees in each

acquired company and maximize the potential for continued positive performance by each acquired company.

Since each of the named executive officers who was a former vendor received a significant part of the cash purchase price paid by the Corporation for the acquisition of his/her company, the Corporation's challenge was to negotiate an employment package for each of them that would give him incentive to remain with the Corporation post-acquisition. When negotiating these packages, the Corporation took into account a compensation package that included a combination of base salary, short-term incentive awards based on the performance of the Corporation, long-term incentive awards based on the performance of the Corporation as a whole and termination rights and obligations. It was believed that the right combination of these elements would provide the desired incentive in the best interest of the shareholders at an acceptable risk to the Corporation.

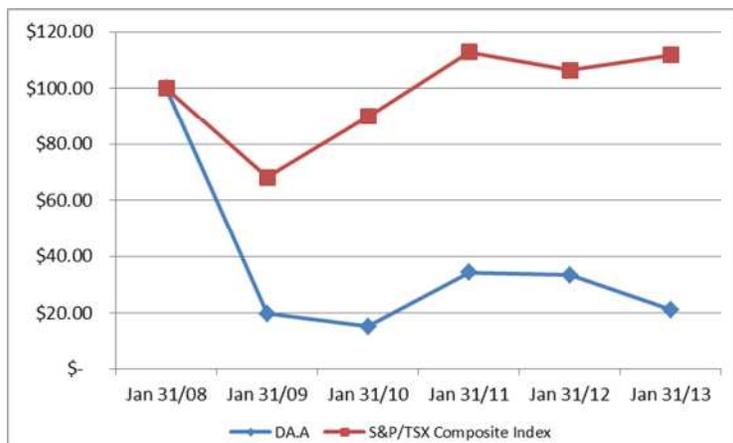
In fiscal 2011, new contracts were established for each of Messrs. Bembridge, Bouchard and Toussaint to replace the compensation arrangements that were negotiated upon the acquisitions of their respective companies.

Mr. Jennings' compensation package did not change when he was appointed Interim President and CEO of the Corporation in September 2008 but was amended on March 3, 2009 to reflect his permanent appointment as President and CEO of the Corporation. Those arrangements remained in place until his resignation as President and CEO on June 20, 2012. Upon his resignation as President and CEO, Mr. Jennings was retained as a strategic advisor to the Corporation for a three year term.

### **PERFORMANCE GRAPH**

The following graph and table compares the total return of a \$100 investment in the Class A Shares of the Corporation made on January 31, 2008 with the cumulative return of the S&P/TSX Composite Index for the period ended January 31, 2013.

The compensation paid to the Corporation's named executive officers does not correlate with the trend in the graph shown below since, as explained under "*Compensation Discussion and Analysis - Background*" above, the compensation arrangements of the former operating unit vendors are affected by the compensation arrangements that were negotiated with them at the time their respective companies were acquired by the Corporation. Furthermore, Mr. Jennings' compensation arrangements changed upon his appointment as President and CEO in March 2009, Mr. Min's compensation arrangements changed as a result of his appointment as Chief Financial Officer in November of 2009, and Messrs. Martin and Shavit were hired in fiscal 2013 at compensation levels considered by the HR Committee and the Board to be necessary to recruit them to the Corporation.



Time Periods	Jan 31/08	Jan 31/09	Jan 31/10	Jan 31/11	Jan 31/12	Jan 31/13
Class A Shares	\$100.00	\$19.83	\$15.29	\$34.30	\$33.31	\$21.16
S&P/TSX Composite	\$100.00	\$68.23	\$89.88	\$112.78	\$106.41	\$111.74

## SUMMARY COMPENSATION TABLE AND NARRATIVE DISCUSSION

### *Summary Compensation Table*

The table below sets out the compensation provided to each of the named executive officers:

Name and principal position	Fiscal Year	Salary	Share-based Awards	Option-based Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation <sup>(3)</sup>	Total Compensation
					Annual Incentive Plans <sup>(2)</sup>	Long-term Incentive Plans			
JACOB SHAVIT <sup>(4)</sup> President and CEO Discovery Air Inc.	2013	\$62,750	Nil	\$556,600	\$8,606	Nil	Nil	\$5,168	\$633,124
BRIAN J. SEMKOWSKI <sup>(5)</sup> Chair of the Board Discovery Air Inc. <i>(formerly, interim President and CEO)</i>	2013	\$232,998	Nil	Nil	\$50,000 <sup>(6)</sup>	Nil	Nil	\$14,673	\$297,671
DAVID A. JENNINGS <sup>(7)</sup> Consultant <i>(formerly, President and CEO)</i>	2013 2012 2011	\$199,411 \$412,500 \$412,500	Nil Nil Nil	Nil Nil Nil	Nil \$40,778 \$320,488	Nil Nil Nil	Nil Nil Nil	\$435,164 \$170,050 <sup>(8)</sup> \$169,500	\$634,575 \$630,228 \$902,488
WILLIAM E. MARTIN <sup>(9)</sup> Chief Financial Officer Discovery Air Inc.	2013	\$84,933	Nil	\$141,680	\$2,997	Nil	Nil	\$10,456	\$240,066
ANDRIEN MIN <sup>(10)</sup> Vice President, Corporate Accounting Discovery Air Inc. <i>(formerly, Chief Financial Officer)</i>	2013 2012 2011	\$210,000 \$200,000 \$191,667	Nil Nil Nil	Nil Nil \$63,000	\$7,350 \$6,300 \$43,158	Nil Nil Nil	Nil Nil Nil	\$52,970 \$51,996 \$67,241	\$270,320 \$258,296 \$365,066
ADAM BEMBRIDGE Group President, Northern Services Discovery Air Inc.	2013 2012 2011	\$325,000 \$325,000 \$325,000	Nil Nil Nil	Nil Nil Nil	\$11,375 \$10,238 \$70,132	Nil Nil Nil	Nil Nil Nil	\$87,000 <sup>(11)</sup> \$87,000 \$87,000	\$423,375 \$422,238 \$482,132

Name and principal position	Fiscal Year	Salary	Share-based Awards	Option-based Awards <sup>(1)</sup>	Non-Equity Incentive Plan Compensation		Pension Value	All Other Compensation <sup>(3)</sup>	Total Compensation
					Annual Incentive Plans <sup>(2)</sup>	Long-term Incentive Plans			
PAUL BOUCHARD <sup>(12)</sup> President Discovery Air Defence Services Inc.	2013	\$350,000	Nil	Nil	\$12,250	Nil	Nil	\$91,140	\$453,390
	2012	\$350,000	Nil	Nil	\$11,025	Nil	Nil	\$88,450	\$449,475
	2011	\$350,000	Nil	Nil	\$75,527		Nil	\$87,800	\$513,327
DIDIER TOUSSAINT Group President, Government Services Discovery Air Inc.	2013	\$350,000	Nil	Nil	\$12,250	Nil	Nil	\$90,763	\$453,013
	2012	\$350,000	Nil	Nil	\$11,025	Nil	Nil	\$88,450	\$449,475
	2011	\$350,000	Nil	Nil	\$75,527	Nil	Nil	\$87,400	\$512,927

Notes:

- (1) Option based awards consist of stock options granted pursuant to the Corporation's stock option plans. The fair value of the stock options granted is estimated based on the grant date using the Black-Scholes option-pricing model. The Corporation used this methodology as it is a commonly recognized way of calculating a reasonable estimate of fair value. The key assumptions used in determining fair value for options granted in fiscal 2013 are as follows: exercise price per share = \$6.00; risk-free rate = 1.4%; dividend yield = 0.0%; expected volatility = 76%; expected option life = 4 to 5 years. The fair value of the stock options granted is consistent with the fair value determined in accordance with IFRS-2 – Share-based Payment.
- (2) Amounts earned under the fiscal 2013 annual incentive plan were determined and paid following the end of fiscal 2013.
- (3) Includes all perquisites and other benefits not reflected in the preceding columns. Please refer to "Discussion of Named Executive Officer Compensation – Other Compensation" for an explanation of the perquisites and other benefits included in this column.
- (4) Mr. Shavit was appointed President and CEO of the Corporation effective December 13, 2012. Prior to that date, he did not receive any compensation from the Corporation or its subsidiaries.
- (5) Mr. Semkowski served as interim President and CEO of the Corporation between June 20, 2012 and December 13, 2012. The compensation shown in this table reflects only the compensation that he earned as President and CEO and excludes the compensation he earned as a director of the Corporation prior to June 20, 2012 and after December 13, 2012. For information concerning the compensation earned by Mr. Semkowski as a director of the Corporation, please refer to the section titled "Director Compensation - Summary of Director Compensation for the Fiscal Year Ended January 31, 2013".
- (6) Mr. Semkowski's bonus under the fiscal 2013 annual incentive plan was augmented by \$50,000 in recognition of the additional work performed by him to ensure an orderly transition of the President and CEO's responsibilities to Mr. Shavit.
- (7) Mr. Jennings resigned as President and CEO and was appointed as a director of the Corporation on June 20, 2012. The compensation shown in this table reflects the compensation that he earned as President and CEO and pursuant to his consulting services agreement entered into on June 20, 2012 (see the section under the heading titled "Compensation Summary"). All compensation he earned in fiscal 2013 pursuant to his consulting agreement is shown under "All Other Compensation." The compensation earned by Mr. Jennings as a director of the Corporation after June 20, 2012 is excluded from this table. For information concerning the compensation earned by Mr. Jennings as a director of the Corporation, please refer to the section titled "Director Compensation - Summary of Director Compensation for the Fiscal Year Ended January 31, 2013."
- (8) Of this amount, \$22,450 was a pension supplement (since the Corporation does not have a pension plan for any of its employees); \$82,500 was a deferred renegotiation fee payment and \$66,000 was a perquisite allowance.
- (9) Mr. Martin was appointed CFO of the Corporation effective October 1, 2012. Prior to that date, he did not receive any compensation from the Corporation or its subsidiaries.
- (10) Mr. Min served as CFO of the Corporation until October 1, 2012, at which time he was appointed to the position of Vice President, Corporate Accounting.
- (11) Of this amount, \$22,450 was a pension supplement (since the Corporation does not have a pension plan for any of its employees) and \$66,000 was a perquisite allowance.
- (12) Mr. Bouchard was appointed as the President of Discovery Air Defence Services Inc. effective March 11, 2013. Prior to that date, he served principally as the Executive Vice President, Business Development of the Corporation.

### *Discussion of Named Executive Officer Compensation*

The compensation of the named executive officers is principally made up of a base salary, an AIP award, and LTIP award and stock option grants. Each of the named executive officers is also entitled to certain benefits and perquisites (in the amounts disclosed in the Summary Compensation Table above), including contributions which have been made on their behalf by the Corporation.

#### *Jacob Shavit*

Mr. Shavit was appointed as the Corporation's President and CEO effective December 13, 2012 and remains in this role as of the date of this Circular. He receives a base salary of \$450,000 per year and is eligible to earn an AIP bonus between 0% and 200% of his base salary, with the target bonus being equal to 100% of base salary. His bonus for fiscal 2013 was pro rated based on his time served in employment with the Corporation and was equal to \$8,606.

As indicated under "Incentive Plan Awards," shortly after joining the Corporation, Mr. Shavit was granted options to purchase 550,000 Class B Shares<sup>3</sup>. All such options were granted with an exercise price of \$6.00, reflecting the Board's view that the Corporation's Class A Shares are undervalued. These options vest in five equal tranches on each of the anniversary of the grant date.

In addition to his salary and incentive compensation, Mr. Shavit receives (i) a monthly perquisite allowance of \$2,500, (ii) an annual retirement payment in the amount of \$22,500, (iii) reimbursement for housing and vehicle costs to a monthly maximum of \$2,500 (the "**Living Allowance**"), (iv) reimbursement for the cost of obtaining medical, dental and disability insurance benefits comparable to those enjoyed by the Corporation's employees in Canada to an annual maximum of \$36,000 (the "**Benefit Allowance**"), and (v) one round-trip economy class airfare per week between New York, New York and Toronto, Ontario. The Living Allowance and the Benefit Allowance are expressed as amounts net of taxes and source deductions.

#### *Brian Semkowski*

Mr. Semkowski served as interim President and CEO of the Corporation between June 20, 2012 and December 13, 2012. In this position, he was paid a base salary of \$412,500 per year and was eligible to earn an AIP bonus for fiscal 2013 ranging between 0% and 150% of his base salary, with the target bonus being equal to 75% of base salary. Such bonus was pro rated based on the time he served as interim President and CEO and was augmented by \$29,924 in recognition of the additional work performed by him to ensure an orderly transition of the President and CEO's responsibilities to Mr. Shavit. The aggregate bonus (as adjusted) was equal to \$50,000. Mr. Semkowski also received a monthly perquisite allowance of \$2,500. He did not receive any RRSP contribution, LTIP awards or stock options on account of his service as interim President and CEO.

Mr. Semkowski was entitled to four weeks' prior written notice of the termination of his employment as interim President and CEO, during which time he would be entitled to continue receiving his base salary and perquisite allowance. No amount was paid to Mr. Semkowski on account of this commitment.

#### *David Jennings*

Mr. Jennings served as the Corporation's President and CEO until June 20, 2012. He entered into a consulting services agreement with the Corporation on June 20, 2012; this agreement superseded and replaced his employment agreement with the Corporation.

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<sup>3</sup> Mr. Shavit was granted options to purchase Class B Shares since he is not "Canadian," as defined in the CTA.

Under the terms of his services agreement with the Corporation, Mr. Jennings is entitled, for the first 24 months, to receive fees equivalent to his total compensation from the Corporation immediately prior to his resignation as President and CEO and, for the last 12 months, to receive fees equivalent to the base salary he received from the Corporation immediately prior to his resignation as President and CEO; those amounts are \$62,534 and \$34,975 (each on a monthly basis), respectively, plus applicable Goods and Services Tax and Quebec Sales Tax. These amounts include a sum to enable him to purchase substantially similar benefits to those he had formerly received while employed by the Corporation, and are reduced by the amount of any compensation received by Mr. Jennings for serving as a director of the Corporation. Since the consulting agreement replaced his employment agreement, Mr. Jennings did not receive any AIP bonus for fiscal 2013 and will no longer participate in any compensation or benefits programs for executive officers of the Corporation.

In addition to the services Mr. Jennings agreed to provide to the Corporation, Mr. Jennings also agreed to certain non-competition and non-solicitation covenants that apply during the term and for a period of 24 months thereafter.

The services agreement may be terminated by either party with or without cause upon 30 days' prior written notice to the other party or by the Corporation upon notice due to a material breach by Mr. Jennings. If the services agreement is terminated by the Corporation other than due to a material breach by Mr. Jennings, the Corporation is required to pay to Mr. Jennings the fees that would have been paid to him during the balance of the term of the services agreement, in addition to any unpaid expenses.

#### *William Martin*

Mr. Martin was appointed as the Corporation's CFO effective October 1, 2012. He receives a base salary of \$254,800 per year and is eligible to earn an AIP bonus between 0% and 50% of his base salary, with the target bonus being equal to 25% of base salary. His bonus for fiscal 2013 was pro rated based on his time served in employment with the Corporation and was equal to \$2,997.

As indicated under "*Incentive Plan Awards*," shortly after joining the Corporation, Mr. Martin was granted options to purchase 140,000 Class A Shares. All such options were granted with an exercise price of \$6.00, reflecting the Board's view that the Corporation's Class A Shares are undervalued. These options vest in five equal tranches on each of the anniversary of the grant date.

In addition, Mr. Martin is eligible to receive an annual grant of Share Units under the Share Unit Plan. The target annual grant of Share Units is expected to be equal to 25% of his base salary. In calculating the number of Share Units awardable to Mr. Martin, the Board intends to use a minimum implied Share Unit price of \$6.00 per Share Unit.

In addition to his salary and incentive compensation, Mr. Martin receives (i) a monthly perquisite allowance of \$1,200, (ii) an annual contribution to his registered retirement savings plan ("**RRSP**") equal to his maximum contribution limit or \$22,500, whichever is less, (iii) reimbursement of professional membership and course fees incurred to maintain his credentials as a chartered accountant in good standing, and (iv) health, dental, insurance and disability benefits under the Corporation's benefits plan.

#### *Andrien (Andy) Min*

Mr. Min served as the Corporation's CFO until October 1, 2012, at which time he was appointed Vice President, Corporate Accounting. He receives a base salary of \$210,000 per year and is eligible to earn an AIP bonus between 0% and 50% of his base salary, with the target bonus being equal to 25% of base salary. His bonus for fiscal 2013 was equal to \$7,350.

As indicated under “*Incentive Plan Awards*,” Mr. Min currently holds options to purchase 36,000 Class A Shares at prices per share ranging from \$2.55 to \$17.50. Only 6,000 options have vested while the remaining 30,000 options vest January 31, 2015.

In addition, Mr. Min is eligible to receive an annual grant of Share Units under the Share Unit Plan. The target annual grant of Share Units is expected to be equal to 25% of his base salary. In calculating the number of Share Units awardable to Mr. Min, the Board intends to use a minimum implied Share Unit price of \$6.00 per Share Unit.

In addition to his salary and incentive compensation, Mr. Min receives (i) a monthly perquisite allowance of \$2,500, (ii) an annual contribution to his RRSP equal to his maximum contribution limit or \$24,000, whichever is less, and (iii) health, dental, insurance and disability benefits under the Corporation’s benefits plan.

#### *Adam Bembridge*

Mr. Bembridge is the Group President, Northern Services of the Corporation. He receives a base salary of \$325,000 per year and is eligible to earn an AIP bonus between 0% and 50% of his base salary, with the target bonus being equal to 25% of base salary. His bonus for fiscal 2013 was equal to \$11,375.

As indicated under “*Incentive Plan Awards*,” Mr. Bembridge currently holds options to purchase 335 Class A Shares at a price per share of \$18.50. These options are fully vested.

Mr. Bembridge is eligible to receive an annual grant of Share Units under the Share Unit Plan. The target annual grant of Share Units is expected to be equal to 25% of his base salary. In calculating the number of Share Units awardable to Mr. Bembridge, the Board intends to use a minimum implied Share Unit price of \$6.00 per Share Unit.

In addition to his salary and incentive compensation, Mr. Bembridge receives (i) a monthly perquisite allowance of \$5,500, (ii) an annual contribution to his RRSP equal to his maximum contribution limit or \$21,000, whichever is less, and (iii) health, dental, insurance and disability benefits under the Corporation’s benefits plan.

#### *Paul Bouchard*

Mr. Bouchard is the President of Discovery Air Defence Services Inc., a wholly-owned subsidiary of the Corporation. He receives a base salary of \$350,000 per year and is eligible to earn an AIP bonus between 0% and 50% of his base salary, with the target bonus being equal to 25% of base salary. His bonus for fiscal 2013 was equal to \$12,250.

As indicated under “*Incentive Plan Awards*,” Mr. Bouchard currently holds options to purchase 45,000 Class A Shares at a price per share of \$15.60. These options are fully vested.

Mr. Bouchard is eligible to receive an annual grant of Share Units under the Share Unit Plan. The target annual grant of Share Units is expected to be equal to 25% of his base salary. In calculating the number of Share Units awardable to Mr. Bouchard, the Board intends to use a minimum implied Share Unit price of \$6.00 per Share Unit.

In addition to his salary and incentive compensation, Mr. Bouchard receives (i) a monthly perquisite allowance of \$5,500, (ii) an annual contribution to his RRSP equal to his maximum contribution limit or \$21,000, whichever is less, and (iii) health, dental, insurance and disability benefits under the Corporation’s benefits plan.

*Didier Toussaint*

Mr. Toussaint is the Group President, Government Services of the Corporation. He receives a base salary of \$350,000 per year and is eligible to earn an AIP bonus between 0% and 50% of his base salary, with the target bonus being equal to 25% of base salary. His bonus for fiscal 2013 was equal to \$12,250.

As indicated under “*Incentive Plan Awards*,” Mr. Toussaint currently holds options to purchase 45,000 Class A Shares at a price per share of \$15.60. These options are fully vested.

Mr. Bouchard is eligible to receive an annual grant of Share Units under the Share Unit Plan. The target annual grant of Share Units is expected to be equal to 25% of his base salary. In calculating the number of Share Units awardable to Mr. Bouchard, the Board intends to use a minimum implied Share Unit price of \$6.00 per Share Unit.

In addition to his salary and incentive compensation, Mr. Toussaint receives (i) a monthly perquisite allowance of \$5,500, (ii) an annual contribution to his RRSP equal to his maximum contribution limit or \$21,000, whichever is less, and (iii) health, dental, insurance and disability benefits under the Corporation’s benefits plan.

**INCENTIVE PLAN AWARDS**

***Outstanding Share-based Awards and Option-based Awards***

The following table sets out for each named executive officer the options outstanding at January 31, 2013. There are no share-based awards currently issued and outstanding for named executive officers.

Name	Option-based Awards				Share-based Awards	
	No. of Securities underlying Unexercised Options (#) (Post Consolidation)	Option Exercise Price (\$/share) (Post Consolidation)	Option Expiration Date	Value of Unexercised in-the-money Options <sup>(1)</sup> (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested
Adam Bembridge	335	18.50	February 21, 2017	Nil	Nil	Nil
Paul Bouchard	45,000	15.60	June 20, 2017	Nil	Nil	Nil
David Jennings <sup>(2)</sup>	45,000	15.60	June 20, 2017	Nil	Nil	Nil
William Martin	140,000	6.00	September 30, 2022	Nil	140,000	Nil
Andrien Min	6,000	17.50	March 11, 2017	Nil	Nil	Nil
	1,000	9.50	June 13, 2018	Nil	Nil	Nil
	30,000	2.55	September 15, 2017	Nil	30,000	Nil
Jacob Shavit	550,000	6.00	December 12, 2022	Nil	550,000	Nil
Didier Toussaint	45,000	15.60	June 20, 2017	Nil	Nil	Nil

**Note:**

(1) The value of the unexercised in-the-money options is based on the closing price of the Corporation’s Class A Shares on the TSX on January 31, 2013, being \$2.56.

(2) Mr. Jennings unexercised options will expire and will no longer be exercisable by him 90 days after he ceases to serve as a director of the Corporation.

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

The table below sets out the value of compensation under the Corporation’s incentive plans earned by or vested in the named executive officers for the year ended January 31, 2013. For more information about the Corporation’s stock option and long-term incentive plans, see the “*Design Element III - Stock Option and Other Long-Term Incentive Arrangements*” section above, and for a discussion of the AIP, see the section under the heading “*Design Element II - Variable Compensation.*” There are no share-based awards currently issued and outstanding for named executive officers.

<b>Name</b>	<b>Option-based awards – Value Vested during the Year<sup>(1)</sup> (\$)</b>	<b>Share-based awards – Value vested during the Year (\$)</b>	<b>Non-equity incentive plan compensation – Value earned during the Year<sup>(2)</sup> (\$)</b>
Adam Bembridge	Nil	Nil	\$11,375
Paul Bouchard	Nil	Nil	\$12,250
Dave Jennings	Nil	Nil	\$0
William Martin	Nil	Nil	\$2,997
Andrien Min	Nil	Nil	\$7,350
Jacob Shavit	Nil	Nil	\$8,606
Didier Toussaint	Nil	Nil	\$12,250

**Note:**

- (1) The value of vested options is determined by assuming the named executive officer exercised those options which vested during the fiscal year ending January 31, 2013 on their vesting date. The value indicated is the difference between the market price of the Corporation’s Class A Shares on the vesting date (based on their closing price on the TSX on such date) and the exercise price of the options on the vesting date. Since no options were “in-the-money” on their vesting dates, all values are nil.
- (2) Non-equity incentive compensation reflects amounts paid pursuant to the AIP in respect of fiscal 2013.

### **TERMINATION BENEFITS**

Each named executive officer’s employment agreement provides that, in the event of a termination with just cause, the executive is not entitled to any further or incremental compensation from the date of termination. Unless stated otherwise in the terms of an applicable option agreement or incentive plan or approved by the Board, all unvested stock options and unpaid cash incentive plan awards, as the case may be, are cancelled upon a termination with just cause.

Set out below are the termination benefits payable, as at the end of fiscal 2013, to each named executive officer who remains employed by the Corporation as of the date of this Circular:

*Jacob Shavit*

If Mr. Shavit is terminated without just cause, he will be entitled to: (i) the payment of any accrued and unused vacation up to the termination date; (ii) the payment of any AIP bonus earned but not yet paid for the most recently completed fiscal year preceding the termination date; (iii) the continuation of his base salary, perquisite allowance, retirement allowance and benefit allowance for the Termination Notice Period (as defined below); and (iv) an AIP bonus for the year in which the termination occurs pro rated for his time served in employment in the year and subject to the achievement of the applicable pay out

criteria. The foregoing termination benefits (except those relating to amounts payable to Mr. Shavit as of the termination date or which relate to early vesting of stock options upon a change of control) are contingent on compliance by Mr. Shavit with his post-employment non-competition, non-solicitation and confidentiality covenants. Furthermore, such termination benefits are subject to reduction by 50% of the amount of any compensation earned by Mr. Shavit from personal services provided during the period in which the termination benefits are paid or payable.

The “Termination Notice Period” varies depending on when Mr. Shavit’s employment with the Corporation is terminated without just cause. If his employment is terminated on or before December 13, 2015, the period is 12 months. If his employment is terminated after December 13, 2015 but not later than December 13, 2016, the period is 18 months. If his employment is terminated after December 13, 2016, the period is 24 months.

As Mr. Shavit is not currently a Canadian citizen or permanent resident, he is currently working for the Corporation under the terms of a three year work permit. In the event that Mr. Shavit’s employment is terminated due to the loss or non-renewal of his work permit or any other required governmental authorization, the Termination Notice Period is deemed to be 6 months. If, however, the loss or non-renewal of the work permit or other required governmental authorization is due to any factor within Mr. Shavit’s complete control (other than his residence in the U.S.A.), the Corporation may terminate his employment without paying him the notice pay and other benefits provided for in his employment agreement upon a termination without just cause.

Under the terms of Mr. Shavit’s stock option agreement, his stock options would expire and cease to be exercisable by him on the earlier of the expiry date of such options or the date that is 90 days from the date he ceased to perform duties of employment for the Corporation or its subsidiaries. Mr. Shavit’s stock options are also subject to the change of control vesting provisions described under the heading “2010 Stock Option Plan.”

#### *William Martin*

If Mr. Martin is terminated without just cause, he will be entitled to: (i) the payment of any accrued and unused vacation up to the termination date; (ii) the payment of any AIP bonus earned but not yet paid for the most recently completed fiscal year preceding the termination date; (iii) the continuation of his base salary, perquisite allowance and RRSP contribution on a regular payroll basis for 12 months; (iv) to the extent permitted by the benefit carriers, the continuation of the health and dental benefits for a period of 12 months; (v) an AIP bonus for the year in which the termination occurs pro rated for his time served in employment in the year and subject to the achievement of the applicable pay out criteria, and (vi) the continuation of reimbursement for professional membership fees and courses to a maximum of \$5,000. The foregoing termination benefits (except those relating to amounts payable to Mr. Martin as of the termination date or which relate to early vesting of stock options or Share Units upon a change of control) are contingent on compliance by Mr. Martin with his post-employment non-competition, non-solicitation and confidentiality covenants. Furthermore, such termination benefits are subject to reduction by 50% of the amount of any compensation earned by Mr. Martin from personal services provided during the period in which the termination benefits are paid or payable.

Under the terms of Mr. Martin’s stock option agreement, his stock options would expire and cease to be exercisable by him on the earlier of the expiry date of such options or the date that is 90 days from the date he ceased to perform duties of employment for the Corporation or its subsidiaries. Under the terms of the Share Unit Plan, Mr. Martin’s Share Units would be terminated as of the date that he ceased to perform duties of employment for the Corporation or its subsidiaries. Mr. Martin’s stock options and Share Units are also subject to the change of control vesting provisions described under the heading “2010 Stock Option Plan.”

*Adam Bembridge, Paul Bouchard and Didier Toussaint*

If Mr. Bembridge is terminated without just cause, he will be entitled to: (i) the continuation of his base salary, perquisite allowance and RRSP contribution on a regular payroll basis for a period of 24 months; (ii) the continuation of the health and dental benefits for a period of 24 months to the extent permitted by the benefit carriers; and (iii) payment of any AIP award for the last fiscal year that he completed prior to the fiscal year in which the termination occurs; for greater certainty, Mr. Bembridge will not be entitled to receive any AIP award for the fiscal year in which the termination occurs. The foregoing termination benefits are contingent on compliance by Mr. Bembridge with his post-employment non-competition, non-solicitation and confidentiality covenants.

If either of Mr. Bouchard or Mr. Toussaint is terminated without just cause, he will be entitled to: (i) the continuation of his base salary, perquisite allowance and RRSP contribution on a regular payroll basis for a period of 24 months; (ii) the continuation of the health and dental benefits for a period of 24 months to the extent permitted by the benefit carriers; and (iii) the payment of any AIP award for the last fiscal year completed. The foregoing termination benefits are contingent on compliance by Messrs. Bouchard and Toussaint with their respective post-employment non-competition, non-solicitation and confidentiality covenants.

*Andrien Min*

If Mr. Min is terminated without just cause, he will be entitled to: (i) the continuation of his base salary, perquisite allowance and RRSP contribution on a regular payroll basis for a period of 12 months; (ii) to the extent permitted by the benefit carriers, the continuation of the health and dental benefits for a period of 12 months; (iii) the payment of any AIP award for the last fiscal year that he completed prior to the fiscal year in which the termination occurs; and (iv) the vesting of that percentage of unvested stock options that is determined by dividing (A) the period of employment since the options were granted by (B) the period of time between the option grant and the vesting date. Mr. Min's options are also subject to the change of control vesting provisions described under the heading "2010 Stock Option Plan." The foregoing termination benefits (with the exception of the early vesting of stock options) are contingent on compliance by Mr. Min with his post-employment non-competition, non-solicitation and confidentiality covenants. Furthermore, such termination benefits are subject to reduction by 50% of the amount of any compensation earned by Mr. Min from personal services provided to third parties during the period in which the termination benefits are paid or payable.

An estimate of the aggregate value of the compensation that each of the named executive officers would receive upon a termination without just cause as at the end of fiscal 2013 is set out in the table below.

<b>Name</b>	<b>Entitlement</b>
Adam Bembridge	\$831,000
Paul Bouchard	\$883,900
William Martin	\$300,200
Andrien Min <sup>(1)</sup>	\$267,000
Jacob Shavit	\$538,500
Didier Toussaint	\$883,900

(1) The entitlement for Mr. Min includes the value of the options that would vest (as of January 31, 2013) in accordance with the termination provisions of his employment contract.

Each of the named executive officers is subject to non-competition, non-solicitation and confidentiality provisions which, in the case of Messrs. Shavit, Martin and Min, continue to apply for a period of one year following the termination of their respective employments and, in the case of Messrs. Bembridge, Bouchard and Toussaint, continue to apply for period of two years following the termination of their respective employments.

**SECTION V: OTHER MATTERS**  
**EQUITY COMPENSATION PLAN INFORMATION**

***Securities Authorized For Issuance Under Equity Compensation Plan at April 30, 2013***

The following table lists the number of securities to be issued upon the exercise of outstanding options granted under the 2006 Plan and 2010 Plan, and the weighted average exercise price under the outstanding options as at January 31, 2013.

Plan Category	Number of Securities to be issued upon exercise of outstanding options (a)	Weighted average exercise price of outstanding options (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
2010 Stock Option Plan	940,600	\$5.58	251,006
2006 Stock Option Plan	263,955	\$15.50	Nil
Total	1,204,555		251,006

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

As described above, Kenneth Rotman and John Krediet are proposed for election as directors of the Corporation. Mr. Rotman and Mr. Krediet are considered to have a material interest in material contracts with the Corporation, namely, the Secured Debentures.

Kenneth Rotman is a director, the Co-CEO and Managing Director of Clairvest. Mr. Rotman, together with certain members of his family, controls approximately 50% of Clairvest's voting shares. Clairvest, together with the Clairvest Parties, own or exercise control or direction over the rights attached to the Secured Debentures.

John Krediet is also a director of Clairvest and holds approximately \$2 million principal amount of Secured Debentures.

The Secured Debentures are convertible into Common Shares. The Common Shares issuable on the conversion of the Secured Debentures held by Clairvest, the Clairvest Parties and Mr. Krediet would, on an "as converted basis", represent greater than 10% of the issued and outstanding Common Shares.

The terms of the Secured Debentures were amended on March 26, 2012, July 31, 2012 and October 25, 2012. Please refer to the Corporation's 2013 Annual Information Form available on SEDAR at [sedar.com](http://sedar.com) for a description of the terms of the Secured Debentures and each of the amendments thereto.

## **ADDITIONAL MATTERS**

### ***Additional Information Relating to the Corporation***

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

Financial information in respect of the Corporation and its affairs is provided in the Corporation's annual audited consolidated financial statements for the year ended January 31, 2013 and the related Management's Discussion and Analysis which are available on SEDAR at [www.sedar.com](http://www.sedar.com).

All documents incorporated herein by reference (and available on SEDAR) are also available upon request and will be provided by the Corporation free of charge. All such requests should be submitted to the attention of the Corporation Secretary at 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5.

### ***Shareholder Proposals***

Eligible shareholders should direct any proposals they plan to present at the 2014 annual meeting of shareholders to our Corporate Secretary. In order to be included in the 2014 Management Proxy Circular, proposal must be received at 170 Attwell Drive, Suite 370, Toronto, Ontario, M9W 5Z5 by February 9, 2014.

### ***Other Matters***

Management knows of no other matter to come before the Meeting other than the matters referred to in the Notice; however, if any other matter properly comes before the Meeting, the accompanying Management Proxy will be voted on such matter in accordance with the best judgment of the person or persons voting the Management Proxy.

## **APPROVAL OF THIS CIRCULAR**

The Board approved the contents of this Circular and authorized it to be sent to each shareholder who is eligible to receive notice of, and to vote his, her or its shares at, the 2013 annual and special meeting of shareholders of the Corporation, as well as to each director and to the auditor.

By Order of the Board

*"Dennis Lopes"*

Dennis Lopes  
Vice President, General Counsel  
and Corporate Secretary

May 10, 2013  
Toronto, Ontario, Canada

**Annex “A”**

**DISCOVERY AIR INC.**  
(the “Corporation”)

**SECOND AMENDMENT TO BY-LAW NO. 1**

**BE IT ENACTED** as an amendment to By-Law No. 1 of the Corporation first enacted on June 16, 2008, as amended on August 7, 2008, (“**By-Law No. 1**”) as follows:

1. Section 4.2 of By-Law No. 1 is hereby deleted and replaced with the following language:

“A meeting of the Board may be convened at any time by the President, the chairman of the Board or any two directors, and the Secretary shall upon direction of any of the foregoing, convene a meeting of the Board. A meeting of any committee may be convened at any time by the committee chair or any two members of the committee, and the Secretary shall upon the direction of either of the foregoing, convene a meeting of such committee. Except as otherwise provided by the Act and the by-laws, the directors either as a Board or as a committee thereof may convene, adjourn and otherwise regulate their meetings as they think fit.”

2. Section 4.8 of By-Law No. 1 is hereby deleted and replaced with the following:

“The chairman of the Board shall preside as chair of every meeting of directors of the Corporation, but if at any meeting the chairman of the Board is not present within 30 minutes after the time appointed for holding the meeting, the directors present may choose one of their number to be chair of the meeting.”

3. Section 10.8 of By-Law No. 1 is hereby deleted and replaced with the following:

“The chairman of the Board, or in his or her absence, any other director shall preside as chair of every meeting of shareholders of the Corporation. If no such chair is present within 30 minutes after the time appointed for holding the meeting or he or she is unwilling to act as chair, the shareholders present may choose one of their number to be chair of the meeting.”

**ENACTED** by the board of directors of the Corporation on April 19, 2013.

“*Dennis Lopes*” \_\_\_\_\_  
Corporate Secretary

**CONFIRMED** by the shareholders of the Corporation in accordance with the *Canada Business Corporation Act* on June \_\_\_\_\_, 2013.

\_\_\_\_\_  
Corporate Secretary

## Annex “B”

### BOARD OF DIRECTORS MANDATE DISCOVERY AIR INC.

Board Approved:  
September 7, 2012

#### 1. PRIMARY ROLE OF THE BOARD

The directors (collectively, the “Board”) of Discovery Air Inc. (the “Corporation”) are responsible for the stewardship of the Corporation. The *Canada Business Corporations Act* (the “CBCA”), the statute that governs the Corporation, provides that the stewardship responsibility of the Board consists primarily of the duty to manage or supervise the management of the business and affairs of the Corporation. The CBCA further authorizes the Board, subject to certain exceptions, to delegate to an officer or officers of the Corporation powers to manage the business and affairs of the Corporation. As authorized by the CBCA and for the purpose of effectively discharging the Board’s stewardship responsibility, (a) the Board has delegated to the chief executive officer of the Corporation (the “CEO”) many of the Board’s powers and much of the Board’s authority to manage the business and affairs of the Corporation, and (b) the Board has assumed the duty to supervise the CEO’s management of the business and affairs of the Corporation.

#### 2. THE ROLE OF BOARD COMMITTEES

As authorized by the CBCA, the Board may appoint committees of directors (“Board committees”) and, subject to certain limitations set out in the CBCA, may delegate to any Board committee any of the powers of the Board. The Board may also require any such Board committee to take specified actions for the purpose of assisting the Board to discharge the Board’s duties.

#### 3. STANDARD OF CONDUCT

As required by the CBCA, every member of the Board (a “Director”) must, in discharging his or her duties,

- (a) act honestly and in good faith with a view to the best interests of the Corporation, and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

Accordingly, the action which the Board or a Board committee must take to discharge each of its duties in any circumstances is the action (the “Diligent Action”) which could reasonably be expected to be taken in comparable circumstances by a person (1) acting honestly and in good

faith with a view to the best interests of the Corporation, and (2) exercising the care, diligence and skill that a reasonably prudent person would exercise.

#### **4. CATEGORIES OF BOARD DUTIES**

The Board believes that the Board's duties fall broadly into two categories: (1) the duties (the "Ordinary Course Duties") which the Board must discharge in the ordinary course of acting as the steward of the Corporation and supervising the CEO's management of the business and affairs of the Corporation; and (2) the duties (the "Extraordinary Duties") which the Board must discharge when the Board, the CEO or the Corporation is confronted with unusual circumstances such as (but not limited to) consideration of a take-over bid, merger, significant acquisition or other significant transaction or event outside the ordinary course of the Corporation's business.

#### **5. THE BOARD'S ORDINARY COURSE DUTIES**

The Board acknowledges and accepts the following Ordinary Course Duties:

##### **Financial Reporting and Disclosure**

- A. Governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively, the "Regulators") have promulgated and will continue to promulgate laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure by the Corporation (collectively, the "Financial Reporting Rules"). The Board shall take, or require the appropriate Committee of the Board (the "Audit Committee") to take, Diligent Action to gain and maintain reasonable assurance that the senior officers of the Corporation (collectively, "Management"), the Board and the Corporation meet all financial reporting and disclosure obligations ("Financial Reporting Obligations") imposed on them by the Financial Reporting Rules. The Board recognizes that the most significant Financial Reporting Obligations are as follows:
- (a) Management must prepare (1) comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the "Current Year") and the financial year of the Corporation next preceding the Current Year (the "Preceding Year"), and (2) Management discussion and analysis ("MD&A") relating to such financial statements;
  - (b) Management must prepare (1) comparative interim financial statements of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year, and (2) MD&A relating to such financial statements;
  - (c) each comparative financial statement of the Corporation specified in subsection(a) above (a "Current Annual Statement"), each comparative interim financial statement of the Corporation specified in subsection (b) above (a "Current

Quarterly Statement”) and the MD&A relating to each such financial statement must:

- (i) in the case of each Current Annual Statement and each Current Quarterly Statement (a “Current Financial Statement”), present fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with International Financial Reporting Standards;
  - (ii) be made up and certified as required by the Financial Reporting Rules;
  - (iii) in the case of each Current Annual Statement, be accompanied by a report thereon (the “Required Report”) prepared in accordance with the Financial Reporting Rules by a firm of chartered accountants (the “external auditor”) which is objective and independent;
  - (iv) be approved by the Board and be filed with Regulators in compliance with the Financial Reporting Rules; and
  - (v) be sent to holders of the Corporation’s securities in compliance with the Financial Reporting Rules;
- (d) in compliance with and subject to the Financial Reporting Rules, the Board must place before each annual meeting of shareholders of the Corporation and send to each shareholder of the Corporation each Current Annual Statement;
- (e) subject to and in compliance with the Financial Reporting Rules, where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation must
- (i) forthwith issue a news release authorized by a member of Management disclosing the nature and substance of the material change (a “Material Change News Release”), and
  - (ii) file a report of such material change (a “Material Change Report”) with Regulators as soon as practicable after (and in any event within ten days of) the date on which the material change occurs; and
- (f) all financial information concerning the Corporation which is disseminated to the public by or on behalf of the Corporation must be accurate, complete and fairly presented.

B. The Board shall also take Diligent Action to:

- (a) gain and maintain reasonable assurance that the composition, authority and responsibilities of the Audit Committee conform to and comply with the Financial Reporting Rules;

- (b) nominate a firm of objective and independent chartered accountants (the “proposed auditor”) for appointment as the external auditor by the holders of the Class A common voting shares and the Class B common variable voting shares (collectively, the “Common Shares”) in the capital of the Corporation;
- (c) fix the compensation and the terms of engagement of the external auditor; and
- (d) gain and maintain reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations (“Employment Obligations”).

C. The Board shall empower and require the Audit Committee to:

- (a) recommend to the Board
  - (i) the proposed auditor to be nominated by the Board for appointment as the external auditor by the holders of Common Shares of the Corporation; and
  - (ii) the compensation of the external auditor;
- (b) take Diligent Action to oversee the work of the external auditor in preparing and issuing a Required Report and performing other audit, review and attest services for the Corporation;
- (c) take Diligent Action to resolve disagreements between Management and the external auditor regarding financial reporting;
- (d) when it is appropriate to do so, pre-approve all non-audit services proposed to be provided to the Corporation or its subsidiary entities by the external auditor; for purposes of this mandate,
  - (i) “audit services” means the professional services rendered by the external auditor for the audit and review of the Corporation’s financial statements and services that are normally provided by the external auditor in connection with statutory and regulatory filings or engagements, and
  - (ii) the term “non-audit services” means services other than audit services;
- (e) review the Corporation’s financial statements, related MD&A and related annual and interim news releases before the Corporation publicly discloses such information;
- (f) take Diligent Action to gain and maintain reasonable assurance that the Corporation has adequate procedures in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements;

- (g) establish procedures for
  - (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters (“Financial Complaints”),
  - (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters (“Financial Concerns”), and
  - (iii) the reporting to the Audit Committee of all such Financial Complaints and Financial Concerns;
- (h) review and approve the Corporation’s hiring policies regarding partners, employees and former partners and employees of the present and any former external auditor; and
- (i) review annually the expenses of the Chair of the Board and the CEO for the purpose of gaining reasonable assurance as to the reasonableness of such expenses.

D. Upon the demand of the external auditor, the Board shall:

- (a) furnish to the external auditor
  - (i) such information and explanations, and
  - (ii) such access to records, documents, books, accounts and vouchers of the Corporation and its subsidiaries, as the Board is reasonably able to furnish and as are, in the opinion of the external auditor, necessary to enable the external auditor to make the examination (the “Required Examination”) of the Corporation’s financial statements required by the Financial Reporting Rules and to make the Required Report; and
- (b) obtain from the present or former directors, officers, employees and agents of any subsidiary of the Corporation and furnish to the external auditor the information and explanations
  - (i) that such present or former directors, officers, employees and agents are reasonably able to furnish, and
  - (ii) that are, in the opinion of the external auditor, necessary to enable the external auditor to make the Required Examination and the Required Report.

E. The Board shall delegate to the Audit Committee the power and authority to communicate directly with the external auditor and the Corporation’s internal auditor.

## Strategic Planning

- A. The Board shall require the CEO, in collaboration with the Board, to develop and to present to the Board:
- (a) the primary objective(s) which the CEO proposes to pursue in managing the business and affairs of the Corporation (the “Primary Objective(s)”), and
  - (b) a plan which the CEO proposes to implement which is designed to enable the Corporation to achieve the Primary Objective(s) (the “Strategy”) and which takes into account, amongst other things, the Corporation’s strengths and weaknesses, the opportunities for and threats to the Corporation’s business and the Board’s risk tolerance level.
- B. The Board shall take Diligent Action to gain reasonable assurance as to:
- (a) the appropriateness of the Primary Objective(s);
  - (b) whether the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Primary Objective(s); and
  - (c) whether the Strategy is reasonably capable of being executed by Management.
- C. If the Board gains reasonable assurance as to the appropriateness of the Primary Objective(s), the Board may approve the Primary Objective(s) (the “Approved Primary Objective(s)”).
- D. If the Board gains reasonable assurance that (1) the Strategy, if executed, is reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s), and (2) the Strategy is reasonably capable of being executed by Management, then the Board may approve the Strategy (the “Approved Strategy”).
- E. The Board shall take Diligent Action to monitor Management’s implementation of the Approved Strategy and the Corporation’s progress toward achieving the Approved Primary Objective(s).
- F. If at any time the Board is of the opinion that
- (a) the Approved Primary Objective(s) is or are no longer appropriate,
  - (b) an Approved Strategy is no longer reasonably capable of being executed by Management, or
  - (c) an Approved Strategy is no longer reasonably likely to enable the Corporation to achieve the Approved Primary Objective(s), the Board shall require the CEO to develop and present to the Board revised Primary Objective(s) and/or a revised Strategy, as the case may be, and the Board must then deal with the revised

Primary Objective(s) and/or revised Strategy in the manner specified in sections B, C, D and E above.

### **Risk Management**

The Board shall take, or require the appropriate Board committee (the “Risk Committee”) to take, Diligent Action to gain and maintain reasonable assurance that the strategic, operational, reporting and compliance risks of the Corporation’s business (“Risks”) are identified in a timely manner and are effectively assessed, monitored and managed. In particular, the Board shall take, or require the Risk Committee to take, Diligent Action to gain and maintain reasonable assurance that:

- (a) Management develops for the Corporation a formalized, disciplined and integrated enterprise risk management process (“ERM”) (1) which can reasonably be expected to enable Management to identify in a timely manner and to effectively assess, monitor and manage Risks, and (2) which is reasonably capable of being implemented and sustained by Management;
- (b) Management develops a policy (the “ERM Policy”) which accurately sets out the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
- (c) Management fully implements and sustains the ERM in compliance with the ERM Policy;
- (d) the ERM Policy continues to set out accurately the risk philosophy of the Corporation and the expectations and accountabilities for identifying, assessing, monitoring and managing Risks;
- (e) in a timely manner, Management identifies the most significant Risks (“Principal Risks”), including those Risks related to or arising from the Corporation’s weaknesses, the threats to the Corporation’s business and the assumptions underlying the Approved Strategy;
- (f) the insurance coverages maintained by the Corporation relating to Principal Risks are adequate; and
- (g) Management directly and effectively assesses, monitors and manages Principal Risks in compliance with the ERM Policy.

### **Human Resources**

- A. The Board shall take, or require the appropriate Board committee (the “Human Resources Committee”) to take, Diligent Action to gain and maintain reasonable assurance that there exist within the Corporation effective policies and practices to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet the Primary Objective(s). In particular, the Board shall take, or

require the Human Resources Committee to take, Diligent Action to gain and maintain reasonable assurance that:

- (a) the Corporation's overall compensation philosophy for all employees balances the objectives (the "Compensation Objectives") of
    - (i) attracting, developing and retaining highly competent employees,
    - (ii) appropriately and fairly incenting and rewarding strong performance by employees and the Corporation in both the short term and the longer term, and
    - (iii) maintaining the Corporation's employee costs at a competitive level;
  - (b) the compensation program for members of Management consists of an appropriate combination (an "Appropriate Compensation Combination") of base salary, a short term incentive plan, a longer term incentive plan and other benefits;
  - (c) the Corporation establishes and maintains an appropriate succession plan (a "Succession Plan") which identifies the potential short-term and longer-term successors to the CEO and the holders of all other Management and senior manager's positions in the Corporation; and
  - (d) the Corporation establishes and maintains effective policies and practices ("Training Policies and Practices") which, in conjunction with the Succession Plan, provide for training, monitoring and continuously improving the skills of senior managers and employees.
- B. The Board shall also take, or require the Human Resources Committee to take, Diligent Action to:
- (a) establish and maintain a clear written position description for the CEO which reflects the Board's delegation to the CEO of powers and authority to manage the business and affairs of the Corporation and which delineates the CEO's responsibilities;
  - (b) employ as the CEO a person whom the Board believes is capable of managing the business and affairs of the Corporation in a manner which will enable the Corporation to achieve the Primary Objective(s);
  - (c) approve the terms and conditions of the CEO's employment by the Corporation, including any changes to such terms and conditions;
  - (d) establish, maintain and implement a formal process for annually assessing the performance of the CEO, taking into account the CEO's position description and the goals and objectives of the Corporation which have been approved by the Board and which the CEO is responsible for meeting; and

- (e) after consultation with the CEO, appoint all other officers of the Corporation and approve the terms and conditions of each such officer's employment by the Corporation, including any changes to such terms and conditions.

C. The Board shall:

- (a) establish, maintain and communicate to the CEO a policy which defines the limits of the CEO's powers, authority and accountability to the Board in managing the business and affairs of the Corporation; and
- (b) require the Human Resources Committee to:
  - (i) recommend for Board approval comprehensive compensation and benefit programs for the CEO, for other members of Management and for other senior managers, including the criteria (which shall incorporate relevant corporate goals and objectives) against which the performance of the Corporation, the CEO, other members of Management and other senior managers will be evaluated for purposes of any incentive plans ("Incentive Plans") included in such compensation programs;
  - (ii) advise the Board of the Human Resources Committee's evaluation of the actual performance of the Corporation, the CEO, each other member of Management and each other senior manager against the criteria approved by the Board for purposes of the Incentive Plans, and make recommendations to the Board with respect to compensation levels (including the CEO's compensation level) based on such evaluations; and
  - (iv) review and make recommendations to the Board respecting any proposed public disclosure of executive compensation by the Corporation before the Corporation publicly discloses such information.

### **Governance Structures and Practices**

- A. The Board or the appropriate Board committee (the "Governance Committee") shall take Diligent Action to gain and maintain reasonable assurance that
  - (a) the composition and structures of the Board and Board committees (the "Governance Structures"), and
  - (b) Board and Board committee practices (the "Governance Practices") enable the Board to discharge the Board's duties in a highly effective manner. To that end, the Board shall establish and maintain Governance Structures and Governance Practices which include, amongst other things, the following:
    - (i) a majority of the members of the Board shall be independent; for purposes of this mandate, a Director is independent if

- a. the Director has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Director's independent judgment; and
  - b. the Director is not an individual who is considered to have a material relationship with the Corporation under section 1.4 of *National Instrument 52-110 - Audit Committees* ("NI 52-110");
- (ii) the Chair of the Board shall be an independent Director and shall not be a member of Management;
  - (iii) every member of the Audit Committee shall be
    - a. an independent Director and satisfy the additional independence requirements in section 1.5 of NI 52-110, and
    - b. "financially literate" within the meaning of section 1.6 of NI 52-110;
  - (iv) a majority of the members of the Governance Committee and the Human Resources Committee shall be independent Directors;
  - (v) the Board, as a whole, shall possess the competencies and skills required to enable the Board to discharge the Board's duties;
  - (vi) the number of Directors constituting the Board shall facilitate effective decision-making by the Board;
  - (vii) each new Director shall engage in a comprehensive orientation process ("Comprehensive Orientation Process") directed to enabling the new Director to understand fully
    - a. the role of the Board and all Board committees,
    - b. the contribution that every Director is expected to make to governing the Corporation, including the commitment of time and energy expected of every Director, and
    - c. the nature and operation of the Corporation's business and affairs;
  - (viii) all Directors shall be provided with continuing education opportunities ("Continuing Education Opportunities") to maintain and enhance Directors' skills and abilities as directors and to permit Directors' knowledge and understanding of the nature and operation of the Corporation's business and affairs to remain current;

- (ix) the form and amount of the Directors' compensation shall be appropriate;
- (x) the Governance Committee shall be responsible for developing and recommending to the Board the Corporation's approach to corporate governance, including a set of corporate governance principles and guidelines specifically applicable to the Corporation;
- (xi) the Governance Committee shall be responsible for:
  - a. identifying individuals qualified to become new Directors; and
  - b. after considering the competencies and skills that (1) the Board believes to be necessary for the Board, as a whole, to possess, (2) the Board believes each existing Director to possess, and (3) any proposed new nominee will bring to the Board, recommending to the Board qualified individuals as nominees for election to the Board at a meeting of shareholders of the Corporation or for appointment by the Board to fill casual vacancies in the Board;
- (xii) as a part, or by means, of regularly scheduled meetings of the Board, the Board shall hold separate meetings of the Directors at which no member of Management is in attendance;
- (xiii) as a part, or by means, of regularly scheduled meetings of the Board, the independent Directors shall hold separate meetings of the Directors at which none of the non-independent Directors or members of Management are in attendance;
- (xiv) the Board shall establish and maintain a written mandate for the Board and a written charter for each Board committee; the charter for each Board committee shall clearly establish the committee's purpose and responsibilities, committee member qualifications, member appointment and removal processes, structure and operations (including any authority of the committee to delegate powers to individual members and subcommittees) and the manner in which the committee will report to the Board;
- (xv) the Board shall establish and maintain clear written position descriptions for the Chair of the Board and the Chairs of the Board committees;
- (xvi) the Board shall establish and maintain a clear written position description for an individual Director which shall set out the expectations and responsibilities of a Director, including basic duties and responsibilities with respect to attendance at Board and Board committee meetings and advance review of meeting materials;

- (xvii) the Board shall establish, maintain and implement appropriate formal processes for regularly assessing
  - a. the effectiveness of the Board, taking into account the Board's mandate,
  - b. effectiveness of the Chair of the Board, taking into account the Chair of the Board's position description,
  - c. the effectiveness and contribution of each Board committee, taking into account such committee's charter,
  - d. the effectiveness of the Chair of each Board committee, taking into account the position description for Chairs of Board committees, and
  - e. the effectiveness and contribution of each individual Director, taking into account the position description for an individual Director as well as the competencies and skills which such Director is expected to bring to the Board;
- (xviii) the Board shall keep the Governance Committee advised of the Board's views as to (i) the competencies and skills which the Board, as a whole, should possess, and (ii) the competencies and skills which each existing Director possesses;
- (xix) the Board shall establish and maintain a process by which any Director may, at the expense of the Corporation, engage independent counsel or other advisors to provide advice to the Director with respect to the Director's discharge of his or her duties as a Director;
- (xx) the Board shall confer on each Board committee the authority (1) to engage independent counsel and other outside advisors as the committee deems necessary to carry out its duties, and (2) to set and (at the expense of the Corporation) pay the compensation for any independent counsel or other outside advisor engaged by the committee; and
- (xxi) the Board shall impose on each Board committee the obligation to report promptly to the Board all conclusions and decisions reached by the committee as a result of taking the Diligent Action and discharging the other duties imposed on the committee by the Board.

## **Governance Culture**

- A. The Board shall take Diligent Action to establish and sustain amongst all Directors a culture which incorporates the following attitudes, values, and convictions (the “Appropriate Culture”):
- (a) acceptance of the Board’s accountability for the Corporation’s performance;
  - (b) the conviction that Directors owe each other their best efforts in carrying out their duties and exercising their authority;
  - (c) insistence on the highest level of honesty and integrity in all actions of the Board, Management and other senior managers and employees of the Corporation;
  - (d) trust and respect amongst Directors;
  - (e) open sharing of all relevant information amongst Directors and amongst Directors and Management; and
  - (f) the acceptance and respect of differing opinions.

## **Miscellaneous Duties**

- A. The Board shall also take, or require a Board committee to take, Diligent Action to:
- (a) establish, maintain and monitor compliance with a written code of business conduct and ethics (the “Code of Business Conduct”) applicable to Directors, officers and employees of the Corporation; the Code of Business Conduct must constitute standards reasonably designed to promote integrity and to deter wrongdoing and must address the following issues:
    - (i) conflicts of interest, including transactions and agreements in respect of which a Director or member of Management has a material interest;
    - (ii) protection and proper use and exploitation of the Corporation’s assets and opportunities;
    - (iii) confidentiality of private information relating to the business and affairs of the Corporation;
    - (iv) fair and ethical dealing with the Corporation’s security holders, customers, suppliers, competitors and employees;
    - (v) compliance with applicable laws, rules and regulations; and
    - (vi) reporting of any illegal or unethical behavior or other breaches of the Code of Business Conduct;

- (b) require waivers of compliance with the Code of Business Conduct granted for the benefit of any Director or member of Management to be granted only by the Board or an appropriately empowered Board committee;
- (c) gain and maintain reasonable assurance as to the integrity, comprehensiveness and effectiveness of those elements of the Corporation (including its resources, management information systems, processes, culture, structure and tasks) which, taken together (the “Internal Controls”), support the Corporation’s personnel in meeting the Corporation’s objectives and obligations, including the Financial Reporting Obligations;
- (d) establish, maintain and monitor compliance with a written communications policy for the Corporation (the “Communications Policy”); the Communications Policy must, amongst other things, establish and assign accountability for monitoring Internal Controls relating to the issuance of Material Change News Releases and the filing with Regulators of Material Change Reports;
- (e) to the extent feasible, gain and maintain reasonable assurance (i) as to the integrity of the CEO and the other members of Management, and (ii) that the CEO and the other members of Management create and maintain a culture of integrity throughout the Corporation;
- (f) gain and maintain reasonable assurance that appropriate policies and processes relating to protection of the environment and to the health and safety of the Corporation’s employees, customers and other stakeholders (“E,H&S Policies”) exist and are implemented throughout the Corporation;
- (g) require the CEO to develop, and to present to the Board for assessment and approval, a statement of the philanthropic activities in which the Corporation will engage;
- (h) gain and maintain reasonable assurance that appropriate policies and processes governing the Corporation’s philanthropic activities (“Charitable Policies”) exist and are implemented; and
- (i) gain and maintain reasonable assurance that Management, the Board and the Corporation comply with the applicable laws, regulations, rules, policies and other requirements promulgated by Regulators relating to the following matters (the “Corporate Rules”):
  - (i) the composition of the Board;
  - (ii) calling and holding of meetings of the Board;
  - (iii) the composition of Board committees;

- (iv) the disclosure of conflicts of interest by Directors and members of Management;
- (v) securities registers and registers of transfers of securities;
- (vi) the calling and holding of meetings of shareholders;
- (vii) soliciting proxies, including providing shareholders with forms of proxy, information circulars and notices of meetings;
- (viii) filing forms of proxy, information circulars and notices of meetings with Regulators; and
- (ix) filing annual information forms and material contracts with Regulators.

## **6. THE BOARD'S EXTRAORDINARY DUTIES**

When the Board, the CEO or the Corporation is confronted with unusual circumstances which give rise to Extraordinary Duties, the Board or a Board committee shall:

- (a) seek expert advice as to (1) the nature of the Extraordinary Duties arising from such unusual circumstances, and (2) the Diligent Action which the Board or the Board committee must take to discharge those Extraordinary Duties; and
- (b) where appropriate, take the Diligent Action specified by such expert advice.

Annex “C”

**POSITION DESCRIPTION FOR  
THE CHAIR OF THE BOARD  
DISCOVERY AIR INC.**

Board Approved:  
December 10, 2008

**Section 1. The Chair of the Board’s Job Description, Broadly Stated**

The Chair of the Board (“Chair”) of Discovery Air Inc. (the “Corporation”) is responsible for facilitating highly effective performance by the Board of Directors (“Board”) of the Corporation. The Chair is not an executive of the Corporation in the sense that the Chair is not responsible for the management of any aspect of the Corporation’s business.

In discharging his/her responsibility, the Chair will, from time to time, (i) provide leadership to the Board on specific issues, (ii) assist the Board in performing its duties and meeting its obligations, including the duties and obligations of the Board specified in the mandate of the Board relating to strategic planning, (iii) at and in accordance with the direction of the Board, act as the spokesperson for the Board, (iv) at the request of the Board and/or the chief executive officer of the Corporation (the “CEO”), act as an intermediary between the Board and the CEO, and (v) at the request of the Board and/or the CEO, provide advice and counsel to the CEO.

**Section 2. Specific Responsibilities of the Chair**

Without limiting the generality of the responsibility of the Chair as described in Section 1 above, the Chair shall:

Pre-Board Meeting Mechanics

- a) schedule the number and timing of Board meetings each calendar year so as to enable the Board to deal on a timely basis with all matters for which the Board is responsible and with which the Board as a whole chooses or is obliged to deal;
- b) in consultation with the chairs of the Board committees, the CEO and other members of management (as appropriate), establish the agenda for each Board meeting with a view to bringing before the Board (i) matters in respect of which the chairs of Board committees, the CEO or other members of management require or want Board direction or approval, and (ii) matters with which the Board wishes or is obliged to deal;
- c) use his/her best efforts to provide or to cause to be provided to the Board a reasonable time in advance of each Board meeting all reasonably required and available information relating to each matter to be dealt with by the Board at that meeting;

- d) where, in the Chair's opinion, the subject matter and expected duration of a Board meeting or the particular circumstances of a member of the Board (a "Director") would so warrant, encourage a Director or Directors to participate in the meeting by means of telephone, teleconference, videoconference or other methodology by which Directors participating in the meeting are able to speak to and be heard by each other;
- e) approve the general nature and length of all presentations to be made at each Board meeting and review every written presentation to be made to the Board or to any committee of the Board before such written presentation is provided to Directors;
- f) prior to any Board meeting, confer with one or more Directors on any matter to be discussed at the Board meeting, if in the Chair's opinion, the discussion of that matter at the Board meeting would probably be thereby enhanced;

#### Conduct of Board Meetings

- g) act as the chair of each Board meeting;
- h) conduct the business of each Board meeting in a manner which will normally result in all matters on the meeting's agenda being dealt with effectively;
- i) propose the termination of discussion on any matter at a Board meeting when he/she is of the opinion that the matter has been thoroughly canvassed and that no new points of view or information are being presented (with the understanding that the Chair's discretion in such cases will be exercised so as to err on the side of allowing excessive discussion rather than insufficient discussion);
- j) attempt to achieve a consensus of Directors on any matter discussed at a Board meeting in respect of which (i) the Board's decision, views or advice has been requested or is required, and (ii) Directors express conflicting positions, views or advice;
- k) ensure that all Directors who wish to address a matter at a Board meeting are afforded a reasonable opportunity to do so;
- l) in any case where a Director (the "conflicted Director") has an interest or potential conflict in or in respect of a matter to be discussed at a Board meeting, attempt to arrange for the conflicted Director to excuse himself/herself from all or a portion of the Board discussion of that matter if the Chair is of the opinion that the Board discussion of that matter would probably be enhanced by the absence of the conflicted Director;

#### Board Culture

- m) use reasonable efforts to promote and support a Board culture characterized by

- i. the Board's acceptance of its accountability for the performance of the Corporation;
- ii. the acceptance by each Director of his/her responsibility to use his/her best efforts in carrying out his/her duties as a Director;
- iii. the Board's insistence on the highest level of integrity and honesty in the actions of the Board and management;
- iv. respect and trust amongst Directors;
- v. the open and timely sharing of all relevant information amongst all Directors;
- vi. acceptance by all Directors of the right of every Director to hold and express dissenting opinions;
- vii. a genuine commitment by Directors to good governance practices; and
- viii. a willingness on the part of Directors to function in a collaborative manner;

#### Board Composition, Education and Compensation

- n) in co-operation with the Governance Committee of the Board,
  - i. assist in the identification of appropriate Board candidates to be nominated for election by the shareholders of the Corporation;
  - ii. communicate on behalf of the Board with all proposed nominees for election by the shareholders of the Corporation;
  - iii. arrange for management of the Corporation to provide new Directors with a comprehensive orientation and education program with respect to the Corporation and its businesses;
  - iv. design and implement processes for evaluating the performances of the Board and individual Directors;
  - v. use reasonable efforts to cause the Board to be made aware on a timely basis of changes in the law and/or best practice respecting the duties of the Board and Directors; and
  - vi. provide the Board with information and recommendations regarding the amount and nature of Directors' compensation;

#### Board Committee Matters

- o) assist the Governance Committee in developing recommendations to the Board with respect to the composition and chairs of the committees of the Board;
- p) assist the Governance Committee and the other committees of the Board in regularly reviewing the mandates of all committees of the Board with a view to recommending to the Board appropriate amendments to the committees' mandates;
- q) assist the Governance Committee in regularly reviewing the mandate of the Board with a view to recommending to the Board appropriate amendments to the Board's mandate;

- r) attend all meetings of all committees of the Board as an observer for the purpose of assisting the committees to meet their obligations under their mandates;

Miscellaneous Matters

- s) assist the Board, each committee of the Board and management in understanding and respecting the boundaries between the responsibilities of the Board and Board committees and the responsibilities of management;
- t) at the request of any Director, meet or be available for discussion with that Director between meetings of the Board;
- u) following each meeting of the Board, settle with the secretary of the meeting draft minutes of the meeting for approval by the Directors;
- v) advise management of each decision made by the Board which requires implementation by management and monitor management's implementation of that decision;
- w) act as chair at all meetings of shareholders of the Corporation;
- x) oversee the corporate secretarial activities of the person who from time to time performs the function of the Corporate Secretary of the Corporation;
- y) where the Chair deems it appropriate to do so, authorize any Director to retain legal counsel or other person(s) possessed of relevant expertise to advise the Director in connection with the Director's discharge of his/her duties as a Director of the Corporation; and
- z) perform such other functions as the Board may reasonably specify from time to time.

## Annex “D”

### POSITION DESCRIPTION FOR COMMITTEE CHAIRS DISCOVERY AIR INC.

Board Approved:  
September 7, 2012

#### **Section 1. The Committee Chair’s Position Description, Broadly Stated**

The Chair (the “Chair”) of each committee (the “Committee”) of the Board of Directors (the “Board”) of Discovery Air Inc. (the “Corporation”) is responsible for facilitating highly effective performance by the Committee in the discharge of its duties as set out in the Committee’s charter. The Chair is not an executive of the Corporation in the sense that the Chair is not responsible for the management of any aspect of the Corporation’s business.

In discharging his/her responsibility, the Chair will, from time to time, (i) provide leadership to the Committee on specific issues, (ii) act as a servant to the Committee by using his/her best efforts to meet Committee requirements, (iii) at and in accordance with the direction of the Committee, act as the spokesperson for the Committee (iv) at the request of the Committee and/or the chief executive officer of the Corporation (the “CEO”), act as an intermediary between the Committee and the CEO, and (v) at the request of the Committee and/or the CEO, provide advice and counsel to the CEO or other officers of the Corporation (the “Officers”).

#### **Section 2. Specific Responsibilities of the Chair**

Without limiting the generality of the responsibility of the Chair as described in Section 1 above, the Chair shall:

##### **PRE-COMMITTEE MEETING MECHANICS**

- a) schedule the number and timing of Committee meetings each calendar year so as to enable the Committee to deal on a timely basis with all matters for which the Committee is responsible;
- b) in consultation with the Chair of the Board, the CEO or other Officers (as appropriate), establish the agenda for each Committee meeting with a view to bringing before the Committee (i) matters in respect of which the Chair of the Board, the CEO or an Officer requires or wants Committee direction or approval, and (ii) matters with which the Committee is obliged to deal;
- c) use his/her best efforts to provide or to cause to be provided to the Committee a reasonable time in advance of each Committee meeting all reasonably required and

available information relating to each matter to be dealt with by the Committee at that meeting;

- d) where, in the Chair's opinion, the subject matter and expected duration of a Committee meeting or the particular circumstances of a member of the Committee (a "Member") would so warrant, encourage a Member or Members to participate in the meeting by means of telephone, teleconference, videoconference or other methodology by which Members participating in the meeting are able to speak to and be heard by each other;
- e) approve the general nature and length of all presentations to be made at each Committee meeting and, where practicable, review every written presentation to be made to the Committee before such written presentation is provided to Members;
- f) prior to any Committee meeting, confer with one or more Members on any matter to be discussed at the Committee meeting if, in the Chair's opinion, the discussion of that matter at the Committee meeting would probably be thereby enhanced;

### **Conduct of Committee Meetings**

- g) act as the chair of each Committee meeting;
- h) conduct the business of each Committee meeting in a manner which will normally result in all matters on the meeting's agenda being dealt with effectively;
- i) propose the termination of discussion on any matter at a Committee meeting when he/she is of the opinion that the matter has been thoroughly canvassed and that no new points of view or information are being presented (with the understanding that the Chair's discretion in such cases will be exercised so as to err on the side of allowing excessive discussion rather than insufficient discussion);
- j) attempt to achieve a consensus of Members on any matter discussed at a Committee meeting in respect of which (i) the Committee's decision, views or advice has been requested or is required, and (ii) Members express conflicting positions, views or advice;
- k) use his/her best efforts to provide all Members who wish to address a matter at a Committee meeting a reasonable opportunity to do so;
- l) in any case where a Member (the "conflicted Member") has an interest or potential conflict in or in respect of a matter to be discussed at a Committee meeting, attempt to arrange for the conflicted Member to excuse himself/herself from all or a portion of the Committee discussion of that matter if the Chair is of the opinion that the Committee discussion of that matter would probably be enhanced by the absence of the conflicted Member;

### **Committee Culture**

- m) use reasonable efforts to promote and support a Committee culture characterized by
  - (i) the acceptance by each Member of his/her responsibility to use his/her best efforts in carrying out his/her duties as a Member;
  - (ii) the Committee's insistence on the highest level of integrity and honesty in the actions of the Committee and of the CEO and Officers (the "Management");
  - (iii) respect and trust amongst Members;
  - (iv) the open and timely sharing of all relevant information amongst all Members;
  - (v) acceptance by all Members of the right of every Member to hold and express dissenting opinions;
  - (vi) a genuine commitment by Members to good governance practices; and
  - (vii) a willingness on the part of Members to function as a team;

### **Miscellaneous Matters**

- n) assist the Committee and Management in understanding and respecting the boundaries between the responsibilities of the Committee and the responsibilities of Management;
- o) at the request of any Member, meet or be available for discussion with that Member between meetings of the Committee;
- p) following each meeting of the Committee, settle with the secretary of the meeting draft minutes of the meeting for approval by Members;
- q) whenever necessary or desirable to facilitate highly effective performance by the Committee, attend meetings of other Board committees;
- r) arrange and co-ordinate regular assessments of the effectiveness of the Committee's performance;
- s) advise Management of each decision made by the Committee (or by the Board on the advice or recommendation of the Committee) which requires implementation by Management and, together with the Chair of the Board, monitor Management's implementation of that decision; and
- t) perform such other functions as the Board may reasonably specify from time to time.

Annex “E”

**POSITION DESCRIPTION FOR DIRECTORS  
DISCOVERY AIR INC.**

Board Approved:  
September 7, 2012

**Section 1. A Director’s Position Description, Broadly Stated**

Each director (a “director”) of discovery air inc. (the “corporation”) is, together with the other members of the corporation’s board of directors (the “board”), responsible for the stewardship of the corporation. This responsibility entails managing, or, to the extent that the authority to manage the business and affairs of the corporation has been delegated to the president and chief executive officer (the “ceo”), supervising the management of the business and affairs of the corporation. To this end, a director must devote his or her best efforts to the fulfillment of the board’s responsibilities set out in the board of directors’ mandate and must, in discharging his or her duties:

- a) act honestly and in good faith with a view to the best interests of the Corporation; and
- b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

**Section 2. Specific Responsibilities of a Director**

A Director shall:

- a) discharge his or her duty of honesty and good faith by, among other things:
  - i) not acting fraudulently or consenting to a transaction that is not authorized by applicable laws or the Corporation's articles or by-laws;
  - ii) not making any false representation to, or withholding any relevant information from, his or her fellow Directors with a view to influencing their decision in respect of a particular matter;
  - iii) disclosing to his or her fellow Directors any interest that he or she may have as a party to a proposed material contract or transaction with the Corporation;
  - iv) where necessary or appropriate, refusing any documentation or information relating to a contract or transaction in respect of which the Director has disclosed an interest;
  - v) not allowing his or her personal interest, or the interest of a particular securityholder or group of securityholders, to interfere with the Director's loyalty to the Corporation and considering each proposal submitted for consideration to the Board on its merits and with a view to the best interests of the Corporation;

- vi) promptly communicating to the Chair of the Board any information that may be necessary or useful to the Corporation or its officers (collectively, “Management”) in the conduct of the Corporation's business; and
  - vii) not disclosing, or allowing to be disclosed, to any person not entitled thereto any information relating to the business and affairs of the Corporation which has not been made available to the public, nor allowing any such person to have access to or inspect any books or records relating to the business and affairs of the Corporation that have been made available to him or her as a Director or that otherwise belong to or are in the possession of the Corporation; and
- b) discharge the duty of care, diligence and skill by, among other things:
- i) familiarizing himself or herself with the business and affairs and the significant policies of the Corporation;
  - ii) engaging in continuing education and/or self-study opportunities to improve his or her knowledge of the industry in which the Corporation competes and his or her duties as a Director;
  - iii) regularly attending and preparing in advance for all meetings of the Board and any Committees of which he or she is a member;
  - iv) remaining at Board and Committee meetings until their conclusion;
  - v) taking reasonable steps to become informed about every issue submitted for consideration to the Board or a Committee of which he or she is a member, and making all decisions on a reasonably informed basis;
  - vi) employing his or her abilities, education, experience and training in considering all issues before the Board;
  - vii) developing and maintaining sufficient financial literacy to appreciate the financial implications of proposed strategies, tactics and transactions;
  - viii) understanding the Corporation’s strategic plan and consistently evaluating decisions and actions against that plan;
  - ix) being economical with his or her words and the time of the Board;
  - x) encouraging open and candid discussion of all significant issues and being prepared to change his or her mind in appropriate circumstances;
  - xi) providing and welcoming constructive criticism;
  - xii) demonstrating a clear understanding and respect of the boundaries between the authorities and responsibilities of the Board and Board committees and the authorities and responsibilities of Management; and

- xiii) accepting accountability, jointly with the rest of the Board, for the performance of the Corporation.

**Annex “F”**

**POSITION DESCRIPTION FOR  
THE CHIEF EXECUTIVE OFFICER  
DISCOVERY AIR INC.**

Board Approved:  
September 7, 2012

**Section 1. The Position Description, Broadly Stated**

By a resolution passed by the board of directors (the “Board”) of Discovery Air Inc. (the “Corporation”) on September 7, 2012, the Board delegated to the Corporation’s Chief Executive Officer (the “CEO”) all of the powers and authority required by the CEO to manage the business and affairs of the Corporation and its subsidiaries in the ordinary course of business, subject to the limitations specified in that resolution (the “Delegation Resolution”).

The CEO has accepted that delegation of powers and authority and has acknowledged that, in exercising those powers and that authority,

- (i) he is responsible and accountable to the Board,
- (ii) he is subject to the direction and control of the Board and to the terms of any policies established by the Board, and
- (iii) he is responsible for the reputation of the Corporation, the establishment and enforcement of ethical standards for the Corporation and the ethical conduct of business.

The CEO’s employment agreement and the Delegation Resolution provide a broad and partial statement of the CEO’s job description.

**Section 2. Additional Specific Duties of the CEO**

Without limiting the CEO’s powers, authority, duties, responsibilities, accountability and limitations referred to in Section 1 above, the CEO shall:

- (a) in conjunction with the Board, establish and communicate (i) the Corporation’s overarching strategic objective, and (ii) the Corporation’s values;
- (b) in conjunction with the Board, develop and maintain a strategic plan directed to realizing the Corporation’s overarching strategic objective;
- (c) establish and maintain the Corporation’s operating plans, policies, procedures and tactics for implementing the Corporation’s strategic plan; be responsible for the day to day operation of the Corporation’s business;
- (d) obtain the approval of the Board for all major decisions outside the normal course of business;

- (e) monitor and evaluate the Corporation's performance and take corrective action to ensure that the Corporation is operating in a manner consistent with the Corporation's overarching strategic objective, the Corporation's strategic plan, operating plans and capital budget at an acceptable risk;
- (f) develop and maintain an effective management group, creating an organizational structure and management processes that enable the management group to function as a team;
- (g) develop and maintain open and candid communication between and among (i) members of the management group, and (ii) the CEO, members of the management group and the Board;
- (h) develop and maintain a viable succession plan covering all significant management positions;
- (i) lead the development and maintenance of healthy, positive relationships with customers, suppliers, shareholders, the Board, agents and others whose goodwill is important to the success of the Corporation;
- (j) create and foster a strong culture of safety in the Corporation and its subsidiaries;
- (k) create an environment which stimulates the morale and productivity of employees of the Corporation;
- (l) recognize and meet the Corporation's social responsibilities;
- (m) serve effectively as the chief spokesperson for the Corporation, the chief liaison with the markets, and develop and maintain appropriate communication policies and procedures for the Corporation;
- (n) develop and maintain a keen insight into, and a detailed knowledge of, the social, economic, political and environmental climates in which the Corporation operates;
- (o) understand and respect the role of the Board, facilitating the Board's performance of its duties and keeping the Board fully informed in a timely and candid manner of all events that could reasonably be expected to significantly affect the Corporation or the Corporation's performance or prospects; and
- (p) provide the Chair of the Board and the chair of each committee of the Board with the assistance necessary to enable them to discharge their duties.

## Annex "G"

### GOVERNANCE COMMITTEE CHARTER DISCOVERY AIR INC.

Board Approved:  
September 7, 2012

#### 1. PURPOSE

The Board of Directors (the "Board") is responsible for the stewardship of Discovery Air Inc. (the "Corporation"). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation and its subsidiaries and affiliates. To discharge that duty, the Board must supervise all significant aspects of the management of the business and affairs of the Corporation and its subsidiaries and affiliates.

**A. Appropriate Governance Structures and Practices.** The Board believes that the governance of the Corporation is a significant aspect of the management of the business and affairs of the Corporation and its subsidiaries and affiliates. Further, the Board believes that for its stewardship of the Corporation to be highly effective, the Board must satisfy itself that, with respect to the governance of the Corporation,

- (a) the Board, all Board committees, the Chair of the Board (the "Board Chair"), the chair of each Board committee, each member of the Board (a "Director") and each member of a Board committee engages in appropriate governance practices ("Appropriate Governance Practices"), and
- (b) the Board has adopted and maintains appropriate structures for the Board, all Board committees, the position of Board Chair, the position of chair of each Board committee, the position of Director and the position of member of a Board committee ("Appropriate Governance Structures").

**B. Authority.** The fundamental duty of the Board in requiring Appropriate Governance Practices and adopting and maintaining Appropriate Governance Structures (the "Governance Obligations") is to gain and maintain reasonable assurance that the Governance Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required:

- (a) to take all action ("Diligent Action") which, in the opinion of the Board or the committee, is necessary or desirable for the committee to gain and maintain reasonable assurance that the Governance Obligations are being met, and
- (b) to report to the Board the conclusions reached by the committee as a result of taking Diligent Action.

#### 2. ESTABLISHMENT/CONTINUATION OF GOVERNANCE COMMITTEE

The Board has established and hereby continues the existence of a committee of the Board known as the Governance Committee (the "Committee"). The Committee is hereby empowered and required to take Diligent Action and to report to the Board the conclusions reached by the Committee as a result of taking Diligent Action.

### 3. COMPOSITION

- A. Composition.** The Committee shall consist of at least three Directors (collectively, the “Members”), one of whom shall serve as the chair of the Committee (the “Committee Chair”). A majority of the Members shall be “independent” (as that term is defined herein). All Members shall have or develop an understanding of corporate governance issues or shall commit to understanding such issues in a timely manner.
- B. Appointment and Removal.** The Board shall appoint, and may remove, any of the Members and the Committee Chair at any time and from time to time.
- C. Definitions.** For the purposes of this Charter, a person is “independent” if
- (a) the person has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the person’s independent judgment; and
  - (b) the person is not an individual who is considered to have a material relationship with the Corporation under section 1.4 of National Instrument 52-110 - Audit Committees (“NI 52-110”).

### 4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to the Member by an officer of the Corporation or in a written report of the auditor of the Corporation to fairly reflect the financial condition of the Corporation, or
- (b) a report of a person whose profession lends credibility to a statement made by that person.

### 5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Directors are subject. The essence of a Member’s duties is supervising and taking Diligent Action to gain and maintain reasonable assurance that the Governance Obligations are being met and to enable the Committee to report thereon to the Board.

### 6. OPERATING PROCEDURES

- A. Frequency of Meetings.** The Committee shall meet two times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a schedule prepared by the Corporate Secretary in consultation with the Board Chair and the Committee Chair. Additional meetings of the Committee may be called at any time by the Board Chair, the Committee Chair or any Member.
- B. Notice of Meetings.** Notice of the time and place of each meeting of the Committee shall be given to each Member not less than forty-eight hours before the time when the meeting is to be held. Notwithstanding the foregoing, if the Board or the Committee fixes by resolution the time

and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.

- C. Meeting Agendas.** Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair and the Corporation's President and Chief Executive Officer (the "CEO"), in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board or the Committee.
- D. Transaction of Business.** The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.
- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any Director who is not a Member shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.
- J. Chair of Meetings.** The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall meet in a separate executive session with the CEO and shall meet in a separate *in camera* session. The Committee shall also be entitled to meet with one or more other officers or employees of the Corporation or its subsidiaries.
- L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.
- M. Reports to the Board.** The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.
- N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to:
  - (a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,

(b) set and pay, at the expense of the Corporation, the compensation for any advisor engaged by the Committee, and

(c) communicate directly and privately with any advisor engaged by the Committee.

**O. Annual Evaluation of this Charter, the Committee and its Compliance with this Charter.**

Annually, or more frequently at the request of the Corporate Secretary of the Corporation as a result of legislative or regulatory changes, the Committee shall:

(a) review and assess the adequacy of this Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators and stock exchanges with which the Corporation has reporting relationships (collectively “Mandated Governance Practices”) and, if appropriate, recommend changes to the Charter to the Board for its approval, except for minor technical amendments to this Charter, authority for which is delegated to the Corporate Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting; and

(b) conduct a review and evaluation of the Committee’s performance including its ability to meet the requirements of this Charter, in accordance with an evaluation process developed by the Committee and approved by the Board, and provide the results of the performance evaluation to the Board.

**P. Miscellaneous.** To assist the Committee in discharging its responsibilities, the Committee may conduct any investigation and have access to any officer, employee or agent of the Corporation.

**7. DILIGENT ACTION**

Without limiting the nature or scope of Diligent Action, the Committee shall:

**A. General.** for the purpose of assisting the Board and the Committee to gain and maintain reasonable assurance that the Governance Obligations are met,

(a) require Management (with the assistance of the Corporation’s general legal counsel) to provide to the Committee

(i) a written report listing all Mandated Governance Practices,

(ii) prompt written updates to the report referred to in paragraph (i) above describing any proposed or actual change to the Mandated Governance Practices, and

(iii) at each meeting of the Committee, written assurance that since the last preceding meeting of the Committee, the Mandated Governance Practices have been met;

(b) gain and maintain reasonable assurance that

(i) a majority of the Directors are independent,

(ii) the Board Chair is an independent Director and is not a member of Management,

- (iii) every member of the Audit Committee is
  1. an independent Director and satisfies the additional independence requirements in section 1.5 of NI 52-110, and
  2. “financially literate” within the meaning of section 1.6 of NI 52-110;
- (iv) a majority of the members of the Governance Committee and the Human Resources Committee shall be independent Directors;
- (c) for the purpose of gaining and maintaining reasonable assurance that the Board, the Board Chair and the members of the Board committees satisfy the independence requirements in this Charter,
  - (i) obtain annually from each Director a written declaration (a “Declaration”) containing:
    1. a description of every direct or indirect relationship (an “Actual Relationship”) which such Director has with the Corporation;
    2. a statement as to whether such Director is an individual who is considered to have a material relationship (a “Considered Relationship”) with the Corporation under the terms of *National Instrument 58-101 - Disclosure of Corporate Governance Practices*;
    3. if such Director has a Considered Relationship or Considered Relationships with the Corporation, a description of each such Considered Relationship; and
    4. an undertaking by such Director to advise the Committee promptly of (1) any changes to any Actual Relationship or Considered Relationship described in the Declaration, and (2) any Actual Relationship or Considered Relationship which such Director has with the Corporation which comes into existence subsequent to the time the Declaration is obtained by the Committee from such Director;
  - (ii) determine whether any Actual Relationship which a Director has with the Corporation could reasonably be expected to interfere with the exercise of such Director’s independent judgment; and
  - (iii) advise the Board to promptly make changes to the composition of the Board or any of its committees which may be necessary or advisable as a result of any Director or Directors having Actual Relationships or Considered Relationships with the Corporation,
- (d) gain and maintain reasonable assurance that the Board, as a whole, possesses the competencies and skills required to enable the Board to discharge the Board’s duties (the “Requisite Competencies and Skills”);
- (e) for the purpose of maintaining reasonable assurance that the Board, as a whole, possesses the Requisite Competencies and Skills

- (i) at least annually, identify the competencies and skills which, in the opinion of the Committee, constitute the Requisite Competencies and Skills;
  - (ii) in conjunction with each such identification of competencies and skills, determine whether the existing Directors individually or collectively possess the Requisite Competencies and Skills; and
  - (iii) if the Board determines that the Board, as a whole, does not possess all of the Requisite Competencies and Skills, then advise the Board to either (1) take appropriate steps to enable one or more existing Directors to develop those Requisite Competencies and Skills which the Board does not possess, or (2) take appropriate steps to have elected or appointed to the Board one or more individuals who have those Requisite Competencies and Skills which the Board does not possess;
- (f) gain and maintain reasonable assurance that the number of Directors constituting the Board facilitates effective decision-making by the Board;
- (g) for the purpose of gaining and maintaining reasonable assurance that the number of Directors constituting the Board facilitates effective decision-making by the Board, review the results of each assessment of the effectiveness of the Board with a view to determining whether the assessed effectiveness of the Board's decision-making could reasonably be expected to have been meaningfully improved if the number of Directors constituting the Board had been larger or smaller;
- (h) gain and maintain reasonable assurance that each new Director engages in a comprehensive orientation process ("Comprehensive Orientation Process") directed to enabling the new Director to understand fully (i) the role of the Board and all Board committees, (ii) the contribution that every Director is expected to make to governing the Corporation, including the commitment of time and energy expected of every Director, and (iii) the nature and operation of the Corporation's business and affairs;
- (i) gain and maintain reasonable assurance that all Directors are provided with continuing education opportunities ("Continuing Education Opportunities") to maintain and enhance Directors' skills and abilities as directors and to permit Directors' knowledge and understanding of the nature and operation of the Corporation's business and affairs to remain current;
- (j) for the purpose of gaining and maintaining reasonable assurance that each new Director engages in a Comprehensive Orientation Process and that all Directors are provided with Continuing Education Opportunities,
- (i) require Management to provide to each new Director:
    1. copies of the articles of incorporation and by-laws of the Corporation;
    2. copies of the mandate of the Board and the charter of each Board committee;
    3. copies of the position descriptions for an individual Director, the Board Chair and the chair of each Board committee;

4. copies of the agendas and minutes for all Board and Board committee meetings held in the twelve-month period immediately preceding such new Director's election or appointment to the Board;
  5. a copy of the Corporation's current strategic plan;
  6. copies of the Corporation's annual reports, related MD&A and management information circulars for the last two financial years of the Corporation immediately preceding such new Director's election or appointment to the Board;
  7. copies of the Corporation's interim financial statements and related MD&As for the twelve-month period immediately preceding such new Director's election or appointment to the Board;
  8. a copy of the Corporation's current annual information form;
  9. a copy of the Corporation's Code of Business Code;
  10. a copy of the Corporation's Communications Policy;
  11. a description of (1) the amount, form and timing of remuneration payments made to each Director by the Corporation, and (2) the Corporation's equity ownership requirement for Directors, if any;
  12. a copy of the Corporation's insider trading policies, including the "black-out" periods for the current financial year;
  13. opportunities to meet with the senior officers of all of the Corporation's business units for the purpose of discussing the nature and operation of the Corporation's business and affairs;
  14. opportunities to visit the Corporation's principal operating locations and to discuss the operation of the locations with the managers of those locations;
  15. a copy of the Corporation's current Directors and Officers insurance policy or a summary of the material terms thereof;
  16. a copy of the Corporation's current Directors and Officers indemnification agreement;
  17. copies of each of the Board's policies; and
  18. a listing of those shareholders of the Corporation who own or control individually more than 2% of the issued and outstanding shares of the Corporation;
- (ii) request the Board Chair to meet with each proposed new Director and to explain to such proposed new Director the culture of the Board, the commitment of time and energy expected of every Director and the competencies and skills which such proposed new Director is expected to bring to the Board; and

- (iii) make available to every Director the opportunity, at the expense of the Corporation,
  - 1. to attend any conference, seminar, course or other educational experience (A) which is intended to expand corporate directors' knowledge and skills, and (B) which is approved by the Board Chair; and
  - 2. to visit any of the Corporation's principal operating locations and to discuss the operation of those locations with the managers of those locations;
- (k) gain and maintain reasonable assurance of the appropriateness of the form and amount of compensation being paid by the Corporation to a Director, the Board Chair, the chair of each Board committee and a member of each Board committee;
- (l) for the purpose of gaining and maintaining reasonable assurance as to the appropriateness of the form and amount of compensation being paid by the Corporation to a Director, the Board Chair the chair of each Board committee and a member of each Board committee, annually review and report to the Board on the form and amount of such compensation being paid by other companies selected by the Committee each of which carries on a business comparable in terms of size and complexity to the Corporation's business;
- (m) gain and maintain reasonable assurance that the Board establishes, maintains and implements appropriate formal processes for regularly assessing (i) the effectiveness of the Board, taking into account the Board's mandate, (ii) the effectiveness of the Board Chair, taking into account the Board Chair's position description, (iii) the effectiveness and contribution of each Board committee, taking into account such committee's charter, (iv) the effectiveness of the chair of each Board committee, taking into account the position description for Board committee chairs, and (v) the effectiveness and contribution of each individual Director, taking into account the position description for an individual Director as well as the competencies and skills which such Director is expected to bring to the Board;
- (n) in designing appropriate formal processes for assessing (1) the effectiveness of the Board, the Board Chair and the chair of each Board committee, and (2) the effectiveness and contribution of each Board committee and each individual Director,
  - (i) utilize processes which enable Directors (1) to make the required assessments, and (2) in the case of assessments of the effectiveness and contribution of each individual Director, to make the assessments anonymously;
  - (ii) require the Board Chair, the Committee Chair, the Corporate Secretary and/or an independent consultant (as the Board deems appropriate) to consolidate the results of each assessment into a single composite assessment report (a "Composite Report");
  - (iii) provide to all Directors copies of all Composite Reports, other than Composite Reports of the assessments of individual Director's effectiveness and contribution; and
  - (iv) provide to each Director a copy of the Composite Report of the assessments of that Director's effectiveness and contribution;

- (o) on an ongoing basis, conduct reviews and evaluations of the governance practices and structures adopted, maintained and required by the Board and report back to the Board the Committee's conclusions from such reviews and evaluations;
- (p) prior to each annual meeting of shareholders of the Corporation, recommend to the Board
  - (i) the individuals proposed for election as Directors by the shareholders of the Corporation,
  - (ii) the composition of each Board committee,
  - (iii) the chair of each Board committee, and
  - (iv) a Director or proposed Director to be appointed as the Board Chair,in each case for the period following such annual meeting of shareholders;
- (q) in the event of a vacancy on the Board or any one or more of its committees or in the position of Board Chair or Board committee chair, recommend to the Board one or more individuals for appointment to fill such vacancy or vacancies;
- (r) annually, or more frequently at the request of the Corporate Secretary of the Corporation as a result of legislative or regulatory changes, review and assess the adequacy of (and, if appropriate, recommend to the Board changes to) (1) the mandate of the Board, and (2) the position descriptions of the Board Chair, a Director and the chair of each Board committee; and
- (s) determine at least annually, as a separate and supplementary contingency plan to any formal succession plan, the identity of immediate replacements for the Board Chair in the event of an emergency; and

**B. Other Diligent Action.** undertake such other Diligent Action as the Board may reasonably specify from time to time.

Annex “H”

**HUMAN RESOURCES COMMITTEE CHARTER  
DISCOVERY AIR INC.**

Board Approved:  
September 7, 2012

**1. PURPOSE**

The Board of Directors (the “Board”) is responsible for the stewardship of Discovery Air Inc. (the “Corporation”). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation. To discharge that duty, the Board must supervise all significant aspects of the management of the business and affairs of the Corporation and its subsidiaries.

**A. Corporate Obligations to Be Supervised.** The following obligations of the officers of the Corporation and Presidents of the Corporation’s subsidiaries and business units (“Management”), the Board and the Corporation (the “Human Resources Obligations”) are, amongst others, significant aspects of the management of the business and affairs of the Corporation:

- (a) the existence within the Corporation of effective policies and practices to enable the Corporation to attract, develop and retain the human resources required by the Corporation to meet the primary objective(s) (the “Approved Primary Objective(s)”) which, with the approval of the Board, the President and Chief Executive Officer of the Corporation (the “CEO”) proposes to pursue in managing the business and affairs of the Corporation;
- (b) the appointment, performance evaluation and compensation of the CEO and other members of Management;
- (c) the succession planning systems and processes relating to members of Management;
- (d) the compensation structure for members of Management including salaries, annual and long-term incentive plans;
- (e) benefit plans for members of Management;
- (f) the design of any profit sharing or other incentive programs for employees (other than members of Management) of the Corporation and its subsidiaries and affiliates; and
- (g) the share ownership guidelines (if any) for members of Management.

**B. Authority.** The fundamental duty of the Board in supervising efforts to meet the Human Resources Obligations is to gain and maintain reasonable assurance that the Human Resources Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required

- (a) to take all action (“Diligent Action”) which, in the opinion of the Board or the committee, is necessary or desirable for the committee to gain and maintain reasonable assurance that the Human Resources Obligations are being met, and

- (b) to report to the Board the conclusions reached by the committee as a result of taking Diligent Action.

## 2. ESTABLISHMENT/CONTINUATION OF HUMAN RESOURCES COMMITTEE

The Board has established and hereby continues the existence of a committee of the Board known as the Human Resources Committee (the “Committee”). The Committee is hereby empowered and required to take Diligent Action and to report to the Board the conclusions reached by the Committee as a result of taking Diligent Action.

## 3. COMPOSITION

- A. Composition.** The Committee shall consist of at least three directors of the Corporation (collectively, the “Members”), one of whom shall serve as the Chair of the Committee (the “Committee Chair”). A majority of the Members shall be independent (as that term is defined herein). All Members shall have or develop an understanding of management resources and compensation principles and practices.
- B. Appointment and Removal.** The Board shall appoint, and may remove, any of the Members and the Committee Chair at any time and from time to time.
- C. Definitions.** For the purpose of this Charter, a Member is “independent” if (a) the Member has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Member’s independent judgment, and (b) the Member is not an individual who is considered to have a material relationship with the Corporation under section 1.4 of *National Instrument 52-110 - Audit Committees*.

## 4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to the Member by an officer of the Corporation or in a written report of the auditor of the Corporation to fairly reflect the financial condition of the Corporation, or
- (b) a report of a person whose profession lends credibility to a statement made by that person.

## 5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of a Member’s duties is supervising and taking Diligent Action to gain and maintain reasonable assurance that the Human Resources Obligations are being met and to enable the Committee to report thereon to the Board.

## 6. OPERATING PROCEDURES

- A. Frequency of Meetings.** The Committee shall meet four times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a schedule prepared by the Corporate Secretary in consultation with the Chair of the Board of Directors of the Corporation (the “Board Chair”) and the Committee Chair. Additional meetings of the Committee may be called at any time by the Board Chair, the Committee Chair or any Member.
- B. Notice of Meetings.** Notice of the time and place of each meeting of the Committee shall be given to each Member not less than 48 hours before the time when the meeting is to be held. Notwithstanding the foregoing, if the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.
- C. Meeting Agendas.** Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair and the CEO, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board or the Committee.
- D. Transaction of Business.** The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.
- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any director of the Corporation (a “Director”) who is not a Member shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.
- J. Chair of Meetings.** The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall meet in an executive session with the CEO and shall meet in a separate *in camera* session. The Committee shall also be entitled to meet with one or more other officers or employees of the Corporation or its subsidiaries.

- L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.
- M. Reports to the Board.** The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.
- N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to
- (a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,
  - (b) set and pay, at the expense of the Corporation, the compensation for any advisors engaged by the Committee, and
  - (c) communicate directly and privately with any advisor engaged by the Committee.
- O. Annual Evaluation of this Charter, the Committee and its Compliance with this Charter.** Annually, or more frequently at the request of the Corporate Secretary of the Corporation as a result of legislative or regulatory changes, the Committee shall:
- (a) review and assess the adequacy of this Charter taking into account all applicable legislative and regulatory requirements as well as any best practice guidelines recommended by regulators or stock exchanges with whom the Corporation has a reporting relationship and, if appropriate, recommend changes to the Charter to the Board for its approval, except for minor technical amendments to this Charter, authority for which is delegated to the Corporate Secretary of the Corporation, who will report any such amendments to the Board at its next regular meeting; and
  - (b) conduct a review and evaluation of the Committee's performance including its ability to meet the requirements to this Charter, in accordance with an evaluation process developed by the Committee and approved by the Board, and provide the results of the performance evaluation to the Board.
- P. Miscellaneous.** To assist the Committee in discharging its responsibilities, the Committee may conduct any investigation and have access to any officer, employee or agent of the Corporation.

## 7. DILIGENT ACTION

- A.** For the purpose of gaining and maintaining reasonable assurance that Management, the Board and the Corporation meet the Human Resources Obligations, the Committee shall take Diligent Action to satisfy itself that:
- (a) the Corporation's overall compensation philosophy for all employees balances the objectives (the "Compensation Objectives") of (i) attracting, developing and retaining highly competent employees, (ii) appropriately and fairly incenting and rewarding strong performance by employees and the Corporation in both the short term and the longer term, and (iii) maintaining the Corporation's employee costs at a competitive level;
  - (b) the compensation program for members of Management consists of an appropriate combination (an "Appropriate Compensation Combination") of base salary, a short term incentive plan, a longer term incentive plan and other benefits;

- (c) the Corporation establishes and maintains an appropriate succession plan (a “Succession Plan”) which identifies the potential short-term and longer-term successors to the CEO and the holders of all other Management positions in the Corporation; and
- (d) the Corporation establishes and maintains effective policies and practices (“Training Policies and Practices”) which, in connection with the Succession Plan, provide for training, monitoring and continuously improving the skills of members of Management.

**B.** The Committee shall also take Diligent Action to:

- (a) review and recommend for Board approval a clear written position description for the CEO which reflects the Board’s delegation to the CEO of powers and authority to manage the business and affairs of the Corporation and which delineates the CEO’s responsibilities;
- (b) review and recommend for Board approval as the CEO a person whom the Committee believes is capable of managing the business and affairs of the Corporation in a manner which will enable the Corporation to achieve the Approved Primary Objective(s);
- (c) review and recommend for Board approval the terms and conditions (including any severance provisions) of the CEO’s employment by the Corporation, as well as any changes to such terms and conditions;
- (d) establish, maintain and implement a formal process for annually assessing the performance of the CEO, taking into account the CEO’s position description and the Approved Primary Objectives(s) which the CEO is responsible for meeting;
- (e) after consultation with the CEO, recommend to the Board the appointment of all other members of Management and review and recommend for Board approval the terms and conditions (including any severance provisions) of each such person’s employment by the Corporation, as well as any changes to such terms and conditions;
- (f) review and recommend for Board approval comprehensive compensation and benefits programs for the CEO and for other members of Management, including the criteria (which shall incorporate the Approved Primary Objective(s)) against which the performance of the Corporation, the CEO and other members of Management will be evaluated for purposes of any incentive plans (“Incentive Plans”) included in such compensation programs;
- (g) advise the Board of the Committee’s evaluation of the actual performance of the Corporation, the CEO and each other member of Management against the criteria approved by the Board for purposes of the Incentive Plans, and make recommendations to the Board with respect to compensation levels (including the CEO’s compensation level) based on such evaluations;
- (h) review and recommend to the Board for approval any proposed public disclosure of executive compensation by the Corporation before the Corporation publically discloses such information;

- (i) determine at least annually, as a separate and supplementary contingency plan to the Succession Plan, the identity of immediate replacements in the event of an emergency for the CEO, the Chief Financial Officer and all other members of Management;
  - (j) review with the CEO any proposed major changes in the organization or personnel of the Corporation and its subsidiaries and affiliates and, if advisable, recommend approval of such changes to the Board;
  - (k) establish the terms and conditions, and approve in each instance, the participation of the CEO on the board of directors of any other corporation, commercial or not-for-profit, not directly related to the interests of the Corporation (an “Outside Board”), and review and approve participation by any other member of Management, as approved by the CEO, on any Outside Board;
  - (l) review and approve annually share ownership guidelines for members of Management, if any, and review as required (i) the actual ownership position of all members of Management relative to ownership guidelines, and (ii) transactions in the Corporation’s securities by members of Management, if any; and
  - (m) review the results of periodic employee opinion surveys.
- C. For the purpose of satisfying itself that (1) the Corporation’s overall compensation philosophy for all employees balances the Compensation Objectives, and (2) the compensation program for members of Management consists of an Appropriate Compensation Combination, the Committee shall
- (a) in assessing each existing or proposed component (the “Component”) of a compensation program (“Program”) for a member of Management,
    - (i) consider the Component in the context of the total Program for such member of Management,
    - (ii) compare the Component and the Program against the components and total compensation programs provided to officers or employees of similar rank and responsibility (1) by the Corporation, and (2) by other companies selected by the Committee with which the Corporation competes for employees,
    - (iii) obtain the advice of an unconflicted compensation consultant as to whether the Component and the Program (1) reflect a compensation philosophy for all employees of the Corporation which balances the Compensation Objectives, and (2) contribute effectively to an Appropriate Compensation Combination; for purposes of this Charter, a compensation consultant is unconflicted if the compensation consultant has no direct or indirect relationship with the Corporation which, in the view of the Committee, could reasonably be expected to interfere with the compensation consultant’s provision of objective, independent and unbiased opinions and advice to the Committee; and
    - (iv) review any Incentive Plan comprising or included in the Component and/or the Program with a view to satisfying itself (1) that the Incentive Plan could not reasonably be expected to create or constitute an incentive for such member of Management to engage in unethical behavior or take inappropriate or excessive risks, or (2) that the Corporation has in place internal controls which could reasonably be

expected to prevent unethical behaviour or the taking of inappropriate or excessive risks which might be incented by the Incentive Plan; and

- (b) obtain the opinion of the CEO as to whether the Component and the Program are consistent with maintaining the Corporation's employee costs at a competitive level.
- D.** For the purpose of satisfying itself that the Corporation has established and maintains an appropriate Succession Plan and effective Training Policies and Practices, the Committee shall:
- (a) annually review the Succession Plan with the CEO;
  - (b) annually review with the CEO the performance of the other members of Management;
  - (c) annually review with the CEO and/or with other members of Management selected by the Committee the Training Policies and Practices; and
  - (d) annually review with the CEO and/or with other members of Management selected by the Committee the time periods within which the CEO and/or such other members of Management believes that each high-potential manager will be qualified for promotion.
- E.** In establishing, maintaining and implementing a formal process for annually assessing the performance of the CEO, the Committee shall:
- (a) utilize a process which enables all Directors and all of the CEO's direct reports to assess the CEO's performance anonymously;
  - (b) require the CEO to assess his or her own performance using the same criteria as are used by each Director;
  - (c) require the Board Chair, the Committee Chair or an independent consultant to consolidate the results of the assessments of the CEO's performance made by Directors, the CEO and the CEO's direct reports into a single composite assessment (a "Composite Assessment");
  - (d) provide a copy of the Composite Assessment to each Director and the CEO; and
  - (e) provide an opportunity for the Board and the CEO to discuss the Composite Assessment.
- F.** Prior to appointing any officer of the Corporation, the Committee shall gain reasonable assurance that the person proposed to be so appointed is not an inappropriate person to hold the officership to which such person is proposed to be appointed.
- G.** The Committee shall perform such other Diligent Action as the Board may reasonably specify from time to time.

## **8. UNUSUAL COMPENSATION PROGRAMS**

The Board acknowledges

- (a) that in connection with the acquisition by the Corporation of business units, the Board has in the past established and may in the future establish compensation programs for members of Management which (i) may not meet the requirements of this Charter, and/or (ii) may not enjoy the support of the Committee; and
- (b) that notwithstanding anything contained in this Charter, the Committee is not required to address, consider or otherwise deal with such compensation programs in any way.

## Annex "I"

### AUDIT COMMITTEE CHARTER DISCOVERY AIR INC.

Board Approved:  
September 7, 2012

#### 1. PURPOSE

The Board of Directors (the "Board") is responsible for the stewardship of Discovery Air Inc. (the "Corporation"). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation. To discharge that duty, the Board must supervise all significant aspects of the management of the business and affairs of the Corporation and its subsidiaries.

**A. Corporate Obligations to Be Supervised.** The following obligations of the senior officers of the Corporation ("Management"), the Board and the Corporation (the "Financial Obligations") are, amongst others, significant aspects of the management of the business and affairs of the Corporation:

- (a) financial reporting and disclosure in compliance with applicable law;
- (b) the appointment by the shareholders of the Corporation of a firm of chartered accountants as the external auditor of the Corporation (the "External Auditor");
- (c) monitoring the work of the External Auditor;
- (d) maintenance by Management of effective controls over the Corporation's financial reporting and disclosure;
- (e) maintenance by Management of effective policies and guidelines related to the management of the risks (the "Financial Risks") associated with Management, the Board and the Corporation meeting the Financial Obligations; and
- (f) effective management of the Corporation's financial resources, assets and obligations.

**B. Authority.** The fundamental duty of the Board in supervising efforts to meet the Financial Obligations is to gain and maintain reasonable assurance that the Financial Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required:

- (a) to take all actions (the "Diligent Actions") which, in the opinion of the Board or the committee, are necessary or desirable for the committee to gain and maintain reasonable assurance that the Financial Obligations are being met, and
- (b) to report to the Board the conclusions reached by the committee as a result of taking the Diligent Actions.

#### 2. ESTABLISHMENT/CONTINUATION OF AUDIT COMMITTEE

The Board has established and hereby continues the existence of a committee of the Board known as the Audit Committee (the "Committee"). The Committee is hereby empowered and required to take the

Diligent Actions and to report to the Board the conclusions reached by the Committee as a result of taking the Diligent Actions.

### 3. COMPOSITION

**A. Composition.** The Committee shall consist of at least three directors of the Corporation (collectively, the “Members”), one of whom shall serve as the Chair of the Committee (the “Committee Chair”). All members shall be Independent (as that term is defined herein) and Financially Literate (as that term is defined herein).

**B. Appointment and Removal.** The Board shall appoint, and may remove, any of the Members and the Committee Chair at any time and from time to time.

**C. Definitions.** For the purpose of this Charter

(a) a member is “Independent” if

- i. the Member has no direct or indirect relationship with the Corporation which, in the view of the Board, could reasonably be expected to interfere with the exercise of the Member’s independent judgment; and
- ii. the Member is not an individual who is considered to have a material relationship with the Corporation under section 1.4 or 1.5 of *National Instrument 52-110 - Audit Committees*, and

(b) the term “Financially Literate” means having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the financial statements of the Corporation.

### 4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

(a) financial statements of the Corporation represented to the Member by an officer of the Corporation or in a written report of the auditor of the Corporation to fairly reflect the financial condition of the Corporation, or

(b) a report of a person whose profession lends credibility to a statement made by that person.

### 5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Board members are subject. The essence of a Member’s duties is supervising and taking Diligent Actions to gain and maintain reasonable assurance that the Financial Obligations are being met by the Corporation and to enable the Committee to report thereon to the Board.

## 6. OPERATING PROCEDURES

- A. Frequency of Meetings.** The Committee shall meet four times annually or more frequently as circumstances dictate. Regular meetings of the Committee shall be held in accordance with a schedule prepared by the Corporate Secretary in consultation with the Chair of the Board of Directors of the Corporation (the “Board Chair”) and the Committee Chair. Additional meetings of the Committee may be called at any time by the Board Chair, the Committee Chair, any Member or at the request of the External Auditor.
- B. Notice of Meetings.** Notice of the time and place of each meeting of the Committee shall be given to each Member not less than 48 hours before the time when the meeting is to be held. Notwithstanding the foregoing, in the event that the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.
- C. Meeting Agendas.** Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair, the Corporation’s President and Chief Executive Officer (the “CEO”), the Corporation’s Chief Financial Officer (the “CFO”) and the External Auditor, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board, the Committee or the External Auditor.
- D. Transaction of Business.** The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.
- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any director of the Corporation (a “Director”), whether or not he or she is a Member, shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.
- J. Chair of Meetings.** The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall meet in separate *in camera* sessions with each of the External Auditor, the CEO and the CFO. The Committee shall

also be entitled to meet in private or, at the option of the Committee, with one or more other officers or employees of the Corporation or its subsidiaries.

**L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.

**M. Reports to the Board.** The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.

**N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to:

- (a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,
- (b) set and pay, at the expense of the Corporation, the compensation for any advisors engaged by the Committee, and
- (c) communicate directly and privately with the External Auditor and any other advisor engaged by the Committee.

## 7. DILIGENT ACTIONS

Without limiting the nature or scope of the Diligent Actions, the Committee shall, as part of the Diligent Actions:

**A. General.** for the purpose of gaining and maintaining reasonable assurance that Management, the Board and the Corporation meet the Financial Obligations,

- (a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee
  - (i) a written report listing the Financial Obligations,
  - (ii) prompt written updates to the report referred to in paragraph (i) above describing any proposed or actual change to the Obligations, and
  - (iii) at each meeting of the Committee, written assurance that Management and the Corporation have, since the last preceding meeting of the Committee, complied fully with the Financial Obligations;
- (b) make regular assessments of the integrity, comprehensiveness and effectiveness of internal controls which support Management, the Board and the Corporation in meeting the Financial Obligations ("Internal Financial Controls"), including (1) the Corporation's disclosure controls and procedures ("Disclosure Controls"), and (2) the Corporation's internal controls over financial reporting ("Reporting Controls"), as those terms are defined in *National Instrument 52-109 - Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"); in making each such assessment, the Committee shall obtain from the CEO and the CFO a report setting out:
  - (i) the overall approach taken by the CEO and the CFO to the process by which they provide certification as required by NI 52-109,
  - (ii) the issues that were raised by such overall approach,

- (iii) the approach taken by the CEO and the CFO to the evaluation of the Disclosure Controls and the Reporting Controls,
  - (iv) the results of the evaluation of the Disclosure Controls and the Reporting Controls made by the CEO and the CFO, and
  - (v) the conclusions reached by the CEO and the CFO as to the effectiveness of the Disclosure Controls and the Reporting Controls;
- (c) annually assess the quality and sufficiency of the Corporation's accounting and financial personnel;
  - (d) review the effectiveness of the Corporation's policies that require significant new actual or potential liabilities, contingent or otherwise, to be reported to the Board in a timely fashion;
  - (e) review reports to Management by the External Auditor with respect to weaknesses or deficiencies in Internal Financial Controls, and review the adequacy and appropriateness of Management's responses to recommendations relating to such weaknesses or deficiencies made by the External Auditor, including the implementation thereof;
  - (f) oversee and regularly assess the quality of the work of the External Auditor in preparing or issuing an audit or other report in respect of the Corporation's financial statements and performing other audit, review or attest services for the Corporation;
  - (g) use its best efforts to resolve disagreements between Management and the External Auditor regarding financial reporting;
  - (h) receive at least annually reports from each of Management and the External Auditor with respect to the effectiveness of the records and procedures established by Management to initiate, record, process and report the Corporation's transactions;
  - (i) review the plans of Management and the External Auditor to gain reasonable assurance that the combined evaluation and testing of Internal Financial Controls is comprehensive, coordinated and effective;
  - (j) receive timely reports from Management, the External Auditor and the Corporation's legal department on any indication or detection of fraud and the corrective activity undertaken in respect thereto;
  - (k) before the Committee recommends a proposed External Auditor for nomination by the Board, be reasonably assured that any such proposed External Auditor of the Corporation possesses and will make available to the Corporation the personnel required to efficiently, cost-effectively and expertly prepare or issue an audit or other report in respect of the Corporation's financial statements or perform other audit, review or attest services for the Corporation;
  - (l) in advance of the External Auditor's commencement of each audit of the Corporation's financial statements, review with the External Auditor the proposed scope of the audit, the proposed areas of special emphasis to be addressed in the audit and the materiality levels which the External Auditor proposes to employ;

- (m) satisfy itself that Management has placed no restrictions on the scope or extent of the External Auditor's audit examinations or reviews or the External Auditor's reporting of its findings to the Board or the Committee;
  - (n) review and approve in advance any proposed appointment of a member of Management whose duties relate significantly to Financial Obligations;
  - (o) review quarterly a progress report by the External Auditor on the status of its annual audit of the Corporation's annual financial statements, including the External Auditor's findings and the implications of those findings; and
  - (p) discuss with the External Auditor (i) whether its reports to Management on errors detected by the External Auditor in the course of an audit or other audit findings suggest weaknesses or deficiencies in Internal Financial Controls, and (ii) whether, in the opinion of the External Auditor, Management has appropriately addressed any such errors or other audit findings;
- B. Audited Financial Statements.** for the purpose of gaining reasonable assurance as to whether each audited financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with IFRS,
- (a) review with Management and the External Auditor the comparative financial statements of the Corporation relating separately to each financial year of the Corporation (the "Current Year") and the financial year of the Corporation next preceding the Current Year (the "Preceding Year");
  - (b) assess the reasonableness, and the effect upon the Corporation's financial position and the results of the Corporation's operations, of
    - (i) each significant estimate, accrual, reserve and provision employed by Management in preparing the comparative financial statements of the Corporation for the Current Year (the "Current Annual Statement"), as well as all changes to each significant estimate, accrual, reserve and provision made since the end of the third quarter of the Current Year, and
    - (ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by Management in preparing the Current Annual Statement, as well as the change (if any) in such aggregate amount made since the end of the third quarter of the Current Year;
  - (c) review all unresolved items identified by the External Auditor in conducting its audit of the Current Annual Statement;
  - (d) obtain the written opinion of the External Auditor as to whether:
    - (i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation's financial statements for the Preceding Year were significantly changed or augmented in preparing the Current Annual Statement,
    - (ii) the Current Annual Statement is materially different from that which the External Auditor would have expected from reviewing the Corporation's quarterly financial statements for the Current Year,

- (iii) the accounting principles, policies and disclosure practices employed in preparing the Current Annual Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,
  - (iv) any of the accounting policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Annual Statement could be described as “aggressive”, “inadequate” or “not the most appropriate”,
  - (v) in the Current Annual Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in future years, or
  - (vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Annual Statement which is not in accordance with IFRS but the use of which is justified on the basis of immateriality;
- (e) obtain a written report from the External Auditor comparing (i) the extent of the External Auditor’s reliance on Internal Financial Controls in auditing the Current Annual Statement to (ii) the extent of the External Auditor’s reliance on Internal Financial Controls in auditing the Preceding Year’s financial statements;
  - (f) review at least annually with Management, the External Auditor and the Corporation’s legal counsel all legal claims or other contingencies affecting the Corporation to gain reasonable assurance that all such claims and contingencies which could have a material effect on the financial position or results of operations of the Corporation have been disclosed (if appropriate) in the Current Annual Statement;
  - (g) review with Management and the External Auditor the annual financial statements of the Corporation’s significant subsidiaries; and
  - (h) obtain from Management a representation letter addressed to the Committee relating to the Current Annual Statement comparable in content to the representation letter provided by Management to the External Auditor relating to the Current Annual Statement;

**C. Interim Financial Statements.** for the purpose for gaining reasonable assurance as to whether each interim financial statement of the Corporation presents fairly, in all material respects, the financial position of the Corporation, the results of its operations and its cash flows in accordance with IFRS,

- (a) review with Management and the External Auditor the comparative interim financial statement of the Corporation relating separately to each of the three-month, six-month and nine-month periods of the Current Year and the Preceding Year;
- (b) assess the reasonableness, and the effect upon the Corporation’s financial position and the results of the Corporation’s operations, of
  - (i) each significant estimate, accrual, reserve and provision employed by Management in preparing each comparative interim financial statement specified in subparagraph (a) above (the “Current Quarterly Statement”), as well as all changes to each significant estimate, accrual, reserve and provision made at or since the beginning of the period to which the Current Quarterly Statement relates (the “Current Quarter”), and
  - (ii) the aggregate amount of all estimates, accruals, reserves and provisions employed by

Management in preparing the Current Quarterly Statement, as well as the change (if any) in such aggregate amount made at or since the beginning of the Current Quarter;

- (c) review all unresolved items identified by the External Auditor in preparing its report on the Current Quarterly Statement;
- (d) obtain a written report from the External Auditor as to whether it is aware of any material modification that needs to be made for the Current Quarterly Statement to be in accordance with IFRS; and
- (e) obtain a written report of the External Auditor as to whether the External Auditor, in the course of reviewing the Current Quarterly Statement, became aware that
  - (i) any of the accounting principles, policies, practices or methods employed by Management in preparing the Corporation's financial statements for the financial accounting period ended immediately prior to the beginning of the Current Quarter were significantly changed or augmented in preparing the Current Quarterly Statement,
  - (ii) the Current Quarterly Statement is materially different from that which the External Auditor would have expected from reviewing the Corporations' financial statements for the earlier financial quarters (if any) falling within the financial year of the Corporation encompassing the Current Quarter,
  - (iii) the accounting principles, policies, and disclosure practices employed in preparing the Current Quarterly Statement are materially different from the accounting principles, policies and disclosure practices generally employed by others engaged in the industries or businesses in which the Corporation is engaged,
  - (iv) any of the accounting principles, policies, practices, estimates, judgments or disclosure practices employed in preparing the Current Quarterly Statement could be described as "aggressive", "inadequate" or "not the most appropriate",
  - (v) in the Current Quarterly Statement, any immaterial items are treated in a manner which would have to be changed if such items became material in a future financial accounting period, or
  - (vi) there is any accounting principle, policy, practice, estimate, judgment or disclosure practice employed in preparing the Current Quarterly Statement which is not in accordance with IFRS but the use of which is justified on the basis of immateriality;

**D. Financial Statements and MD&A.** for the purpose of gaining reasonable assurance that each Current Annual Statement and each Current Quarterly Statement (a "Current Financial Statement"), the related Management's Discussion & Analysis (as defined in *National Instrument 51-102 – Continuous Disclosure Obligations*) ("MD&A") and any related press releases have been made up and certified as required by the laws, regulations, rules, policies and other requirements relating to financial reporting and disclosure (collectively the "Financial Reporting Rules") promulgated by governments, securities commissions, stock exchanges and other agencies and instrumentalities having jurisdiction over the Corporation (collectively the "Regulators"),

- (a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee (1) a written report setting out the

applicable Financial Reporting Rules, and (2) prompt written updates to that report describing any proposed or actual change to the applicable Financial Reporting Rules;

- (b) before the Corporation publicly discloses such information, review each Current Financial Statement, the related MD&A and any related press releases with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;
- (c) review each MD&A to gain reasonable assurance that the statements and disclosures made therein are consistent with the Committee's knowledge of the Corporation's operations, financial condition and performance;
- (d) obtain from the External Auditor a report on (i) whether the financial information included in each MD&A is consistent with the related Current Financial Statement, and (ii) whether the selection or presentation of that financial information in such MD&A could reasonably be expected to cause a reader to misinterpret the Corporation's financial condition or performance;
- (e) obtain from Management at least annually a list of the most important performance measures or indicators that Management uses to manage the Corporation's business and assess the Corporation's performance; and
- (f) gain reasonable assurance that such performance measures and indicators are presented fairly in each MD&A;

**E. External Auditor's Report.** for the purpose of gaining reasonable assurance that each Current Annual Statement is accompanied by a report thereon prepared by the External Auditor in accordance with the Financial Reporting Rules (the "Required Report"),

- (a) require Management (with the assistance of the Corporation's general legal counsel and the External Auditor) to provide to the Committee (1) a written report specifying all of the contents and characteristics of a Required Report, and (2) prompt written updates to that report describing any proposed or actual changes to the content or characteristics of a Required Report; and
- (b) review each Required Report with Management and the External Auditor in light of the written report (as updated from time to time) referred to in subsection (a) above;

**F. Independence of External Auditor.** for the purpose of gaining and maintaining reasonable assurance that an existing or proposed External Auditor (an "Auditor") is objective and independent,

- (a) obtain annually from the Auditor a written opinion of the Auditor that it is objective within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario;
- (b) obtain annually from the Auditor a written report of the Auditor listing in detail
  - (i) all fees paid by the Corporation or any affiliate of the Corporation to the Auditor or any affiliate of the Auditor in the last financial year of the Corporation ended prior to the date of such report, and

(ii) all relationships of any kind which existed between the Auditor or any affiliate of the Auditor and the Corporation or any affiliate of the Corporation at any time in the last financial year of the Corporation ended prior to the date of such report; and

(c) obtain annually from the External Auditor an acknowledgement in writing that the Board and the Committee, and not Management, are the External Auditor's clients;

**G. Filing and Sending Financial Statement and MD&A.** for the purpose of gaining reasonable assurance that each Current Financial Statement and the related MD&A are filed with all Regulators and sent to holders of the Corporation's securities (including each shareholder of the Corporation) in compliance with the Financial Reporting Rules, prior to the date specified by the Financial Reporting Rules by which the Current Financial Statement and the related MD&A must be so filed and sent, obtain from Management written assurance that the Current Financial Statement and the related MD&A have been so filed and sent;

**H. Dissemination of Financial and Material Information.** for the purpose of gaining reasonable assurance (1) that where a material change (as defined in the Financial Reporting Rules) occurs in the affairs of the Corporation, the Corporation (A) forthwith issues a news release authorized by a member of Management disclosing the nature and substance of the material change (a "Material Change News Release"), and (B) files a report of such material change (a "Material Change Report") as soon as practicable (and in any event within ten days of the date on which the material change occurs), all in compliance with the Financial Reporting Rules, and (2) that all material information concerning the Corporation which is disseminated to the public by or on behalf of the Corporation is accurate, complete and fairly presented,

(a) prior to the date specified by the Financial Reporting Rules by which any such Material Change News Release and any such Material Change Report must be issued and filed, obtain from Management written assurance that such Material Change News Release and Material Change Report have been so issued and filed;

(b) review with Management and, if the Committee so desires, with the External Auditor, all news releases and reports proposed to be issued or filed by the Corporation which contain significant financial information concerning the Corporation, including all news releases and reports concerning a Current Financial Statement; in circumstances where events render it impractical for the Committee to review such news releases or reports with Management prior to issuing or filing such news releases or reports, authority to review and approve such news releases or reports may be exercised by the Committee Chair and the Board Chair, acting together;

(c) review with Management and, if the Committee so desires, with the External Auditor, all prospectuses, Material Change News Releases, Material Change Reports, MD&A, annual information forms and other core documents (as defined under applicable securities laws);

(d) periodically assess the adequacy of the Corporation's procedures, resources, systems and tasks for the review of (i) the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, (ii) presentations or other documents used or intended for use with investors, analysts or other members of the investment community, and (iii) all other information that is generally disseminated by the Corporation and its subsidiaries, including non-material news releases and information published on the website(s) of the Corporation and its subsidiaries;

- I. Tax and Statutory Remittance Obligations.** for the purpose of gaining and maintaining reasonable assurance that the Corporation is in compliance with its obligations under tax, employment and similar laws and regulations relating to the collection and remittance of taxes and other statutory amounts, obtain quarterly reports from Management as to such compliance;
- J. Non-Audit Services.** pre-approve all non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor; prior to the Committee pre-approving any non-audit services proposed to be provided to the Corporation or to any of its subsidiaries by the External Auditor, gain reasonable assurance that the provision of such services by the External Auditor could not reasonably be expected to impair the objectivity or independence of the External Auditor; for purposes of this Charter,
- (a) “audit services” means the professional services rendered by the External Auditor for the audit and review of the Corporation’s financial statements or services that are normally provided by the External Auditor in connection with statutory and regulatory filings or engagements, and
  - (b) “non-audit services” means services other than audit services;
- K. Hiring from External Auditor.** review and approve the Corporation’s hiring policies regarding partners, employees, former partners and former employees of the present and former External Auditor;
- L. Complaint Processes.** establish procedures for
- (a) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, Internal Financial Controls, Disclosure Controls, Financial Reporting Rules or auditing matters,
  - (b) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, and
  - (c) the reporting to the Committee of all such complaints and submissions;
- M. Recommendation of Auditor.** recommend to the Board
- (a) a proposed External Auditor to be nominated by the Board for appointment as the External Auditor by the holders of common shares of the Corporation, and
  - (b) the compensation of the External Auditor ;
- N. Oversight of Financial Risks.** for the purpose of gaining and maintaining reasonable assurance that Management is directly and effectively assessing, monitoring and managing Financial Risks,
- (a) prior to the Board’s approval of each MD&A, obtain from Management a report containing Management’s assessment of the principal risks to the Corporation’s business and identifying which of such risks are principal Financial Risks;
  - (b) at least semi-annually, obtain from Management a report specifying the process by which Management is assessing, monitoring and managing Financial Risks;
  - (c) review all reports of the External Auditor with respect to any weaknesses or deficiencies in Internal Controls relating to Financial Risks, and review the adequacy and

appropriateness of Management's responses to recommendations relating to any such weaknesses or deficiencies made by the External Auditor, including Management's implementation of such recommendations;

- (d) gain reasonable assurance that the principal Financial Risks are fairly presented in each MD&A and in the Corporation's Annual Information Form; and
- (e) prepare and present annually to the Board a report of the Committee setting out the Committee's conclusions resulting from the Committee's oversight of Management's assessment, monitoring and management of Financial Risks;

**O. Financial Resources, Assets and Obligations.** for the purpose of gaining and maintaining reasonable assurance that Management is effectively managing the financial resources, assets and obligations of the Corporation,

- (a) at least annually review the Corporation's financing strategy, capital structure, annual cash flow targets and operating plans;
- (b) obtain quarterly from Management reports on the Corporation's cash flow and working capital management, compliance with debt covenants and other matters that could impact the financial condition of the Corporation, and gain reasonable assurance that such matters are fairly and appropriately disclosed in the Current Financial Statements and/or the related MD&A; and
- (c) satisfy itself that the safeguarding of financial assets and the proper recording of financial assets and obligations are effectively addressed in the certification of Internal Financial Controls by the CEO and the CFO; and

**P. Other Diligent Actions.** perform such other Diligent Actions as the Board may reasonably specify from time to time.

## Annex “J”

### FINANCE AND INVESTMENT COMMITTEE CHARTER DISCOVERY AIR INC.

Board Approved:  
September 7, 2012

#### 1. PURPOSE

The Board of Directors (the “Board”) is responsible for the stewardship of Discovery Air Inc. and its subsidiaries (collectively, the “Corporation”). That stewardship consists primarily of the duty to supervise the management of the business and affairs of the Corporation. To discharge that duty, the members of the Board (collectively, the “Directors”) must supervise all significant aspects of the management of the business and affairs of the Corporation.

- A. Transactions to be Supervised.** The Board believes that the manner in which the Corporation is financed and the investments that the Corporation makes to acquire new assets are significant aspects of the management of the business and affairs of the Corporation. Further, the Board believes that for its stewardship of the Corporation to be highly effective, the Board must satisfy itself that the Corporation has adopted and maintains appropriate processes for evaluating and executing Transactions (as defined below) and for assessing the benefits of such Transactions following their completion (the “Financing and Investment Obligations”).

For the purposes of this Charter, the term “Transactions” consist of transactions which the Board has reserved the right to approve in accordance with the terms of the Board’s delegation of authority to the President and Chief Executive Officer (the “CEO”) (as amended from time to time) and which involve

- (a) the financing of the Corporation, including transactions involving the issuance of shares or securities convertible into shares, the issuance of bonds, debentures or other debt securities, the entry into of credit agreements (whether or not they involve the granting of security over any of the assets of the Corporation) and the entry into of lease agreements (whether of a capital or operating nature) (each, a “Financing Transaction”), or
- (b) any capital expenditure by the Corporation, including the acquisition of aircraft or facilities (whether by purchase or lease) or transactions involving the acquisition of a business (or all or substantially all of the assets employed in a business), an equity investment in another business (including minority equity investments), the entry into of a partnership or joint-venture arrangement, or a merger or amalgamation (each, an “Investment Transaction”).

- B. Authority.** The fundamental duty of the Board in supervising efforts to meet the Financing and Investment Obligations is to gain and maintain reasonable assurance that the Financing and Investment Obligations are being met. The Board believes its duty in this regard will be most effectively discharged if the Board is assisted by a committee of the Board which is empowered and required

- (a) to take all action (“Diligent Action”) which, in the opinion of the Board or the committee, is necessary or desirable for the committee to gain and maintain reasonable assurance that the Financing and Investment Obligations are being met, and

- (b) to report to the Board the conclusions reached by the committee as a result of taking Diligent Action.

## 2. ESTABLISHMENT OF FINANCE AND INVESTMENT COMMITTEE

The Board hereby establishes a committee of the Board known as the Finance and Investment Committee (the “Committee”). The Committee is hereby empowered and required to take Diligent Action and to report to the Board the conclusions reached by the Committee as a result of taking Diligent Action.

## 3. COMPOSITION

- A. Composition.** The Committee shall consist of at least three Directors (collectively, the “Members”), one of whom shall serve as the chair of the Committee (the “Committee Chair”). All Members shall have or develop an understanding of financing and investment issues or shall commit to understanding such issues in a timely manner.
- B. Appointment and Removal.** The Board shall appoint, and may remove, any or all of the Members and the Committee Chair at any time and from time to time.

## 4. RELIANCE ON EXPERTS

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be entitled to rely in good faith upon:

- (a) financial statements of the Corporation represented to the Member by an officer of the Corporation or in a written report of the auditor of the Corporation to fairly reflect the financial condition of the Corporation, or
- (b) a report of a person whose profession lends credibility to a statement made by that person.

## 5. STANDARD OF CARE

In contributing to the Committee’s discharge of its duties under this Charter, each Member shall be obliged to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended, or may be construed, to impose on any Member a standard of care or diligence that is in any way more onerous or extensive than the standard to which all Directors are subject. The essence of a Member’s duties is supervising and taking Diligent Action to gain and maintain reasonable assurance that the Financing and Investment Obligations are being met and to enable the Committee to report thereon to the Board.

## 6. OPERATING PROCEDURES

- A. Frequency of Meetings.** The Committee shall meet as circumstances dictate. Meetings of the Committee may be called at any time by the Chair of the Board of Directors of Discovery Air Inc. (the “Board Chair”), the Committee Chair or any Member.
- B. Notice of Meetings.** Notice of the time and place of each meeting of the Committee shall be given to each Member not less than forty-eight hours before the time when the meeting is to be held. Notwithstanding the foregoing, if the Board or the Committee fixes by resolution the time and place of one or more meetings of the Committee and a copy of such resolution is sent to each Member, no notice shall be required to be given to the Members for the meeting(s) whose times and places are so fixed.

- C. Meeting Agendas.** Committee meeting agendas shall be prepared by the Corporate Secretary in consultation with the Board Chair, the Committee Chair and the Corporation's CEO, in all cases having regard to the matters required to be considered by the Committee under this Charter and/or pursuant to a request of the Board or the Committee.
- D. Transaction of Business.** The powers of the Committee may be exercised at a meeting of the Committee at which a quorum is present or by resolution in writing signed by all of the Members who would have been entitled to vote on that resolution at a meeting of the Committee.
- E. Meetings by Telephone or Electronic Means.** If all of the Members present at or participating in a meeting consent, then any Member may participate in such meeting by means of telephone, electronic or other communication facilities that permit all persons participating in the meeting to communicate simultaneously and instantaneously.
- F. Quorum.** A majority of the Members shall constitute a quorum for the transaction of business at all meetings of the Committee.
- G. Votes to Govern.** At all meetings of the Committee, any question shall be decided by a majority of the votes cast on the question and in the case of an equality of votes, the chair of the meeting shall be entitled to a second or casting vote. Any question at a meeting of the Committee shall be decided by a show of hands unless a ballot is required or demanded.
- H. Attendance by Other Directors.** Any Director who is not a Member shall be entitled to be present at and to participate in all meetings of the Committee as a non-voting participant.
- I. Secretary of Meetings.** Unless the Committee otherwise specifies, the Corporate Secretary or Assistant Corporate Secretary shall act as secretary of all meetings of the Committee.
- J. Chair of Meetings.** The Committee Chair shall act as chair of all meetings of the Committee at which the Committee Chair is present. In the absence of the Committee Chair at any meeting of the Committee, the Members shall appoint a Member to serve as acting chair at the meeting.
- K. In Camera Sessions.** At each meeting of the Committee, the Committee shall meet in a separate executive session with the CEO and shall meet in a separate *in camera* session. The Committee shall also be entitled to meet with one or more other officers or employees of the Corporation.
- L. Circulation of Minutes.** A copy of the minutes of each meeting of the Committee shall be provided to the Members in a timely fashion and shall be provided to any Director upon request.
- M. Reports to the Board.** The chair of each meeting of the Committee shall report on the matters considered at that meeting to the next-following regularly-scheduled meeting of the Board.
- N. Retention of External Advisors.** To assist the Committee in discharging its responsibilities, the Committee is authorized to
- (a) engage any advisors (including independent counsel) as it determines necessary to carry out its duties,
  - (b) set and pay, at the expense of the Corporation, the compensation for any advisor engaged by the Committee, and
  - (c) communicate directly and privately with any advisor engaged by the Committee.

## 7. DILIGENT ACTION

Without limiting the nature or scope of Diligent Action, for the purpose of assisting the Board and the Committee to gain and maintain reasonable assurance that the Financing and Investment Obligations are met, the Committee shall:

### A. Evaluation and Execution of Proposed Transactions.

- (a) require Management to provide the Committee with a briefing note in respect of any proposed Transactions, prior to the execution of a letter of intent or the expenditure of significant resources by the Corporation in furtherance of the completion of such a proposed Transaction, which describes
  - (i) the nature and purpose of the proposed Transaction,
  - (ii) in the case of a proposed Investment Transaction, how the proposed Investment Transaction is expected to contribute to the achievement of the Primary Objective(s) (as defined in the *Mandate of the Board*) and how the Corporation intends to finance the proposed Transaction,
  - (iii) in the case of a proposed Financing Transaction, the impact that the proposed Financing Transaction is expected to have on the Corporation, including the Corporation's cost of capital, debt maturities, ability to comply with its financial covenants and ability to raise capital, and
  - (iv) for each proposed Transaction, the impact that the proposed Transaction is expected to have on the Corporation's projected cash flow, earnings per share ("EPS"), cash flow per share ("CFPS"), enterprise value and future liquidity, all supported by a scenario analysis to be provided to the Committee;
- (b) upon Management having negotiated the final material terms of the proposed Transaction, review
  - (i) a summary of the material terms of the proposed Transaction, including
    - A. in the case of a proposed Financing Transaction, the security terms, the significant positive and negative covenants, the significant representations and warranties, and all events of default, and
    - B. in the case of a proposed Investment Transaction, any significant liabilities assumed, any significant assets excluded, the duration and scope of any restrictive covenants applicable to the vendors, and any significant expenditure commitments associated with the proposed Transaction,
  - (ii) Management's assessment of the risks and benefits of the proposed Transaction relative to the risks and benefits of alternatives to the proposed Transaction considered by Management (if any),
  - (iii) the expected impact of the proposed Transaction on the Corporation's financial position, earnings, cash flows, EPS, CFPS, enterprise value, ability to comply with its existing and proposed debt covenants and ability to raise capital, all supported by a scenario analysis to be provided to the Committee,

- (iv) the principal assumptions underlying Management's assessment of the risks and benefits referenced in item (ii) above and the expected financial impact referenced in item (iii) above, and
- (v) in the case of a proposed Investment Transaction involving the acquisition or establishment of a new business, Management's plans for managing, or supervising the management of, the newly acquired or established business;

**B. Assessment of Investment Transactions.** review a report in respect of each completed Investment Transaction approximately six, twelve and twenty-four months following its completion which states

- (i) the date on which the Investment Transaction was approved by the Board and the date on which the Investment Transaction was completed,
- (ii) the principal assumptions on which the approval of the Investment Transaction was recommended by Management and any developments (whether positive or negative) that have caused those assumptions to no longer be valid,
- (iii) the projected impact of the Investment Transaction on the Corporation's financial position, cash flows, results of operations, EPS, CFPS and enterprise value presented by Management at the time the Investment Transaction was recommended to the Board for approval and any significant deviations from those projections, and
- (iv) Management's progress against any plans presented by Management at the time the Investment Transaction was recommended to the Board for approval relating to the management, or supervision of the management, of a newly-acquired or established business; and

**C. Other Diligent Action.** undertake such other Diligent Action as the Board may reasonably specify from time to time.