

**METHODE ELECTRONICS, INC.**

as the Purchaser

**METHODE ELECTRONICS BRITISH COLUMBIA CORPORATION**

as Acquireco

and

**PACIFIC INSIGHT ELECTRONICS CORP.**

as the Company

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**ARRANGEMENT AGREEMENT**

**August 1, 2017**

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## TABLE OF CONTENTS

### ARTICLE 1 INTERPRETATION

Section 1.1	Defined Terms.	1
Section 1.2	Certain Rules of Interpretation	13
Section 1.3	Schedules	14

### ARTICLE 2 THE ARRANGEMENT

Section 2.1	Arrangement	15
Section 2.2	Interim Order	15
Section 2.3	The Company Meeting	16
Section 2.4	The Company Circular	17
Section 2.5	Final Order	19
Section 2.6	Court Proceedings	19
Section 2.7	Amendment and Effective Date	20
Section 2.8	Payment of Consideration	20
Section 2.9	Withholding Taxes	20

### ARTICLE 3 REPRESENTATIONS AND WARRANTIES

Section 3.1	Representations and Warranties of the Company	21
Section 3.2	Representations and Warranties of the Purchaser	21

### ARTICLE 4 COVENANTS

Section 4.1	Conduct of Business of the Company	21
Section 4.2	Regarding the Arrangement	24
Section 4.3	Access to Information; Confidentiality	26
Section 4.4	Shelter Agreement	27
Section 4.5	Pre-Acquisition Reorganization	27
Section 4.6	Public Communications	28
Section 4.7	Notice Provisions	29
Section 4.8	Insurance and Indemnification	29

### ARTICLE 5 ADDITIONAL COVENANTS REGARDING NON-SOLICITATION

Section 5.1	Non-Solicitation	30
Section 5.2	Notification of Acquisition Proposals	32
Section 5.3	Right to Match	33
Section 5.4	Breach by Subsidiaries and Representatives	34

**ARTICLE 6  
CONDITIONS**

Section 6.1	Mutual Conditions Precedent	35
Section 6.2	Additional Conditions Precedent to the Obligations of the Purchaser	35
Section 6.3	Additional Conditions Precedent to the Obligations of the Company	36
Section 6.4	Satisfaction of Conditions	37

**ARTICLE 7  
TERM AND TERMINATION**

Section 7.1	Term	37
Section 7.2	Termination	37
Section 7.3	Effect of Termination/Survival	39
Section 7.4	Termination Fees	40
Section 7.5	Expenses and Expense Reimbursement	41

**ARTICLE 8  
GENERAL PROVISIONS**

Section 8.1	Amendments	42
Section 8.2	Notices	42
Section 8.3	Time of the Essence	44
Section 8.4	Injunctive Relief	44
Section 8.5	Third Party Beneficiaries	44
Section 8.6	Waiver	45
Section 8.7	Entire Agreement	45
Section 8.8	Successors and Assigns	45
Section 8.9	Severability	45
Section 8.10	Governing Law	46
Section 8.11	Rules of Construction	46
Section 8.12	No Liability	46
Section 8.13	Language	46
Section 8.14	Counterparts	46

**ADDENDA**

Schedule A	Arrangement Resolution
Schedule B	Plan of Arrangement
Schedule C	Representations and Warranties of the Company
Schedule D	Representations and Warranties of the Purchaser

## ARRANGEMENT AGREEMENT

THIS AGREEMENT is made as of August 1, 2017,

A M O N G:

**METHODE ELECTRONICS, INC.**, a corporation incorporated under the laws of Delaware

(the "**Purchaser**")

**METHODE ELECTRONICS BRITISH COLUMBIA CORPORATION**, a corporation incorporated under the laws of British Columbia

("Acquireco")

- and -

**PACIFIC INSIGHT ELECTRONICS CORP.**, a corporation incorporated under the laws of British Columbia

(the "**Company**").

NOW THEREFORE, in consideration of the covenants and agreements herein contained, the Parties agree as follows:

### ARTICLE 1 INTERPRETATION

#### Section 1.1 Defined Terms.

As used in this Agreement, the following terms have the following meanings:

"**Acquireco**" means Methode Electronics British Columbia Corporation.

"**Acquisition Proposal**" means, other than the transactions contemplated by this Agreement and other than any transaction involving only the Company and/or one or more of its wholly-owned Subsidiaries, any offer, proposal or inquiry (written or oral) from any Person or group of Persons other than the Purchaser (or any affiliate of the Purchaser or any Person acting in concert with the Purchaser or any affiliate of the Purchaser) after the date of this Agreement relating to:

- (a) any sale or disposition (or any lease, long-term supply agreement or other arrangement having the same economic effect as a sale), direct or indirect, of

assets representing 20% or more of the consolidated assets or contributing 20% or more of the consolidated revenue of the Company and its Subsidiaries or of 20% or more of the voting or equity securities of the Company or any of its Subsidiaries (or rights or interests in such voting or equity securities);

- (b) any take-over bid, exchange offer or other transaction that, if consummated, would result in such Person or group of Persons beneficially owning 20% or more of any class of voting or equity securities of the Company or any of its Subsidiaries;
- (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or exclusive license involving the Company or any of its Subsidiaries; or
- (d) any other similar transaction or series of transactions involving the Company or any of its Subsidiaries.

"**affiliate**" has the meaning specified in National Instrument 45-106 - *Prospectus and Registration Exemptions*.

"**Agreement**" means this arrangement agreement.

"**Arrangement**" means an arrangement under Part 9, Division 5 of the BCBCA on the terms and subject to the conditions set out in the Plan of Arrangement, subject to any amendments or variations to the Plan of Arrangement made in accordance with the terms of this Agreement and the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Arrangement Resolution**" means the special resolution approving the Plan of Arrangement to be considered at the Company Meeting, substantially in the form of **Schedule A**, and any amendments or variations thereto made in accordance with the provisions of this Agreement or at the direction of the Court in the Interim Order.

"**associate**" has the meaning specified in the *Securities Act* (British Columbia).

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence, ruling, certificate, registry or similar authorization of any Governmental Entity having jurisdiction over the Person.

"**BCBCA**" means the *Business Corporations Act* (British Columbia).

"**Board**" means the board of directors of the Company as constituted from time to time.

"**Board Recommendation**" has the meaning specified in Section 2.4(2).

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Vancouver, British Columbia or Chicago, Illinois.

"**Change in Recommendation**" has the meaning specified in Section 7.2(1)(d)(ii).

"**Common Shares**" means the common shares in the capital of the Company.

"**Company**" means Pacific Insight Electronics Corp.

"**Company Circular**" means the notice of the Company Meeting and accompanying management information circular, including all schedules, appendices and exhibits to, and information incorporated by reference in, such management information circular, to be sent to the Shareholders in connection with the Company Meeting, as amended, supplemented or otherwise modified from time to time in accordance with the terms of this Agreement.

"**Company Disclosure Letter**" means the disclosure letter dated the date of this Agreement and delivered by the Company to the Purchaser with this Agreement.

"**Company Employees**" means the employees of the Company and its Subsidiaries.

"**Company Filings**" means all documents publicly filed under the profile of the Company on the System for Electronic Document Analysis Retrieval (SEDAR).

"**Company Incentive Plan**" means the share option plan of the Company adopted effective November 28, 2016.

"**Company Meeting**" means the special meeting of Securityholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution.

"**Company Optionholders**" means the holders of Company Options.

"**Company Options**" means the outstanding options to purchase Common Shares issued pursuant to the Company Incentive Plan.

"**Company Securities**" means, collectively, the Common Shares, the Company Options and the Company Warrants.

"**Company Securityholders**" means, collectively, the Shareholders, the Company Optionholders and the Company Warrantholders.

"**Company Warrantholders**" means the holders of Company Warrants.

"**Company Warrants**" means the outstanding warrants to purchase Common Shares issued on November 6, 2015 and November 30, 2015.

"**Confidentiality Agreement**" means the confidentiality agreement between the Purchaser and the Company dated May 4, 2017.

"**Consideration**" means \$18.50, in cash per Common Share (without interest) on the basis set out in the Plan of Arrangement.

"**Constituting Documents**" for a particular corporation means its notice of articles and articles and all amendments thereto (or the equivalent).

"**Contract**" means any legally binding agreement, commitment, engagement, contract, franchise, licence, purchase order, production release, obligation or undertaking (written or oral) to which the Company or any of its Subsidiaries is a party or by which it or any of its Subsidiaries is bound or affected or to which any of their respective properties or assets is subject.

"**Court**" means the Supreme Court of British Columbia.

"**Data Room**" means the material contained in the virtual data room established by the Company as at 12:45 p.m. on July 31, 2017, the index of documents of which is appended to the Company Disclosure Letter.

"**Depository**" means Computershare Investor Services Inc., or any other depository or trust company, bank or financial institution agreed to between the Purchaser and the Company for the purpose of, among other things, receiving Letters of Transmittal (as defined in the Plan of Arrangement) in connection with the Arrangement.

"**Dissent Rights**" means the rights of dissent in respect of the Arrangement described in the Plan of Arrangement.

"**Effective Date**" means the date upon which the Arrangement becomes effective.

"**Effective Time**" has the meaning ascribed thereto in the Plan of Arrangement.

"**Employee Plans**" has the meaning specified in Section 32(a) of [Schedule C](#).

"**Environmental Laws**" means all Laws and agreements with Governmental Entities and all other statutory requirements relating to public health or the protection of the environment, (including environmental impact and risk, water supply and wastewater discharges, air and noise emissions, natural resources and wildlife, hazardous and non-hazardous waste generation and management, urban development and local operations) and all Authorizations issued pursuant to such Laws, agreements or other statutory requirements.

"**Exchange**" means the Toronto Stock Exchange.

"**Fairness Opinion**" means an opinion of KPMG LLP to the effect that, as of the date of such opinion, the Consideration to be received by the Shareholders is fair, from a financial point of view, to such holders.

"**Final Order**" means the final order of the Court pursuant to section 291 of the BCBCA approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal.

"**GAAP**" means generally accepted accounting principles as set-out in the *CPA Canada Handbook - Accounting* for an entity that prepares its financial statements in accordance with International Financial Reporting Standards, at the relevant time, applied on a consistent basis.

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange.

"**Hazardous Material**" means petroleum, petroleum hydrocarbons, petroleum products or petroleum by-products, radioactive materials, asbestos or asbestos-containing materials, gasoline, diesel fuel, pesticides, radon, urea formaldehyde, mould, lead or lead-containing materials, and polychlorinated biphenyls, and any other chemical, material, substance or waste in any amount or concentration (i) that is now or hereafter becomes defined as or included in the definition of "hazardous substances", "hazardous materials", "hazardous wastes", "extremely hazardous wastes", "restricted hazardous wastes", "toxic substances", "toxic pollutants", "pollutants", "deleterious substances", "dangerous goods", "corrosive substances", "regulated substances", "solid wastes" or "contaminants" or words of similar import under any Environmental Law, or (ii) that is otherwise regulated under or for which liability can be imposed under Environmental Law.

"**ICA Clearance**" means that: (i) 45 days shall have elapsed from the effective date of the certification of the Purchaser's notification under the *Investment Canada Act* and the Purchaser shall not have received a notice or order from a Governmental Entity under either section 25.2(1) or section 25.3(2) of the *Investment Canada Act*; or (ii) if the Purchaser has received such a notice or order, the Purchaser shall have subsequently received one of the following notices, as applicable: (a) under section 25.2(4)(a) of the *Investment Canada Act* indicating that no order for the review of the transactions contemplated by this Agreement will be made under section 25.3(1) of the *Investment Canada Act*; (b) under section 25.3(6)(b) of the *Investment Canada Act* indicating that no further action will be taken in respect of the transactions contemplated by this Agreement; or (c) under section 25.4(1) of the *Investment Canada Act* indicating that the Governor in Council authorizes the completion of the



transactions contemplated by this Agreement, in each case on terms and conditions satisfactory to the Purchaser.

**"Intellectual Property Rights"** has the meaning specified in Section 28(a) of Schedule C.

**"Interim Order"** means the interim order of the Court made in connection with the Arrangement pursuant to Section 291 of the BCBCA and providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court.

**"Law"** means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended.

**"Leased Properties"** has the meaning specified in section 23(b) of Schedule C.

**"Leases"** means the leases of the Leased Properties.

**"Lien"** means any mortgage, charge, pledge, hypothec, security interest, prior claim, encroachments, option, right of first refusal or first offer, occupancy right, covenant, assignment, lien (statutory or otherwise), defect of title, or restriction or adverse right or claim, or other third party interest or encumbrance of any kind, in each case, whether contingent or absolute.

**"Locked-Up Shareholders"** means each of the directors and officers of the Company.

**"Matching Period"** has the meaning specified in Section 5.3(1)(e).

**"Material Adverse Effect"** means any change, event, occurrence, effect or circumstance that, individually or in the aggregate with other such changes, events, occurrences, effects or circumstances:

- (a) is or could reasonably be expected to be material and adverse to the business, operations, results of operations, assets, properties, capitalization, financial condition or liabilities (contingent or otherwise) of the Company and its Subsidiaries, taken as a whole, except any such change, event, occurrence, effect, or circumstance resulting from or arising in connection with:
  - (i) any change affecting the industries in which the Company and its Subsidiaries operate;

- (ii) any change in global, national or regional political conditions (including the outbreak or escalation of war or acts of terrorism) or in general economic, business, regulatory, political or market conditions or in national or global financial or capital markets;
- (iii) any change in GAAP;
- (iv) any action taken by the Company or any of its Subsidiaries which is required to be taken pursuant to this Agreement;
- (v) any actions taken (or omitted to be taken) upon the request of the Purchaser;
- (vi) the announcement or performance of this Agreement or consummation of the Arrangement; or
- (vii) any change in the market price or trading volume of any securities of the Company (it being understood that the causes underlying such change in market price may be taken into account in determining whether a Material Adverse Effect has occurred), or any suspension of trading in securities generally on any securities exchange on which any securities of the Company trade,

provided, however, that with respect to clauses (i) through to and including (iii), such matter does not have a materially disproportionate effect on the Company and its Subsidiaries, taken as a whole, relative to other comparable companies and entities operating in the industries in which the Company and/or its Subsidiaries operate; or

- (b) prevents, or could reasonably be expected to prevent, the performance by the Company of its obligations under this Agreement or impair or delay the Company's ability to consummate the Arrangement by the Outside Date,

and unless expressly provided in any particular section of this Agreement, references in certain sections of this Agreement to dollar amounts are not intended to be, and shall not be deemed to be, illustrative or interpretive for purposes of determining whether a "Material Adverse Effect" has occurred.

**"Material Contract"** means any Contract:

- (a) that if terminated or modified or if it ceased to be in effect, would reasonably be expected to have a Material Adverse Effect;
- (b) relating directly or indirectly to the guarantee of any liabilities or obligations or to indebtedness for borrowed money;
- (c) restricting the incurrence of indebtedness by the Company or any of its Subsidiaries (including by requiring the granting of an equal and rateable

Lien) or the incurrence of any Liens on any properties or assets of the Company or any of its Subsidiaries, or restricting the payment of dividends by the Company;

- (d) under which the Company or any of its Subsidiaries is obligated to make, or expects to receive (over the 12 months after the date of the Agreement), payments in excess of \$1,000,000;
- (e) providing for indemnification by the Company or any Subsidiary thereof, in each case that is material to the Company and its Subsidiaries, taken as a whole;
- (f) any mortgages, indentures, loans, or credit agreements, security agreements, or other Contracts, in each case relating to indebtedness for borrowed money, whether as borrower or lender;
- (g) providing for the establishment, investment in, organization or formation of any joint venture, limited liability company or partnership;
- (h) that creates an exclusive dealing arrangement or right of first offer or refusal;
- (i) under which the Company or any of its Subsidiaries licenses, transfers or grants any Intellectual Property Rights or creates or modifies a joint development arrangement that in each case is material to the conduct of the business, as presently conducted or planned to be conducted in the future, of the Company and its Subsidiaries taken as a whole;
- (j) with a Governmental Entity;
- (k) of employment providing for aggregate annual remuneration in excess of \$150,000 or which provides the employee with a payment in the event of a change of control of the Company;
- (l) providing for the purchase, sale or exchange of, or option to purchase, sell or exchange, any property or asset other than in the Ordinary Course;
- (m) that limits or restricts (A) the ability of the Company or any of its Subsidiaries to engage in any line of business or carry on business in any geographic area, or (B) the scope of Persons to whom the Company or any of its Subsidiaries may sell products or deliver services;
- (n) that is a Lease;
- (o) that is the Shelter Agreement;
- (p) that is made out of the Ordinary Course; or
- (q) that is otherwise material to the Company and its Subsidiaries, taken as a whole.

"**Mexican Subsidiary**" means Pacific Insight México, S.A. de C.V.

"**MI 61-101**" means Multilateral Instrument 61-101 - *Protection of Minority Shareholders in Special Transactions*.

"**Misrepresentation**" means an untrue statement of a material fact or an omission to state a material fact required or necessary to make the statements contained therein not misleading in light of the circumstances in which they are made.

"**officer**" has the meaning specified in the *Securities Act* (British Columbia).

"**Ordinary Course**" means, with respect to an action taken by the Company or any of its Subsidiaries, that such action is consistent with the past practices of the Company and is taken in the ordinary course of the normal day-to-day operations of the business of the Company.

"**Outside Date**" means December 31, 2017 or such later date as may be agreed to in writing by the Parties, provided that if the Effective Date has not occurred by December 31, 2017 as a result of the failure to obtain ICA Clearance, then the Purchaser may elect by notice in writing delivered prior to December 31, 2017 to extend such date from time to time by a specified period of not less than five (5) Business Days, provided that in aggregate such extensions shall not exceed 60 Business Days after December 31, 2017.

"**Owned IP Rights**" has the meaning specified in Section 28(a) of Schedule C.

"**Owned Properties**" has the meaning specified in Section 23(a) of Schedule C.

"**Parties**" means the Company, the Purchaser and Acquireco and "**Party**" means any one of them.

"**Permitted Liens**" means, in respect of the Company or any of its Subsidiaries, any one or more of the following:

- (a) Liens imposed by law for Taxes, assessments or governmental charges or levies not yet due or which are being contested in good faith and by appropriate proceedings diligently conducted if adequate reserves with respect thereto are maintained in accordance with GAAP on the books of the Company;
- (b) inchoate or statutory Liens of contractors, subcontractors, mechanics, workers, suppliers, materialmen, carriers and others in respect of the construction, maintenance, repair or operation of the assets of the Company or its Subsidiaries, provided that such Liens are related to obligations not due or delinquent, are not registered against title to any assets and in respect of which adequate holdbacks are being maintained as required by applicable Law;

- (c) Liens arising in connection with workers' compensation, employment insurance, pension and employment or other social security laws or regulations in respect of amounts which are not due or delinquent;
- (d) any Lien existing on any property or asset acquired by the Company or any Subsidiary after the date of this Agreement which existed at the time of such acquisition, provided that, (i) such Lien is not created in contemplation of, or in connection with, such acquisition; (ii) such Lien shall secure only those obligations which it secures on the date of such acquisition; and (iii) such acquisition is not prohibited by Section 4.1;
- (e) all permits, easements, rights-of-way, zoning restrictions, licenses, reservations and other surface agreements that do not materially interfere with the operations of any of the real property of the Company or any Subsidiary that is Owned Property;
- (f) the right reserved to or vested in any Governmental Entity by any statutory provision or by the terms of any lease, licence, franchise, grant or permit of the Company or any of its Subsidiaries, to terminate any such lease, licence, franchise, grant or permit, or to require annual or other payments as a condition of their continuance; or
- (g) Liens listed and described in Section 23 of the Company Disclosure Letter.

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status.

"**Plan of Arrangement**" means the plan of arrangement, substantially in the form of **Schedule B**, subject to any amendments or variations to such plan made in accordance with Section 8.1 and the Plan of Arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably.

"**Pre-Acquisition Reorganization**" has the meaning specified in Section 4.5(1).

"**Proceedings**" meaning specified in Section 29 of Schedule C.

"**Purchaser**" means Methode Electronics, Inc.

"**Registrar**" means the Registrar of Companies appointed pursuant to Section 400 of the BCBCA.

"**Regulatory Approval**" means any consent, waiver, permit, exemption, review, order, decision or approval of, or any registration and filing with, any Governmental Entity, or the expiry, waiver or termination of any waiting period imposed by Law

or a Governmental Entity, in each case in connection with the Arrangement, including the ICA Clearance.

**"Release"** means any spill, leak, pumping, addition, pouring, emission, emptying, discharge, injection, escape, leaching, disposal, dumping, deposit, spraying, burial, abandonment, incineration, seepage, placement or introduction of a Hazardous Material into the environment.

**"Representative"** has the meaning specified in Section 5.1(1).

**"Required Approval"** has the meaning specified in Section 2.2(b).

**"Securities Authority"** means the British Columbia Securities Commission and any other applicable securities commissions or securities regulatory authority of a province or territory of Canada.

**"Securities Laws"** means the *Securities Act* (British Columbia), and any other applicable provincial and territorial securities Laws.

**"Shareholders"** means the registered or beneficial holders of the Common Shares, as the context requires.

**"Shelter Agreement"** means the shelter agreement dated as of October 1, 2009 between the Company and the Shelter Companies, as amended (including all extensions thereof).

**"Shelter Companies"** means Entrada Partners Ltd. and Entrada Group de Mexico, S. de R.L. de C.V.

**"Shelter Employees"** means any employees of the Shelter Companies or any affiliate thereof employed to provide or arrange for the provision of Shelter Program Services (as defined in the Shelter Agreement) to the Company at the manufacturing facility in Fresnillo, Zacatecas, Mexico under the Shelter Agreement.

**"Special Committee"** means the special committee of the Board formed to consider the Arrangement.

**"Subsidiary"** has the meaning specified in National Instrument 45-106 - *Prospectus and Registration Exemptions* as in effect on the date of this Agreement.

**"Superior Proposal"** means any unsolicited *bona fide* written Acquisition Proposal from a Person who is an arm's length third party to acquire not less than all of the outstanding Common Shares or all or substantially all of the assets of the Company on a consolidated basis that:

- (a) complies with Securities Laws and did not result from or involve a breach of Article 5;

- (b) is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such proposal and the Person making such proposal;
- (c) is not subject, either by the terms of such Acquisition Proposal or by virtue of any applicable Law to any requirement that the approval of the shareholders of the Person making the Acquisition Proposal be obtained;
- (d) is not subject to any financing contingency and in respect of which it has been demonstrated to the satisfaction of the Board, acting in good faith (after receipt of advice from its financial advisers and its outside legal counsel) that any required financing to complete such Acquisition Proposal will be obtained;
- (e) is not subject to any due diligence or access condition; and
- (f) that the Board determines, in its good faith judgment, after receiving the advice of its outside legal and financial advisors and after taking into account all the terms and conditions of the Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal, would, if consummated in accordance with its terms, but without assuming away the risk of non-completion, result in a transaction which is more favourable, from a financial point of view, to the Shareholders than the Arrangement (including any amendments to the terms and conditions of the Arrangement proposed by the Purchaser pursuant to Section 5.3(2)).

"**Superior Proposal Notice**" has the meaning specified in Section 5.3(1)(c).

"**Tax Act**" means the *Income Tax Act* (Canada).

"**Tax Returns**" means any and all returns, reports, declarations, elections, notices, forms, designations, filings, and statements (including estimated tax returns and reports, withholding tax returns and reports, and information returns and reports) filed or required to be filed in respect of Taxes.

"**Taxes**" means (i) any and all taxes, duties, fees, excises, premiums, assessments, imposts, levies and other charges or assessments of any kind whatsoever imposed by any Governmental Entity, whether computed on a separate, consolidated, unitary, combined or other basis, including those levied on, or measured by, or described with respect to, income, gross receipts, profits, gains, windfalls, capital, capital stock, production, recapture, transfer, land transfer, license, gift, occupation, wealth, environment, net worth, indebtedness, surplus, sales, goods and services, harmonized sales, use, value-added, excise, special assessment, stamp, withholding, business, franchising, real or personal property, health, employee health, payroll, workers' compensation, employment or unemployment, severance, social services, social security, education, utility, surtaxes, customs, import or export, and including all license and registration fees and all employment insurance, health insurance and

government pension plan premiums or contributions; (ii) all interest, inflationary adjustments, surcharges, penalties, fines, additions to tax or other additional amounts imposed by any Governmental Entity on or in respect of amounts of the type described in clause (i) above or this clause (ii); (iii) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of being a member of an affiliated, consolidated, combined or unitary group for any period; and (iv) any liability for the payment of any amounts of the type described in clauses (i) or (ii) as a result of any express or implied obligation to indemnify any other Person or as a result of being a transferee or successor in interest to any party.

"**Technology**" has the meaning specified in Section 28(e) of Schedule C.

"**Termination Fee**" means \$5,000,000.

"**Termination Fee Event**" has the meaning specified in Section 7.4(2).

"**United States**" means the United States of America, its territories and possessions, any State of the United States and the District of Columbia.

"**U.S. Exchange Act**" means the United States Securities Exchange Act of 1934.

"**Voting Agreements**" means the voting agreements dated the date hereof and made between the Purchaser and the Locked-Up Shareholders setting forth the terms and conditions on which the Locked-Up Shareholders have agreed to vote their Common Shares in favour of the Arrangement Resolution.

## **Section 1.2 Certain Rules of Interpretation**

In this Agreement, unless otherwise specified:

- (1) **Headings, etc.** The provision of a Table of Contents, the division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and do not affect the construction or interpretation of this Agreement.
- (2) **Currency.** All references to dollars or to \$ are references to Canadian dollars, unless otherwise indicated.
- (3) **Gender and Number.** Any reference to gender includes all genders. Words importing the singular number only include the plural and vice versa.
- (4) **Certain Phrases and References, etc.** The words "**including**", "**includes**" and "**include**" mean "**including (or includes or include) without limitation,**" and "**the aggregate of**", "**the total of**", "**the sum of**", or a phrase of similar meaning means "**the aggregate (or total or sum), without duplication, of.**" Unless stated otherwise, "**Article**", "**Section**", and "**Schedule**" followed by a number or letter mean and refer to the specified Article or Section of or Schedule to this Agreement. The term "**Agreement**" and any reference in this Agreement to this Agreement or any other agreement or document includes, and is a reference to, this Agreement or such other



agreement or document as it may have been, or may from time to time be, amended, restated, replaced, supplemented or novated and includes all schedules to it.

- (5) **Capitalized Terms.** All capitalized terms used in any Schedule have the meanings ascribed to them in this Agreement.
- (6) **Knowledge.** Where any representation or warranty is expressly qualified by reference to the knowledge of the Company it shall be deemed to refer to the actual knowledge, after making reasonable inquiries regarding the relevant matter, of Stuart D. Ross, Jonathan Fogg, Ian Scott, Laurent Curtil, Paul Gresser, Michael Medvec, Cliff Semenick, and Doug Mann.
- (7) **Accounting Terms.** All accounting terms are to be interpreted in accordance with GAAP and all determinations of an accounting nature in respect of the Company required to be made shall be made in a manner consistent with GAAP.
- (8) **Statutes.** Any reference to a statute refers to such statute and all rules and regulations made under it, as it or they may have been or may from time to time be amended or re-enacted, unless stated otherwise.
- (9) **Computation of Time.** A period of time is to be computed as beginning on the day following the event that began the period and ending at 4:30 p.m. on the last day of the period, if the last day of the period is a Business Day, or at 4:30 p.m. on the next Business Day if the last day of the period is not a Business Day.
- (10) **Time References.** References to time are to local time, Vancouver, British Columbia.
- (11) **Subsidiaries.** To the extent any covenants or agreements relate, directly or indirectly, to a Subsidiary of the Company, each such provision shall be construed as a covenant by the Company to cause (to the fullest extent to which it is legally capable) such Subsidiary to perform the required action.

### **Section 1.3 Schedules**

- (1) The Schedules attached to this Agreement form an integral part of this Agreement for all purposes of it.
- (2) The Company Disclosure Letter itself and all information contained in it is confidential information and may not be disclosed unless (i) it is required to be disclosed pursuant to Law unless such Law permits the Parties to refrain from disclosing the information for confidentiality or other purposes or (ii) a Party needs to disclose it in order to enforce or exercise its rights under this Agreement.

## ARTICLE 2 THE ARRANGEMENT

### Section 2.1 Arrangement

The Company and the Purchaser agree that the Arrangement will be implemented in accordance with and subject to the terms and conditions of this Agreement and the Plan of Arrangement.

### Section 2.2 Interim Order

As soon as reasonably practicable after the date of this Agreement, but in any event on or before August 25, 2017, the Company shall apply in a manner reasonably acceptable to the Purchaser pursuant to Part 9, Division 5 of the BCBCA and, in cooperation with the Purchaser, prepare, file and diligently pursue an application for the Interim Order, which must provide, among other things:

- (a) for the class of persons to whom notice is to be provided in respect of the Arrangement and the Company Meeting and for the manner in which such notice is to be provided;
- (b) that the required level of approval (the "**Required Approval**") for the Arrangement Resolution shall be:
  - (i) 66 2/3% of the votes cast on the Arrangement Resolution by Shareholders present in person or represented by proxy at the Company Meeting;
  - (ii) 66 2/3% of the votes cast on the Arrangement Resolution by Company Securityholders present in person or represented by proxy at the Company Meeting, voting together as a single class; and
  - (iii) if and to the extent required under MI 61-101, a majority of the votes attached to Common Shares held by Shareholders present in person or represented by proxy at the Company Meeting excluding for this purpose votes attached to Common Shares held by persons described in items (a) through (d) of section 8.1(2) of MI 61-101;
- (c) that, in all other respects, the terms, restrictions and conditions of the Company's Constating Documents, including quorum requirements and all other matters, shall apply in respect of the Company Meeting;
- (d) for the grant of the Dissent Rights to those Shareholders who are registered Shareholders;
- (e) for the notice requirements with respect to the presentation of the application to the Court for the Final Order;

- (f) that the Company Meeting may be adjourned or postponed from time to time by the Company in accordance with the terms of this Agreement without the need for additional approval of the Court;
- (g) that the record date for the Shareholders entitled to notice of and to vote at the Company Meeting will not change in respect of any adjournment(s) of the Company Meeting, unless required by Securities Laws; and
- (h) for such other matters as the Purchaser may reasonably require, subject to obtaining the prior consent of the Company, such consent not to be unreasonably withheld or delayed.

### **Section 2.3 The Company Meeting**

The Company shall:

- (a) convene and conduct the Company Meeting in accordance with the Interim Order, the Company's Constatting Documents and Law as soon as reasonably practicable, and in any event on or before September 29, 2017, and not adjourn, postpone or cancel (or propose the adjournment, postponement or cancellation of) the Company Meeting without the prior written consent of the Purchaser, except:
  - (i) in the case of an adjournment, as required for quorum purposes; or
  - (ii) as required or permitted under Section 2.3(k) or Section 5.3(5);
- (b) solicit proxies in favour of the approval of the Arrangement Resolution and against any resolution submitted by any Shareholder that is inconsistent with the Arrangement Resolution and the completion of any of the transactions contemplated by this Agreement, including, if so requested by the Purchaser, acting reasonably, using dealer and proxy solicitation services firms and cooperating with any Persons engaged by the Purchaser to solicit proxies in favour of the approval of the Arrangement Resolution;
- (c) provide the Purchaser with copies of or access to information regarding the Company Meeting generated by any dealer or proxy solicitation services firm, as requested from time to time by the Purchaser;
- (d) permit the Purchaser to, on behalf of the management of the Company, directly or through a soliciting dealer, actively solicit proxies in favour of the Arrangement on behalf of management of the Company in compliance with Law and disclose in the Company Circular that the Purchaser may make such solicitations;
- (e) consult with the Purchaser in fixing the date of the Company Meeting, give notice to the Purchaser of the Company Meeting and allow the Purchaser's representatives and legal counsel to attend the Company Meeting;

- (f) promptly advise the Purchaser, at such times as the Purchaser may reasonably request and at least on a daily basis on each of the last 10 Business Days prior to the date of the Company Meeting, as to the aggregate tally of the proxies received by the Company in respect of the Arrangement Resolution;
- (g) promptly advise the Purchaser of any communication (written or oral) from any Shareholder in opposition to the Arrangement, written notice of dissent, purported exercise or withdrawal of Dissent Rights, and written communications sent by or on behalf of the Company to any Shareholder exercising or purporting to exercise Dissent Rights;
- (h) not make any payment or settlement offer, or agree to any payment or settlement prior to the Effective Time with respect to Dissent Rights without the prior written consent of the Purchaser;
- (i) not change the record date for the Shareholders entitled to vote at the Company Meeting in connection with any adjournment or postponement of the Company Meeting unless required by Law;
- (j) at the reasonable request of the Purchaser from time to time, provide the Purchaser with a list (in both written and electronic form) of (i) the Shareholders, together with their addresses and respective holdings of Common Shares, (ii) the names, addresses and holdings of all Persons having rights issued by the Company to acquire Common Shares (including holders of Company Options and Company Warrants), and (iii) participants and book-based nominee registrants such as CDS & Co., CEDE & Co. and DTC, and non-objecting beneficial owners of Common Shares, together with their addresses and respective holdings of Common Shares. The Company shall from time to time require that its registrar and transfer agent furnish the Purchaser with such additional information, including updated or additional lists of Company Securityholders, and lists of securities positions and other assistance as the Purchaser may reasonably request in order to be able to communicate with respect to the Arrangement with the Shareholders and with such other Persons as are entitled to vote on the Arrangement Resolution; the Purchaser shall hold all such information in compliance with applicable Laws relating to privacy matters; and
- (k) at the request of the Purchaser, adjourn or postpone the Company Meeting to a date specified by the Purchaser that is not later than 15 Business Days after the date on which the Company Meeting was originally scheduled and in any event to a date that it not later than five (5) Business Days prior to the Outside Date.

#### **Section 2.4 The Company Circular**

- (1) The Company shall promptly prepare and complete, in consultation with the Purchaser, the Company Circular together with any other documents required by

Law in connection with the Company Meeting and the Arrangement, and the Company shall, promptly after obtaining the Interim Order, cause the Company Circular and such other documents to be filed and sent to each Shareholder and other Person as required by the Interim Order and Law, in each case so as to permit the Company Meeting to be held by the date specified in Section 2.3(a).

- (2) The Company shall ensure that the Company Circular complies in material respects with Law, does not contain any Misrepresentation and provides the Shareholders with sufficient information to permit them to form a reasoned judgement concerning the matters to be placed before the Company Meeting. Without limiting the generality of the foregoing, the Company Circular must include: (i) a copy of the Fairness Opinion, (ii) a statement that the Board has received the Fairness Opinion, and has unanimously, after receiving legal and financial advice, determined that the Arrangement Resolution is in the best interests of the Company and recommends that the Shareholders vote in favour of the Arrangement Resolution (the "**Board Recommendation**"), and (iii) statements that each Locked-Up Shareholder has signed a Voting Agreement pursuant to which, and subject to the terms thereof, they have agreed to among other things, vote their Company Securities in favour of the Arrangement Resolution and against any resolution submitted by any Shareholder that is inconsistent with the Arrangement.
- (3) The Company shall give the Purchaser and its legal counsel a reasonable opportunity to review and comment on drafts of the Company Circular and other related documents, and shall give reasonable consideration to any comments made by the Purchaser and its counsel, and agrees that all information relating solely to the Purchaser included in the Company Circular must be in a form and content satisfactory to the Purchaser, acting reasonably.
- (4) The Purchaser shall provide all necessary information concerning the Purchaser and Acquireco that is required by Law to be included by the Company in the Company Circular or other related documents to the Company in writing, in a timely manner, and shall ensure that such information does not contain any Misrepresentation.
- (5) The Purchaser hereby indemnifies and saves harmless the Company, its Subsidiaries and their respective Representatives from and against any and all liabilities, claims, demands, losses, costs, damages and expenses to which the Company, any of its Subsidiaries or any of their respective Representatives may be subject or may suffer as a result of, or arising from, any Misrepresentation or alleged Misrepresentation contained in any information included in the Company Circular that was provided by the Purchaser pursuant to Section 2.4(4), including as a result of any order made, or any inquiry, investigation or proceeding instituted by any Securities Authority or other Governmental Entity based on such a Misrepresentation or alleged Misrepresentation.
- (6) Each Party shall promptly notify the other Parties if, at any time before the Effective Time, it becomes aware that the Company Circular or the application for the Interim Order or the Final Order contains a Misrepresentation, or otherwise requires an amendment or supplement. The Parties shall co-operate in the preparation of any

such amendment or supplement as required or appropriate, and the Company shall promptly mail, file or otherwise publicly disseminate any such amendment or supplement to the Shareholders and, if required by the Court or by Law, file the same with the Securities Authorities or any other Governmental Entity as required.

## **Section 2.5 Final Order**

The Company shall take all steps necessary or desirable to submit the Arrangement to the Court and diligently pursue an application for the Final Order pursuant to Part 9, Division 5 of the BCBCA, as soon as reasonably practicable, but in any event not later than three Business Days after the Arrangement Resolution is passed at the Company Meeting as provided for in the Interim Order.

## **Section 2.6 Court Proceedings**

In connection with all Court proceedings relating to obtaining the Interim Order and the Final Order, the Company shall:

- (a) diligently pursue, and cooperate with the Purchaser in diligently pursuing, the Interim Order and the Final Order;
- (b) provide legal counsel to the Purchaser with a reasonable opportunity to review and comment upon drafts of all material to be filed with the Court in connection with the Arrangement, and give reasonable consideration to all such comments;
- (c) provide copies of any notice of appearance, evidence or other documents served on the Company or its legal counsel in respect of the application for the Interim Order or the Final Order or any appeal from them, and any notice, written or oral, indicating the intention of any Person to appeal, or oppose the granting of, the Interim Order or the Final Order;
- (d) ensure that all material filed with the Court in connection with the Arrangement is consistent with this Agreement and the Plan of Arrangement;
- (e) not file any material with the Court in connection with the Arrangement or serve any such material, or agree to modify or amend any material so filed or served, except as contemplated by this Agreement or with the Purchaser's prior written consent, such consent not to be unreasonably withheld, conditioned or delayed, provided the Purchaser is not required to agree or consent to any increase in or variation in the form of the Consideration or other modification or amendment to such filed or served materials that expands or increases the Purchaser's obligations, or diminishes or limits the Purchaser's rights, set forth in any such filed or served materials or under this Agreement;
- (f) oppose any proposal from any Person that the Final Order contain any provision inconsistent with this Agreement, and if required by the terms of

the Final Order or by Law to return to Court with respect to the Final Order do so only after notice to, and in consultation and cooperation with, the Purchaser; and

- (g) not object to legal counsel to the Purchaser making such submissions on the hearing of the motion for the Interim Order and the application for the Final Order as such counsel considers appropriate, provided the Purchaser advises the Company of the nature of any such submissions sufficiently prior to the hearing to allow reasonable consideration of such submissions and such submissions are consistent with this Agreement and the Plan of Arrangement.

### **Section 2.7 Amendment and Effective Date**

- (1) The Effective Date will occur on the date upon which the Company and the Purchaser agree in writing as the date upon which the Arrangement becomes effective or, in the absence of such agreement, on the date that is five (5) Business Days following the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of the conditions set out in Article 6 (excluding conditions that, by their terms, cannot be satisfied until the Effective Date, but subject to the satisfaction or, where not prohibited, the waiver by the applicable Party or Parties in whose favour the condition is, of those conditions as of the Effective Date), and the Arrangement shall be effective at the Effective Time on the Effective Date and will have all of the effects provided by applicable Law.
- (2) The closing of the Arrangement will take place at the offices of Stikeman Elliott LLP in Vancouver, British Columbia, or at such other location as may be agreed upon by the Parties.

### **Section 2.8 Payment of Consideration**

The Purchaser shall, following receipt of the Final Order and prior to the Effective Time, deliver or cause to be delivered to the Depositary in escrow pending the Effective Time, sufficient cash to pay the aggregate Consideration to be paid to Shareholders (other than dissenting Shareholders) under the Arrangement.

### **Section 2.9 Withholding Taxes**

The Purchaser, Acquireco, the Depositary and the Company shall be entitled to deduct and withhold from any consideration payable or otherwise deliverable to any Person hereunder or under the Plan of Arrangement and from all dividends or other distributions or other payments otherwise payable to any former securityholders of the Company such amounts as the Purchaser, Acquireco, the Depositary or the Company may be permitted or required to deduct and withhold therefrom under any provision of applicable Laws in respect of Taxes. To the extent that such amounts are so deducted, withheld and remitted, such amounts shall be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid.

**ARTICLE 3  
REPRESENTATIONS AND WARRANTIES**

**Section 3.1 Representations and Warranties of the Company**

- (1) Except as set forth in the correspondingly numbered paragraph of the Company Disclosure Letter, the Company represents and warrants to the Purchaser and Acquireco as set forth in Schedule C and acknowledges and agrees that the Purchaser and Acquireco are relying upon such representations and warranties in connection with the entering into of this Agreement.
- (2) The representations and warranties of the Company contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

**Section 3.2 Representations and Warranties of the Purchaser**

- (1) The Purchaser represents and warrants to the Company as set forth in **Schedule D** and acknowledges and agrees that the Company is relying upon the representations and warranties in connection with the entering into of this Agreement.
- (2) The representations and warranties of the Purchaser contained in this Agreement shall not survive the completion of the Arrangement and shall expire and be terminated on the earlier of the Effective Time and the date on which this Agreement is terminated in accordance with its terms.

**ARTICLE 4  
COVENANTS**

**Section 4.1 Conduct of Business of the Company**

- (1) Until the earlier of the Effective Time and the time that this Agreement is terminated in accordance with its terms, the Company shall conduct business in the Ordinary Course.
- (2) Without limiting the generality of Section 4.1(1), the Company shall use commercially reasonable efforts to preserve intact the current business organization of the Company, keep available the services of the present employees and agents of the Company and maintain good relations with, and the goodwill of, suppliers, customers, landlords, creditors, distributors and all other Persons having business relationships with the Company and, except with the prior written consent of the Purchaser, the Company shall not, and shall not permit any of its Subsidiaries to, directly or indirectly:
  - (a) amend its Constatng Documents or, in the case of any of its Subsidiaries which is not a corporation, its similar organizational documents;



- (b) split, combine or reclassify any shares of its capital stock or declare, set aside or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) or amend any term of any outstanding debt security;
- (c) redeem, repurchase, or otherwise acquire or offer to redeem, repurchase or otherwise acquire any shares of its capital stock;
- (d) issue, deliver, sell, pledge or otherwise encumber, or authorize the issuance, delivery, sale, pledge or other encumbrance of any shares of its capital stock or other equity or voting interests, or any options, warrants or similar rights exercisable or exchangeable for or convertible into such capital stock or other equity or voting interests, or any stock appreciation rights, phantom stock awards or other rights that are linked to the price or the value of Common Shares, except for the issuance of Common Shares issuable upon the exercise of the currently outstanding Company Options and Company Warrants, in each case, as specified in Sections 6(a), 6(b) and 6(c) of the Company Disclosure Letter, in accordance with the terms thereof;
- (e) acquire (by merger, consolidation, acquisition of stock or assets or otherwise), directly or indirectly, in one transaction or in a series of related transactions, assets, securities, properties, interests or businesses having a cost, on a per transaction or series of related transactions basis, in excess of \$50,000 and subject to a maximum of \$100,000 for all such transactions;
- (f) sell, lease, transfer or otherwise dispose of any of its assets except for (i) assets which are obsolete and which individually or in the aggregate do not exceed \$100,000, or (ii) inventory rented or sold in the Ordinary Course;
- (g) other than (i) those capital expenditures as set out in the Company's FY2018 budget, which individually or in the aggregate do not exceed \$100,000, or (ii) as may be consented to by the Purchaser after the date of this Agreement, such consent not to be unreasonably withheld, make any capital expenditure or commitment to do so which individually or in the aggregate exceeds \$100,000;
- (h) other than as set forth in Section 4.1(2)(h) of the Company Disclosure Letter, prepay any long-term indebtedness before its scheduled maturity or increase, create, incur, assume or otherwise become liable for any indebtedness for borrowed money or guarantees thereof;
- (i) make any loan or advance to, or any capital contribution or investment in, or assume, guarantee or otherwise become liable with respect to the liabilities or obligations of, any Person;
- (j) enter into any interest rate, currency, equity or commodity swaps, hedges, derivatives, forward sales contracts or similar financial instruments;

- (k) make any bonus or profit sharing distribution or similar payment of any kind, other than in respect of the bonuses or similar payments in respect of the fiscal year ended June 30, 2017, the aggregate of which amounts shall not exceed the amount set out in Section 4.1(2)(k) of the Company Disclosure Letter;
- (l) make any change in the Company's methods of accounting, except as required by concurrent changes in GAAP;
- (m) grant any general increase in the rate of wages, salaries, bonuses or other remuneration of any employees;
- (n) except as required by Law or by the terms of the Employee Plans or Contracts in effect on the date of this Agreement: (i) adopt, enter into or amend any Employee Plan; (ii) pay any benefit to any director or officer of the Company or any of its Subsidiaries or to any Company Employee other than in the Ordinary Course, in the case of a Company Employee who is not a director or officer of the Company) that is not required under the terms of any Employee Plan in effect on the date of this Agreement; (iii) grant, accelerate, increase or otherwise amend any payment, award or other benefit payable to, or for the benefit of, any director or officer of the Company or any of its Subsidiaries or to any Company Employee; (iv) make any material determination under any Employee Plan that is not in the Ordinary Course; or (v) take or propose any action to effect any of the foregoing;
- (o) cancel, waive, release, assign, settle or compromise any material claims or rights;
- (p) compromise or settle any litigation, proceeding or governmental investigation relating to the assets or the business of the Company;
- (q) amend or modify in any material respect, or terminate or waive any material right under, any Material Contract or enter into any contract or agreement that would be a Material Contract if in effect on the date hereof;
- (r) enter into, amend or modify any union recognition agreement, collective bargaining agreement or similar agreement with any trade union or representative body (including any letters or memorandums of understanding, letters of intent or other written communications with bargaining agents);
- (s) except as contemplated in Section 4.8 amend, modify or terminate any material insurance policy of the Company or any of its Subsidiaries in effect on the date of this Agreement;
- (t) change or revoke any material Tax election; change any material method of accounting for Tax purposes; settle or compromise any action, suit, claim, investigation or proceeding in respect of material Taxes; file any amended

Tax Return or fail to duly and timely file all Tax Returns and other documents required to be filed in accordance with past practice (taking into account any extension of time within which to file such Tax Return); waive any statute of limitations for any Tax claim or assessment; make any request for a ruling related to Taxes; incur any liability for Taxes other than in the Ordinary Course; surrender any right to claim a refund of Taxes; or enter into any contractual obligation in respect of material Taxes with any Governmental Authority; or

- (u) authorize, agree, resolve or otherwise commit, whether or not in writing, to do any of the foregoing.

#### **Section 4.2 Regarding the Arrangement**

- (1) The Company shall use its commercially reasonable efforts to take or cause to be taken all actions and to do or cause to be done all things necessary, proper or advisable under Law to consummate the Arrangement as soon as practicable, including:
  - (a) using its commercially reasonable efforts to obtain and maintain all third party or other consents, waivers, permits, exemptions, orders, approvals, agreements, amendments or confirmations that are (A) required to be obtained under the Material Contracts in connection with the Arrangement or (B) required in order to maintain the Material Contracts in full force and effect following completion of the Arrangement, in each case, on terms that are reasonably satisfactory to the Purchaser, and without paying, and without committing itself, the Purchaser or Acquireco to pay, any consideration or incur any liability or obligation without the prior written consent of the Purchaser;
  - (b) using its commercially reasonable efforts to, on prior written approval of the Purchaser, oppose, lift or rescind any injunction, restraining or other order, decree or ruling seeking to restrain, enjoin or otherwise prohibit or adversely affect the consummation of the Arrangement and defend, or cause to be defended, any proceedings to which it is a party or brought against it or its directors or officers challenging the Arrangement or this Agreement;
  - (c) carrying out the terms of the Interim Order and the Final Order applicable to it and complying promptly with all requirements imposed by Law on it or its Subsidiaries with respect to this Agreement or the Arrangement; and
  - (d) not taking any action, or refraining from taking any commercially reasonable action, or permitting any action to be taken or not taken, which is inconsistent with this Agreement or which would reasonably be expected to prevent, delay or otherwise impede the consummation of the Arrangement.
- (2) The Company shall promptly notify the Purchaser of:

- (a) any Material Adverse Effect or any change, effect, event, development, occurrence, circumstance or state of facts which would reasonably be expected to have a Material Adverse Effect;
  - (b) any notice or other communication from any Person alleging that the consent (or waiver, permit, exemption, order, approval, agreement, amendment or confirmation) of such Person is required in connection with this Agreement or the Arrangement;
  - (c) any notice or other communication from any supplier, marketing partner, licensor of Intellectual Property Rights or Technology, customer, distributor or reseller to the effect that such supplier, marketing partner, licensor of Intellectual Property Rights or Technology, customer, distributor or reseller is terminating or otherwise materially adversely modifying its relationship with the Company or any of its Subsidiaries as a result of this Agreement or the Arrangement;
  - (d) all notices or other communications from any customers alleging, either individually or when considered in the aggregate, any material defect or claim in respect of any products supplied or sold by the Company or its Subsidiaries to such customers;
  - (e) any notice or other communication from any Governmental Entity in connection with this Agreement (and the Company shall contemporaneously provide a copy of any such written notice or communication to the Purchaser); or
  - (f) any material filing, actions, suits, claims, investigations or proceedings commenced or, to its knowledge, threatened against, relating to or involving or otherwise affecting the Company, its Subsidiaries or its or their respective assets.
- (3) Each Party will use commercially reasonable efforts to, as promptly as practicable, make, or cause to be made, all filings and applications with, and give all notices and submissions to, any Governmental Entity that are necessary for the lawful completion of the transactions contemplated by this Agreement, including not more than two (2) Business Days after the execution of this Agreement, notification under the *Investment Canada Act*. The Purchaser and the Company each shall promptly supply one another with all information which may be required in order to make such filings and achieve the termination of any applicable waiting period arising therefrom.
- (4) Subject to Law, the Company and the Purchaser shall cooperate with and keep one another fully informed as to the status of and the processes and proceedings relating to obtaining the Regulatory Approvals, and shall promptly notify each other of any communication from any Governmental Entity in respect of the Arrangement or this Agreement, and shall not make any submissions or filings, participate in any meetings or any material conversations with any Governmental Entity in respect of

any filings, investigations or other inquiries related to the Arrangement or this Agreement unless it consults with the other Party in advance and, to the extent not precluded by such Governmental Entity, gives the other Party the opportunity to review drafts of any submissions or filings, or attend and participate in any communications or meetings. Despite the foregoing, submissions, filings or other written communications with any Governmental Entity may be redacted as necessary before sharing with the other Party to address reasonable attorney-client or other privilege or confidentiality concerns, provided that a Party must provide external legal counsel to the other Party non-redacted versions of drafts or final submissions, filings or other written communications with any Governmental Entity on the basis that the redacted information will not be shared with its clients.

- (5) Each of the Company and the Purchaser shall promptly notify the other if it becomes aware that any (i) application, filing, document or other submission for a Regulatory Approval contains a Misrepresentation, or (ii) any Regulatory Approval (or other order, clearance, consent, ruling, exemption, no-action letter or other approval applied for as contemplated by this Agreement) contains, reflects or was obtained following the submission of any application, filing, document or other submission containing a Misrepresentation, such that an amendment or supplement may be necessary or advisable. In such case, the Company shall, in consultation with and subject to the prior approval of the Purchaser, co-operate in the preparation, filing and dissemination, as applicable, of any such amendment or supplement.
- (6) The Company and the Purchaser shall request that the Regulatory Approvals be processed by the applicable Governmental Entity on an expedited basis and, to the extent that a public hearing is held, the Company and the Purchaser shall request the earliest possible hearing date for the consideration of the Regulatory Approvals.
- (7) If any objections are asserted with respect to the transactions contemplated by this Agreement under any Law, or if any proceeding is instituted or threatened by any Governmental Entity challenging or which could lead to a challenge of any of the transactions contemplated by this Agreement as not in compliance with Law, the Parties shall use their commercially reasonable efforts consistent with the terms of this Agreement to resolve such proceeding so as to allow the Effective Time to occur on or prior to the Outside Date.
- (8) Despite anything to the contrary contained in this Section 4.2, the Purchaser is under no obligation to take any steps or actions that would, in its sole discretion, affect the Purchaser's right to own, use or exploit its business, operations or assets or those of its affiliates, the Company or the Company's Subsidiaries or to negotiate or agree to the sale, divestiture or disposition by the Purchaser of its business, operations or assets or those of its affiliates, the Company or the Company's Subsidiaries, or to any form of behavioural remedy including an interim or permanent hold separate order.

### **Section 4.3 Access to Information; Confidentiality**

- (1) Subject to Law, the Company shall give the Purchaser and its Representatives
  - (a) upon reasonable notice, reasonable access during normal business hours to its

and its Subsidiaries' (i) premises, (ii) property and assets (including all books and records, whether retained internally or otherwise), (iii) Contracts and Leases, and (iv) senior personnel, so long as the access does not unduly interfere with the Ordinary Course conduct of the business of the Company; and (b) such financial and operating data or other information with respect to the assets or business of the Company as the Purchaser from time to time reasonably requests.

- (2) Investigations made by or on behalf of the Purchaser, whether under this Section 4.3 or otherwise, will not waive, diminish the scope of, or otherwise affect any representation or warranty made by the Company in this Agreement.
- (3) The Purchaser acknowledges that the Confidentiality Agreement continues to apply and that any information provided under Section 4.3(1) above that is non-public and/or proprietary in nature shall be subject to the terms of the Confidentiality Agreement. If this Agreement is terminated in accordance with its terms, the obligations under the Confidentiality Agreement, to the extent applicable, shall survive the termination of this Agreement.

#### **Section 4.4 Shelter Agreement**

The Company will (i) use its best efforts to cause the Shelter Companies to, prior to the Effective Date, file with the Mexican authorities all notifications and other materials necessary in order to obtain the benefits of rule 3.20.6 of the Omnibus Tax Bill for 2017 (Resolución Miscelánea Fiscal para 2017) for a period of up to four years; and (ii) not amend or modify the Shelter Agreement in any respect without the prior written consent of the Purchaser, such consent not to be unreasonably withheld.

#### **Section 4.5 Pre-Acquisition Reorganization**

- (1) Subject to Section 4.5(2), the Company agrees that, upon request of the Purchaser, the Company shall (i) perform such reorganizations of its corporate structure, capital structure, business, operations and assets or such other transactions as the Purchaser may request, acting reasonably (each a "**Pre-Acquisition Reorganization**"), and (ii) cooperate with the Purchaser and its advisors to determine the nature of the Pre-Acquisition Reorganizations that might be undertaken and the manner in which they would most effectively be undertaken.
- (2) The Company will not be obligated to participate in any Pre-Acquisition Reorganization under Section 4.5(1) unless such Pre-Acquisition Reorganization:
  - (a) is not prejudicial to the Company or the Shareholders, as a whole, in any material respect; and
  - (b) does not impair the ability of the Company to consummate, and will not materially delay the consummation of, the Arrangement.
- (3) The Purchaser must provide written notice to the Company of any proposed Pre-Acquisition Reorganization at least 10 Business Days prior to the Effective Date.

Upon receipt of such notice, the Company and the Purchaser shall work cooperatively and use their best efforts to prepare prior to the Effective Time all documentation necessary and do such other acts and things as are necessary to give effect to such Pre-Acquisition Reorganization, including any amendment to this Agreement or the Plan of Arrangement and shall seek to have any such Pre-Acquisition Reorganization made effective as of the last moment of the Business Day ending immediately prior to the Effective Date (but after the Purchaser has waived or confirmed that all of the conditions set out in Section 6.1 and Section 6.2, other than the condition in Section 6.2(2) as it relates to the Pre-Acquisition Reorganization, have been satisfied).

- (4) The Purchaser agrees that it will be responsible for all costs and expenses associated with any Pre-Acquisition Reorganization to be carried out at its request and shall indemnify and save harmless the Company and its affiliates from and against any and all liabilities, losses, damages, claims, costs, expenses, interest awards, judgements and penalties suffered or incurred by any of them in connection with or as a result of any such Pre-Acquisition Reorganization (including in respect of any reversal (where such reversal is determined by the Company to be necessary, acting reasonably), modification or termination of a Pre-Acquisition Reorganization) and that any Pre-Acquisition Reorganization will not be considered in determining whether a representation or warranty of the Company under this Agreement has been breached (including where any such Pre-Acquisition Reorganization requires the consent of any third party under a Contract).

#### **Section 4.6 Public Communications**

The Parties shall co-operate in the preparation of presentations, if any, to Shareholders regarding the Arrangement. Upon the execution and delivery of this Agreement, (a) the Parties shall issue such initial press releases as reasonably agreed by the Purchaser and the Company; provided, however, that if the Parties are unable to agree on such initial press releases, each Party shall be entitled to issue such initial press release as such Party or its counsel determines to be required or appropriate under or in connection with applicable Law, and (b) the Parties shall cooperate reasonably in promptly notifying customers and suppliers by letter and/or telephone of the proposed Arrangement. Except for such initial press releases and notifications to customers and suppliers and the communications plan agreed to by the Company and the Purchaser with respect to communications with Company Employees, no Party shall issue any press release or make any other public statement or disclosure with respect to this Agreement or the Arrangement without the consent of the other Party (which consent shall not be unreasonably withheld or delayed) except for such press releases or other public statements or disclosures that a Party or its counsel reasonably determines to be required under or in connection with applicable Law. Any Party that is required to make any such disclosure by Law shall use commercially reasonable efforts to give the other Party prior oral or written notice and a reasonable opportunity (if feasible) to review or comment on the disclosure or filing (other than with respect to confidential information contained in such disclosure or filing). The Party making such disclosure shall give reasonable consideration to any comments made by the other Party or its counsel, and if such prior notice is not possible, shall give such notice

immediately following the making of such disclosure or filing. The Company shall not make any filing with any Governmental Entity with respect to this Agreement or the Arrangement without the consent of the Purchaser (which consent shall not be unreasonably withheld or delayed).

#### **Section 4.7 Notice Provisions**

- (1) Each Party shall promptly notify the other Party of the occurrence, or failure to occur, of any event or state of facts which occurrence or failure would, or would be reasonably likely to:
  - (a) cause any of the representations or warranties of such Party contained in this Agreement to be untrue or inaccurate in any respect at any time from the date of this Agreement to the Effective Time; or
  - (b) result in the failure to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by such Party under this Agreement.
- (2) Notification provided under this Section 4.7 will not affect the representations, warranties, covenants, agreements or obligations of the Parties (or remedies with respect thereto) or the conditions to the obligations of the Parties under this Agreement.
- (3) Neither the Company nor the Purchaser may elect not to complete the transactions contemplated hereby pursuant to the conditions precedent contained in Article 6 hereof or exercise any termination right arising therefrom and no payments will be payable as a result of such election unless forthwith and in any event prior to the Effective Time the Party intending to rely thereon has given a written notice to the other Party (the "**Termination Notice**") specifying in reasonable detail all breaches of covenants, representations and warranties or other matters which the Party giving the Termination Notice is asserting as the basis for the non-fulfillment of the applicable condition precedent or the exercise of the termination right, as the case may be. If the Termination Notice is given, provided that the other Party is proceeding diligently, at its own expense, to cure such matter, if such matter is susceptible to being cured (with any intentional breach being deemed to be incurable), the Party giving the Termination Notice may not terminate this Agreement as a result thereof until the earlier of the Outside Date and the expiration of a period of ten (10) Business Days after delivery of the Termination Notice. If the Termination Notice has been delivered prior to the date of the Company Meeting, such meeting, unless the Parties otherwise agree, will be postponed or adjourned until the expiry of such period (without causing any breach of any other provision contained herein).

#### **Section 4.8 Insurance and Indemnification**

- (1) Prior to the Effective Date, the Company shall purchase customary "tail" policies of directors' and officers' liability insurance providing protection no less favourable in



the aggregate to the protection provided by the policies maintained by the Company and its Subsidiaries which are in effect immediately prior to the Effective Date and providing protection in respect of claims arising from facts or events which occurred on or prior to the Effective Date and the Purchaser shall, or shall cause the Company and its Subsidiaries to maintain such tail policies in effect without any reduction in scope or coverage for six (6) years from the Effective Date; provided that the Purchaser shall not be required to pay any amounts in respect of such coverage prior to the Effective Time and provided further that the cost of such policies shall not exceed 250% of the Company's current annual aggregate premium for policies currently maintained by the Company or its Subsidiaries.

- (2) The Company will, and will cause its Subsidiaries to, honour all rights to indemnification or exculpation now existing in favour of present and former employees, officers and directors of the Company and its Subsidiaries under Law and, to the extent that they are disclosed in Section 4.8(2) of the Company Disclosure Letter, under the articles or other constating documents of the Company and/or its Subsidiaries or under any agreement or contract of any indemnified person with the Company or with any of its Subsidiaries, and acknowledges that such rights shall survive the completion of the Plan of Arrangement, and, to the extent within the control of the Company, the Company shall ensure that the same shall not be amended, repealed or otherwise modified in any manner that would adversely affect any right thereunder of any such indemnified person and shall continue in full force and effect in accordance with their terms for a period of not less than six years from the Effective Date.
- (3) If the Company or the Purchaser or any of their successors or assigns shall (i) amalgamate, consolidate with or merge or wind-up into any other person and shall not be the continuing or surviving corporation or entity; or (ii) transfer all or substantially all of its properties and assets to any Person, then, and in each such case, proper provisions shall be made so that the successors and assigns and transferees of the Company or the Purchaser, as the case may be, shall assume all of the obligations of the Company or the Purchaser, as applicable, set forth in this Section 4.8.

## ARTICLE 5 ADDITIONAL COVENANTS REGARDING NON-SOLICITATION

### Section 5.1 Non-Solicitation

- (1) Except as expressly provided in this Article 5, the Company shall not, directly or indirectly, through any officer, director, employee, representative (including any financial or other adviser) or agent of the Company or of any of its Subsidiaries (collectively "**Representatives**"), or otherwise, and shall not permit any such Person to:
  - (a) solicit, initiate, encourage or otherwise facilitate, (including by way of furnishing or providing copies of, access to, or disclosure of, any confidential information, properties, facilities, books or records of the Company or any of

its Subsidiaries or entering into any form of agreement, arrangement or understanding) any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal;

- (b) enter into or otherwise engage or participate in any discussions or negotiations with any Person (other than the Purchaser or Acquireco) regarding any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to, an Acquisition Proposal, it being acknowledged and agreed that, provided the Company is then in compliance with its obligations under this Article 5, the Company may (i) advise a Person who has submitted a written Acquisition Proposal of the restrictions in this Agreement, and (ii) advise a Person who has submitted a written Acquisition Proposal that their Acquisition Proposal does not constitute a Superior Proposal;
  - (c) make a Change in Recommendation;
  - (d) accept, approve, endorse or recommend, or publicly propose to accept, approve, endorse or recommend, or take no position or remain neutral with respect to, any Acquisition Proposal (it being understood that publicly taking no position or a neutral position with respect to an Acquisition Proposal for a period of no more than three (3) Business Days following the formal announcement of such Acquisition Proposal will not be considered to be in violation of this Section 5.1 provided the Board has rejected such Acquisition Proposal and affirmed the Board Recommendation before the end of such three (3) Business Day period (or in the event that the Company Meeting is scheduled to occur within such three (3) Business Day period, prior to the second (2<sup>nd</sup>) Business Day prior to the date of the Company Meeting)); or
  - (e) enter into or publicly propose to enter into any agreement in respect of an Acquisition Proposal.
- (2) The Company shall, and shall cause its Subsidiaries and its Representatives to, immediately cease and terminate, and cause to be terminated, any solicitation, encouragement, discussion, negotiations, or other activities commenced prior to the date of this Agreement with any Person (other than the Purchaser or Acquireco) with respect to any inquiry, proposal or offer that constitutes, or may reasonably be expected to constitute or lead to, an Acquisition Proposal, and in connection with such termination shall:
- (a) immediately discontinue access to and disclosure of all information, including any data room and any confidential information, properties, facilities, books and records of the Company or any of its Subsidiaries; and
  - (b) within two (2) Business Days after the date of this Agreement, request, and exercise all rights it has to require (i) the return or destruction of all copies of any confidential information regarding the Company or any of its Subsidiaries provided to any Person other than the Purchaser, and (ii) the

destruction of all material including or incorporating or otherwise reflecting such confidential information regarding the Company or any of its Subsidiaries, to the extent that such information has not previously been returned or destroyed, using its commercially reasonable efforts to ensure that such requests are fully complied with in accordance with the terms of such rights or entitlements.

- (3) The Company represents and warrants that the Company has not waived any confidentiality, standstill or similar agreement or restriction to which the Company or any of its Subsidiaries is a Party, except to permit submissions of expressions of interest prior the date of this Agreement, and covenants and agrees that (i) the Company shall take all necessary action to enforce each confidentiality, standstill or similar agreement or restriction to which the Company or any of its Subsidiaries is a party, and (ii) neither the Company, nor any of its Subsidiaries nor any of their respective Representatives have released or will, without the prior written consent of the Purchaser (which may be withheld or delayed in the Purchaser's sole and absolute discretion), release any Person from, or waive, amend, suspend or otherwise modify such Person's obligations respecting the Company, or any of its Subsidiaries, under any confidentiality, standstill or similar agreement or restriction to which the Company or any of its Subsidiaries is a party.
- (4) Notwithstanding anything to the contrary contained in this Section 5.1, the Board shall have the right to respond, within the time and in the manner required by applicable Securities Laws, to any take-over bid or tender or exchange offer made for the Common Shares that it determines is not a Superior Proposal, provided that such response does not include a Change in Recommendation.

## **Section 5.2 Notification of Acquisition Proposals**

If the Company or any of its Subsidiaries or any of their respective Representatives, receives or otherwise becomes aware of any inquiry, proposal or offer that constitutes or may reasonably be expected to constitute or lead to an Acquisition Proposal, or any request for copies of, access to, or disclosure of, confidential information relating to the Company or any of its Subsidiaries, including but not limited to information, access, or disclosure relating to the properties, facilities, books or records of the Company or any of its Subsidiaries, the Company shall immediately notify the Purchaser, at first orally, and then promptly and in any event within 24 hours in writing, of such Acquisition Proposal, inquiry, proposal, offer or request, including a description of its terms and conditions, the identity of all Persons making the Acquisition Proposal, inquiry, proposal, offer or request, and copies of all documents, correspondence or other material received in respect of, from or on behalf of any such Person. The Company will keep the Purchaser fully informed on a current basis of the status of developments with respect to such Acquisition Proposal, inquiry, proposal, offer or request, including any changes, modifications or other amendments thereto.

### Section 5.3 Right to Match

- (1) If the Company receives an Acquisition Proposal that constitutes a Superior Proposal prior to the approval of the Arrangement Resolution by the Shareholders, the Board may, subject to compliance with Section 7.4, enter into a definitive agreement with respect to such Acquisition Proposal, if and only if:
  - (a) the Person making the Superior Proposal was not restricted from making such Superior Proposal pursuant to an existing standstill or similar restriction;
  - (b) the Company has been, and continues to be, in compliance with its obligations under this Article 5;
  - (c) the Company has delivered to the Purchaser a written notice of the determination of the Board that such Acquisition Proposal constitutes a Superior Proposal and of the intention of the Board to enter into such definitive agreement, together with a written notice from the Board regarding the value and financial terms that the Board, in consultation with its financial advisors, has determined should be ascribed to any non-cash consideration offered under such Acquisition Proposal (the "**Superior Proposal Notice**");
  - (d) the Company has provided the Purchaser a copy of the definitive agreement for the Superior Proposal and all supporting materials, including any financing documents supplied to the Company in connection therewith;
  - (e) at least five (5) Business Days (the "**Matching Period**") have elapsed from the date that is the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the materials set out in Section 5.3(1)(d) from the Company;
  - (f) during any Matching Period, the Purchaser has had the opportunity (but not the obligation), in accordance with Section 5.3(2), to offer to amend this Agreement and the Arrangement in order for such Acquisition Proposal to cease to be a Superior Proposal;
  - (g) if the Purchaser has offered to amend this Agreement and the Arrangement under Section 5.3(2), after the Matching Period, the Board has determined in good faith, after consultation with the Company's outside legal counsel and financial advisers, that such Acquisition Proposal continues to constitute a Superior Proposal compared to the terms of the Arrangement as proposed to be amended by the Purchaser under Section 5.3(2);
  - (h) the Board has determined in good faith, after consultation with the Company's outside legal counsel that it is necessary for the Board to enter into a definitive agreement with respect to such Superior Proposal in order to properly discharge its fiduciary duties; and

- (i) prior to entering into such definitive agreement the Company terminates this Agreement pursuant to Section 7.2(1)(c)(ii) and pays the Termination Fee pursuant to Section 7.4.
- (2) During the Matching Period, or such longer period as the Company may approve in writing for such purpose: (a) the Board shall review any offer made by the Purchaser under Section 5.3(1)(f) to amend the terms of this Agreement and the Arrangement in good faith in order to determine whether such proposal would, upon acceptance, result in the Acquisition Proposal previously constituting a Superior Proposal ceasing to be a Superior Proposal; and (b) the Company shall negotiate in good faith with the Purchaser to make such amendments to the terms of this Agreement and the Arrangement as would enable the Purchaser to proceed with the transactions contemplated by this Agreement on such amended terms. If the Board determines that such Acquisition Proposal would cease to be a Superior Proposal, the Company shall promptly so advise the Purchaser and the Company and the Purchaser shall amend this Agreement to reflect such offer made by the Purchaser, and shall take and cause to be taken all such actions as are necessary to give effect to the foregoing.
- (3) Each successive amendment to any Acquisition Proposal that results in an increase in, or modification of, the consideration (or value of such consideration) to be received by the Shareholders or other material terms or conditions thereof shall constitute a new Acquisition Proposal for the purposes of this Section 5.3, and the Purchaser shall be afforded a new five (5) Business Day Matching Period from the later of the date on which the Purchaser received the Superior Proposal Notice and the date on which the Purchaser received all of the materials set out in Section 5.3(1)(d) in respect of such new Superior Proposal from the Company.
- (4) The Board shall promptly reaffirm the Board Recommendation by press release after any Acquisition Proposal which is not determined to be a Superior Proposal is publicly announced or the Board determines that a proposed amendment to the terms of this Agreement as contemplated under Section 5.3(2) would result in an Acquisition Proposal no longer being a Superior Proposal. The Company shall provide the Purchaser and its outside legal counsel with a reasonable opportunity to review the form and content of any such press release and shall make all reasonable amendments to such press release as requested by the Purchaser and its counsel.
- (5) If the Company provides a Superior Proposal Notice to the Purchaser after a date that is less than ten (10) Business Days before the Company Meeting, the Company shall either proceed with or shall postpone the Company Meeting, as directed by the Purchaser acting reasonably, to a date that is not more than fifteen (15) Business Days after the scheduled date of the Company Meeting, provided that in no event shall such adjourned or postponed meeting be held on a date that is less than five (5) Business Days prior to the Outside Date.

#### **Section 5.4 Breach by Subsidiaries and Representatives**

Without limiting the generality of the foregoing, the Company shall advise its Subsidiaries and the Representatives of the prohibitions set out in this Article 5 and any

violation of the restrictions set forth in this Article 5 by the Company, its Subsidiaries or Representatives is deemed to be a breach of this Article 5 by the Company.

## ARTICLE 6 CONDITIONS

### Section 6.1 Mutual Conditions Precedent

The Parties are not required to complete the Arrangement unless each of the following conditions is satisfied on or prior to the Effective Time, which conditions may only be waived, in whole or in part, by the mutual consent of each of the Parties:

- (1) **Arrangement Resolution.** The Required Approval of the Arrangement Resolution has been obtained at the Company Meeting in accordance with the Interim Order.
- (2) **Interim and Final Order.** The Interim Order and the Final Order have each been obtained on terms consistent with this Agreement, and have not been set aside or modified in a manner unacceptable to either the Company or the Purchaser, each acting reasonably, on appeal or otherwise.
- (3) **Illegality.** No Law is in effect that makes the consummation of the Arrangement illegal or otherwise prohibits or enjoins the Company or the Purchaser from consummating the Arrangement.

### Section 6.2 Additional Conditions Precedent to the Obligations of the Purchaser

The Purchaser is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the exclusive benefit of the Purchaser and may only be waived, in whole or in part, by the Purchaser, in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Company which are qualified by references to materiality or by the expression "Material Adverse Effect" and the representations and warranties set forth in Section 1(a), Section 3, and Sections 6(a), (b), (c) and (e) of Schedule C were true and correct as of the date of this Agreement and are true and correct as of the Effective Time, in all respects, and all other representations and warranties of the Company were true and correct as of the date of this Agreement and are true and correct as of the Effective Time, in all material respects, in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date, and the Company has delivered a certificate confirming same to the Purchaser and Acquireco, executed by two (2) senior officers of the Company (in each case without personal liability) addressed to the Purchaser and Acquireco and dated the Effective Date.
- (2) **Performance of Covenants.** The Company has fulfilled or complied in all material respects with each of the covenants of the Company contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and has

delivered a certificate confirming same to the Purchaser and Acquireco, executed by two (2) senior officers of the Company (in each case without personal liability) addressed to the Purchaser and Acquireco and dated the Effective Date.

- (3) **Material Adverse Effect.** Since the date of this Agreement, there shall not have occurred, or have been disclosed to the public (if previously undisclosed to the public) any Material Adverse Effect, and the Company shall have delivered a certificate confirming same to the Purchaser and Acquireco, executed by two (2) senior officers of the Company (in each case without personal liability) addressed to the Purchaser and Acquireco and dated the Effective Date.
- (4) **No Legal Action.** There is no action or proceeding pending or threatened by any Person (other than the Purchaser or Acquireco) in any jurisdiction that is reasonably likely to:
  - (a) cease trade, enjoin, prohibit, or impose any limitations, damages or conditions on, the Purchaser's ability to acquire, hold, or exercise full rights of ownership over, any Common Shares, including the right to vote the Common Shares;
  - (b) prohibit or restrict the Arrangement, or the ownership or operation by the Purchaser of any material portion of the business or assets of the Purchaser, the Company or any of their respective Subsidiaries, or compel the Purchaser to dispose of or hold separate any material portion of the business or assets of the Purchaser, the Company or any of their respective Subsidiaries as a result of the Arrangement; or
  - (c) prevent or materially delay the consummation of the Arrangement, or if the Arrangement is consummated, have a Material Adverse Effect.
- (5) **Dissent Rights.** Dissent Rights have not been exercised with respect to more than 5% of the issued and outstanding Common Shares.
- (6) **ICA Clearance.** ICA Clearance has been obtained.
- (7) **Other Regulatory Approvals and Consents.** All Regulatory Approvals and all other third party consents, waivers, permits, orders and approvals that are necessary, proper or advisable to consummate the transactions contemplated by this Agreement and the failure of which to obtain, individually or in the aggregate: (i) would be reasonably expected to have a Material Adverse Effect or to be material and adverse to the Purchaser; or (ii) would reasonably be expected to materially impede or delay the completion of the Arrangement, shall have been obtained or received on terms that are acceptable to the Purchaser, acting reasonably.

### **Section 6.3 Additional Conditions Precedent to the Obligations of the Company**

The Company is not required to complete the Arrangement unless each of the following conditions is satisfied on or before the Effective Time, which conditions are for the

exclusive benefit of the Company and may only be waived, in whole or in part, by the Company in its sole discretion:

- (1) **Representations and Warranties.** The representations and warranties of the Purchaser which are qualified by references to materiality or by the expression "Material Adverse Effect" were true and correct as of the date of this Agreement and are true and correct as of the Effective Time, in all respects, and all other representations and warranties of the Purchaser were true and correct as of the date of this Agreement and are true and correct as of the Effective Time, in all material respects, in each case except for representations and warranties made as of a specified date, the accuracy of which shall be determined as of such specified date, and the Purchaser has delivered a certificate confirming same to the Company, executed by two (2) senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.
- (2) **Performance of Covenants.** Each of the Purchaser and Acquireco has fulfilled or complied in all material respects with each of its respective covenants contained in this Agreement to be fulfilled or complied with by it on or prior to the Effective Time, and the Purchaser has delivered a certificate confirming same to the Company, executed by two (2) senior officers of the Purchaser (in each case without personal liability) addressed to the Company and dated the Effective Date.

#### **Section 6.4 Satisfaction of Conditions**

The conditions precedent set out in Section 6.1, Section 6.2 and Section 6.3 will be conclusively deemed to have been satisfied, waived or released at the Effective Time.

### **ARTICLE 7 TERM AND TERMINATION**

#### **Section 7.1 Term**

This Agreement shall be effective from the date hereof until the earlier of the Effective Date and the termination of this Agreement in accordance with its terms.

#### **Section 7.2 Termination**

- (1) This Agreement may be terminated prior to the Effective Time by:
  - (a) the mutual written agreement of the Parties; or
  - (b) either the Company or the Purchaser if:
    - (i) the Required Approval is not obtained at the Company Meeting in accordance with the Interim Order, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(i) if the failure to obtain the Required Approval has been caused by, or is a result of, a breach by such Party of any of its representations or



warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement;

- (ii) after the date of this Agreement, any Law is enacted, made, enforced or amended, as applicable, that makes the consummation of the Arrangement illegal or otherwise permanently prohibits or enjoins the Company, the Purchaser or Acquireco from consummating the Arrangement, and such Law has, if applicable, become final and non-appealable, provided the Party seeking to terminate this Agreement pursuant to this Section 7.2(1)(b)(ii) has used its commercially reasonable efforts to, as applicable, appeal or overturn such Law or otherwise have it lifted or rendered non-applicable in respect of the Arrangement; or
  - (iii) the Effective Time does not occur on or prior to the Outside Date, provided that a Party may not terminate this Agreement pursuant to this Section 7.2(1)(b)(iii) if the failure of the Effective Time to so occur has been caused by, or is a result of, a breach by such Party of any of its representations or warranties or the failure of such Party to perform any of its covenants or agreements under this Agreement.
- (c) the Company if:
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Purchaser or Acquireco under this Agreement occurs that would, individually or when taken together with any other such breaches or failures, be reasonably expected to cause any condition in Section 6.3(1) or Section 6.3(2) not to be satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of Section 4.7(3); provided that the Company is not then in breach of this Agreement so as to cause any condition in Section 6.2(1) or Section 6.2(2) not to be satisfied; or
  - (ii) prior to obtaining the Required Approval of the Arrangement Resolution, the Board authorizes the Company to enter into a written agreement with respect to a Superior Proposal, provided the Company is then in compliance with Article 5 and that prior to or concurrent with such termination the Company pays the Termination Fee in accordance with Section 7.4.
- (d) the Purchaser if:
- (i) a breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company under this Agreement occurs that would, individually or when taken together with any other such breaches or failures, be reasonably expected to cause any condition in Section 6.2(1) or Section 6.2(2) not to be

satisfied, and such breach or failure is incapable of being cured or is not cured on or prior to the Outside Date in accordance with the terms of Section 4.7(3); provided that the Purchaser is not then in breach of this Agreement so as to cause any condition in Section 6.3(1) or Section 6.3(2) not to be satisfied;

- (ii) the Board or any committee of the Board fails to unanimously recommend or withdraws, amends, modifies or qualifies in a manner adverse to the Purchaser or Acquireco, publicly proposes or states its intention to do so, or fails to publicly reaffirm (without qualification) within three (3) Business Days (and in any case prior to the Company Meeting) after having been requested in writing by the Purchaser to do so, the Board Recommendation, or takes no position or a neutral position with respect to an Acquisition Proposal for more than three (3) Business Days after first learning of an Acquisition Proposal, or takes any other action that is or becomes disclosed publicly and which can reasonably be interpreted to indicate that the Board or a committee of the Board does not support the Arrangement and this Agreement or does not believe that the Arrangement and this Agreement are in the best interests of the Shareholders (a "**Change in Recommendation**"), or the Board or any committee of the Board resolves or proposes to take any of the foregoing actions;
- (iii) the Company fails to perform, in any material respect, any covenant or agreement on the part of the Company under Article 5;
- (iv) the Company provides the Purchaser with a Superior Proposal Notice; or
- (v) any event occurs as a result of which either of the conditions set forth in Section 6.2(3) or Section 6.2(5) is not capable of being satisfied by the Outside Date.

### **Section 7.3 Effect of Termination/Survival**

If this Agreement is terminated pursuant to Section 7.1 or Section 7.2, this Agreement shall become void and of no further force or effect without liability of any Party (or any shareholder, director, officer, employee, agent, consultant or representative of such Party) to any other Party to this Agreement, except that: (a) in the event of termination under Section 7.1, Section 4.8 shall survive for a period of six (6) years following such termination; and (b) in the event of termination under Section 7.2, this Section 7.3, Section 7.4, Section 7.5 and Section 8.2 through to and including Section 8.13 shall survive, and provided further that neither termination of this Agreement under Section 7.2 nor anything contained in this Section 7.3 shall relieve a Party from any liability arising prior to such termination and no party shall be relieved of any liability for any breach by it of this Agreement.

#### Section 7.4 Termination Fees

- (1) Despite any other provision in this Agreement relating to the payment of fees and expenses, including the payment of brokerage fees, but subject to Section 7.4(4), if a Termination Fee Event occurs, the Company shall pay the Purchaser the Termination Fee in accordance with Section 7.4(3).
- (2) For the purposes of this Agreement, "**Termination Fee Event**" means the termination of this Agreement:
  - (a) by the Purchaser, pursuant to Section 7.2(1)(d)(ii) (*Change in Recommendation*), Section 7.2(1)(d)(iii) (*Breach of Article 5*) or Section 7.2(1)(d)(iv) (*Superior Proposal Notice*);
  - (b) by the Company, pursuant to Section 7.2(1)(c)(ii) (*To enter into a Superior Proposal*); or
  - (c) by the Company or the Purchaser pursuant to Section 7.2(1)(b)(i) (*Failure of Shareholders to Approve*) or Section 7.2(1)(b)(iii) (*Effective Time not prior to Outside Date*), or by the Purchaser pursuant to Section 7.2(1)(d)(i) (*Breach of Reps and Warranties or Covenants by Company*) if:
    - (i) prior to such termination, an Acquisition Proposal is made or publicly announced or otherwise publicly disclosed by any Person other than the Purchaser or any of its affiliates or any Person (other than the Purchaser or any of its affiliates) shall have publicly announced an intention to do so; and
    - (ii) within 365 days following the date of such termination, (A) an Acquisition Proposal (whether or not such Acquisition Proposal is the same Acquisition Proposal referred to in clause (i) above) is consummated, or (B) the Company or one or more of its Subsidiaries, directly or indirectly, in one or more transactions, enters into a contract in respect of an Acquisition Proposal and such Acquisition Proposal is later consummated (whether or not within 365 days after such termination).

For purposes of this Section 7.4(2)(c), the term "Acquisition Proposal" shall have the meaning assigned to such term in Section 1.1, except that references to "20% or more" shall be deemed to be references to "50% or more".

- (3) The Termination Fee shall be paid by the Company to the Purchaser as follows, by wire transfer of immediately available funds, if a Termination Fee Event occurs due to:
  - (a) a termination of this Agreement described in Section 7.4(2)(a), within one (1) Business Day of the occurrence of such Termination Fee Event;

- (b) a termination of this Agreement described in Section 7.4(2)(b), prior to or simultaneously with the occurrence of such Termination Fee Event; and
  - (c) a termination of this Agreement described in Section 7.4(2)(c), on or prior to the earlier of the consummation of the applicable transaction referred to in Section 7.4(2)(c).
- (4) If the Termination Fee is payable as a result of the termination of this Agreement by the Purchaser pursuant to Section 7.2(1)(d)(i) (*Breach of Reps and Warranties or Covenants by Company*) and the Company has paid to the Purchaser the expense reimbursement fee of \$1,500,000 pursuant to Section 7.5(2)(a), the amount of the expense reimbursement fee so paid shall be deducted from the Termination Fee.
- (5) The Company acknowledges that the agreements contained in this Section 7.4 are an integral part of the transactions contemplated by this Agreement, and that without these agreements the Purchaser would not enter into this Agreement, and that the amounts set out in this Section 7.4 represent liquidated damages which are a genuine pre-estimate of the damages, including opportunity costs, which the Purchaser will suffer or incur as a result of the event giving rise to such damages and resultant termination of this Agreement, and is not a penalty. The Company irrevocably waives any right it may have to raise as a defence that any such liquidated damages are excessive or punitive.
- (6) Subject to Section 7.4(4), the Company agrees that the payment of the Termination Fee pursuant to this Section 7.4 is in addition to any damages or other payment or remedy to which the Purchaser may be entitled under Section 8.4.

#### **Section 7.5 Expenses and Expense Reimbursement**

- (1) Except as provided in Section 4.5(4), and subject to Section 7.5(2), all out-of-pocket third party transaction expenses incurred in connection with this Agreement and the Plan of Arrangement, including all costs, expenses and fees of the Company incurred prior to or after the Effective Date in connection with, or incidental to, the Plan of Arrangement, shall be paid by the Party incurring such expenses, whether or not the Arrangement is consummated.
- (2) In addition to the rights of the Purchaser under Section 7.4(3), if this Agreement is terminated by the Purchaser pursuant to Section 7.2(1)(d)(i) [*Company Reps, and Warranties and Covenants Condition*], then:
- (a) if, within 30 days following any such termination of this Agreement, the Purchaser delivers written notice to the Company that it elects to be paid an expense reimbursement fee in accordance with this Section 7.5(2)(a), then the Company shall, within two (2) Business Days of such notice, pay or cause to be paid to the Purchaser by wire transfer of immediately available funds an expense reimbursement fee of \$1,500,000 and that the payment of such amount will be the sole monetary remedy available to the Purchaser and

Acquireco as a result of any breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company; or

- (b) if, within 30 days following any such termination of this Agreement, the Purchaser does not deliver written notice to the Company that it elects to be paid an expense reimbursement fee in accordance with this Section 7.5(2)(a), the Purchaser and/or Acquireco shall be entitled to seek damages and pursuant any and all other remedies that it may have in respect of losses incurred or suffered by such Party as a result of any breach of any representation or warranty or failure to perform any covenant or agreement on the part of the Company.

## **ARTICLE 8 GENERAL PROVISIONS**

### **Section 8.1 Amendments**

This Agreement and the Plan of Arrangement may, at any time and from time to time before or after the holding of the Company Meeting but not later than the Effective Time, be amended by mutual written agreement of the Parties, and any such amendment may, without limitation:

- (a) change the time for performance of any of the obligations or acts of the Parties;
- (b) modify any representation or warranty contained in this Agreement or in any document delivered pursuant to this Agreement;
- (c) modify any of the covenants contained in this Agreement and waive or modify performance of any of the obligations of the Parties; and/or
- (d) modify any mutual conditions contained in this Agreement.

### **Section 8.2 Notices**

Any notice, or other communication given regarding the matters contemplated by this Agreement (must be in writing, sent by personal delivery, courier or facsimile (but not by electronic mail) and addressed:

- (a) to the Purchaser and Acquireco at:

Methode Electronics, Inc.  
7401 West Wilson Ave.  
Chicago, IL 60706  
United States of America

Attention: John R. Hrudicka, Chief Financial Officer  
Facsimile: [REDACTED]

with copies to:

Stikeman Elliot LLP  
5300 Commerce Court West  
199 Bay Street  
Toronto, ON M5L 1B9  
Canada

Attention: Brian M. Pukier and Jennifer Honeyman  
Facsimile: [REDACTED]

and

Locke Lord LLP  
111 South Wacker Drive  
Chicago, IL 60606  
United States of America

Attention: John L. Eisel and Steven C. Roper  
Facsimile: [REDACTED]

(b) to the Company at:

Pacific Insight Electronics Corp.  
4664 Lougheed Hwy, Unit 188  
Burnaby, BC V5C 5T5

Attention: Stuart Ross, President and Chief Executive Officer  
Facsimile: [REDACTED]

with a copy to:

Cassels Brock LLP  
Suite 2200, HSBC Building  
West Georgia Street  
Vancouver, BC V6C 3E8

Attention: Gordon R. Chambers and John T.C. Christian  
Facsimile: [REDACTED]

Any notice or other communication is deemed to be given and received (i) if sent by personal delivery or same day courier, on the date of delivery if it is a Business Day and the delivery was made prior to 4:00 p.m. (local time in place of receipt) and otherwise on the next Business Day, (ii) if sent by overnight courier, on the next Business Day, or (iii) if sent by facsimile, on the Business Day following the date of confirmation of transmission by the

originating facsimile. A Party may change its address for service from time to time by providing a notice in accordance with the foregoing. Any subsequent notice or other communication must be sent to the Party at its changed address. Any element of a Party's address that is not specifically changed in a notice will be assumed not to be changed. Sending a copy of a notice or other communication to a Party's legal counsel as contemplated above is for information purposes only and does not constitute delivery of the notice or other communication to that Party. The failure to send a copy of a notice or other communication to legal counsel does not invalidate delivery of that notice or other communication to a Party.

### **Section 8.3 Time of the Essence**

Time is of the essence in this Agreement.

### **Section 8.4 Injunctive Relief**

The Parties agree that irreparable harm would occur for which money damages would not be an adequate remedy at law in the event that any of the provisions of this Agreement were not performed by the Company in accordance with their specific terms or were otherwise breached by the Company. It is accordingly agreed that the Purchaser and Acquireco shall be entitled to injunctive and other equitable relief to prevent breaches of this Agreement, and to enforce compliance with the terms of this Agreement against the Company without any requirement for the securing or posting of any bond in connection with the obtaining of any such injunctive or other equitable relief, this being in addition to any other remedy to which the Purchaser may be entitled at law or in equity.

### **Section 8.5 Third Party Beneficiaries**

- (1) Except as provided in Section 4.8, Section 4.5(4), and Section 2.4(5) which, without limiting their terms, are intended as stipulations for the benefit of the third Persons mentioned in such provisions (such third Persons referred to in this Section 8.5 as the "**Indemnified Persons**"), the Company and the Purchaser intend that this Agreement will not benefit or create any right or cause of action in favour of any Person, other than the Parties and that no Person, other than the Parties, shall be entitled to rely on the provisions of this Agreement in any action, suit, proceeding, hearing or other forum.
- (2) Despite the foregoing, the Purchaser acknowledges to each of the Indemnified Persons their direct rights against it under Section 4.8, Section 4.5(4), and Section 2.4(5), respectively of this Agreement, which are intended for the benefit of, and shall be enforceable by, each Indemnified Person, his or her heirs and his or her legal representatives, and for such purpose, the Company confirms that it is acting as trustee on their behalf, and agrees to enforce such provisions on their behalf. The Parties reserve their right to vary or rescind the rights at any time and in any way whatsoever, if any, granted by or under this Agreement to any Person who is not a Party, without notice to or consent of that Person, including any Indemnified Person.

### **Section 8.6 Waiver**

No waiver of any of the provisions of this Agreement will constitute a waiver of any other provision (whether or not similar). No waiver will be binding unless executed in writing by the Party to be bound by the waiver. A Party's failure or delay in exercising any right under this Agreement will not operate as a waiver of that right. A single or partial exercise of any right will not preclude a Party from any other or further exercise of that right or the exercise of any other right.

### **Section 8.7 Entire Agreement**

This Agreement, together with the Confidentiality Agreement, constitutes the entire agreement between the Parties with respect to the transactions contemplated by this Agreement and supersedes all prior agreements, understandings, negotiations and discussions, whether oral or written, of the Parties. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties in connection with the subject matter of this Agreement, except as specifically set forth in this Agreement. The Parties have not relied and are not relying on any other information, discussion or understanding in entering into and completing the transactions contemplated by this Agreement. If there is any conflict or inconsistency between the provisions of this Agreement and the provisions of the Confidentiality Agreement, the provisions of this Agreement shall govern.

### **Section 8.8 Successors and Assigns**

- (1) This Agreement becomes effective only when executed by all of the Parties. After that time, it will be binding upon and enure to the benefit of each of the Parties and their respective successors and permitted assigns.
- (2) Neither this Agreement nor any of the rights or obligations under this Agreement are assignable or transferable by any Party without the prior written consent of the other Parties.

### **Section 8.9 Severability**

If any provision of this Agreement is determined to be illegal, invalid or unenforceable by an arbitrator or any court of competent jurisdiction, that provision will be severed from this Agreement and the remaining provisions shall remain in full force and effect. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties shall negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that the transactions contemplated hereby are fulfilled to the fullest extent possible.



### **Section 8.10 Governing Law**

- (1) This Agreement will be governed by and interpreted and enforced in accordance with the laws of the Province of British Columbia and the federal laws of Canada applicable therein.
- (2) Each Party irrevocably attorns and submits to the non-exclusive jurisdiction of the British Columbia courts situated in the City of Vancouver and waives objection to the venue of any proceeding in such court or that such court provides an inconvenient forum.

### **Section 8.11 Rules of Construction**

The Parties to this Agreement waive the application of any Law or rule of construction providing that ambiguities in any agreement or other document shall be construed against the party drafting such agreement or other document.

### **Section 8.12 No Liability**

No director or officer of the Purchaser shall have any personal liability whatsoever to the Company under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Purchaser. No director or officer of the Company or any of its Subsidiaries shall have any personal liability whatsoever to the Purchaser or Acquireco under this Agreement or any other document delivered in connection with the transactions contemplated hereby on behalf of the Company or any of its Subsidiaries.

### **Section 8.13 Language**

The Parties expressly acknowledge that they have requested that this Agreement and all ancillary and related documents thereto be drafted in the English language only. Les parties aux présentes reconnaissent avoir exigé que la présente entente et tous les documents qui y sont accessoires soient rédigés en anglais seulement.

### **Section 8.14 Counterparts**

This Agreement may be executed in any number of counterparts (including counterparts by facsimile) and all such counterparts taken together shall be deemed to constitute one and the same instrument. The Parties shall be entitled to rely upon delivery of an executed facsimile or similar executed electronic copy of this Agreement, and such facsimile or similar executed electronic copy shall be legally effective to create a valid and binding agreement between the Parties.

**[Remainder of page intentionally left blank. Signature pages follow.]**

IN WITNESS WHEREOF the Parties have executed this Arrangement Agreement.

**METHODE ELECTRONICS, INC.**

By: "John Hrudicka"  
Authorized Signing Officer

**METHODE ELECTRONICS BRITISH  
COLUMBIA CORPORATION**

By: "John Hrudicka"  
Authorized Signing Officer

**PACIFIC INSIGHT ELECTRONICS  
CORP.**

By: "Stuart Ross"  
Authorized Signing Officer

**Schedule A**  
**Arrangement Resolution**

BE IT RESOLVED AS A SPECIAL RESOLUTION THAT:

1. The arrangement (the "**Arrangement**") under Section 288 of the British Columbia Business Corporations Act (the "**BCBCA**") involving Pacific Insight Electronics Corp. (the "**Company**"), as more particularly described and set forth in the Management Information Circular (the "**Information Circular**") of the Company dated [●], 2017, accompanying the notice of this meeting (as the Arrangement may be, or may have been, modified or amended), is hereby authorized, approved and adopted.
2. The plan of arrangement involving the Company and implementing the Arrangement (as it may be or has been amended, the "**Plan of Arrangement**"), the full text of which is set out in Schedule [●] to the Information Circular, is hereby authorized, approved and adopted.
3. The arrangement agreement (the "**Arrangement Agreement**") between the Company, Methode Electronics, Inc. and Methode Electronics British Columbia Corporation, dated August 1, 2017, as may be further amended or modified in accordance with its terms, and all the transactions contemplated therein, the actions of the directors of the Company in approving the Arrangement and any amendments thereto and the actions of the officers of the Company in executing and delivering the Arrangement Agreement and any amendments thereto are hereby confirmed, ratified, authorized and approved.
4. The de-listing of the common shares of the Company from the TSX in connection with the Plan of Arrangement (the "**De-listing**") be and is hereby approved and authorized.
5. Notwithstanding that this resolution has been passed (and the Arrangement adopted) or that the Arrangement has been approved by the Supreme Court of British Columbia, the directors of the Company are hereby authorized and empowered, without further notice to, or approval of, any securityholders of the Company:
  - (a) to amend the Arrangement Agreement or the Plan of Arrangement to the extent permitted by the Arrangement Agreement or the Plan of Arrangement;
  - (b) subject to the terms of the Arrangement Agreement, not to proceed with the Arrangement; or
  - (c) not to proceed with the De-listing.
6. Any one or more directors or officers of the Company is hereby authorized, for and on behalf and in the name of the Company, to execute and deliver, whether under

corporate seal of the Company or not, all such agreements, applications, forms, waivers, notices, certificates, confirmations and other documents and instruments and to do or cause to be done all such other acts and things as in the opinion of such director or officer may be necessary, desirable or useful for the purpose of giving effect to these resolutions, the Arrangement Agreement and the completion of the Plan of Arrangement in accordance with the terms of the Arrangement Agreement, including:

- (a) all actions required to be taken by or on behalf of the Company, and all necessary filings and obtaining the necessary approvals, consents and acceptances of appropriate regulatory authorities; and
- (b) the signing of the certificates, consents and other documents or declarations required under the Arrangement Agreement or otherwise to be entered into by the Company,

such determination to be conclusively evidenced by the execution and delivery of such document, agreement or instrument or the doing of any such act or thing.

**Schedule B  
Plan of Arrangement**

**PLAN OF ARRANGEMENT  
UNDER SECTION 288 OF THE  
BUSINESS CORPORATIONS ACT (BRITISH COLUMBIA)**

**ARTICLE 1  
INTERPRETATION**

**1.1 Definitions**

In this Plan of Arrangement, unless the context otherwise requires, the following words and terms shall have the meaning hereinafter set out:

"**affiliate**" has the meaning ascribed thereto in National Instrument 45-106 - *Prospectus Exemptions*;

"**Acquireco**" means Methode Electronics British Columbia Corporation, a company incorporated under the laws of British Columbia;

"**Arrangement**" means the arrangement of the Company under Division 5 of Part 9 of the BCBCA on the terms and subject to the conditions set out in this Plan of Arrangement, subject to any amendments or variations to this Plan of Arrangement made in accordance with the terms of this Plan of Arrangement and the Arrangement Agreement or made at the direction of the Court in the Final Order;

"**Arrangement Agreement**" means the arrangement agreement dated August 1, 2017 to which this Plan of Arrangement is attached as Schedule B, and all schedules annexed thereto, as the same may be amended, supplemented or otherwise modified from time to time in accordance with the terms thereof;

"**Arrangement Resolution**" means the special resolution of the Company Securityholders approving the Arrangement which is to be considered at the Company Meeting, substantially in the form of Schedule A to the Arrangement Agreement, and any amendments or variations thereto made in accordance with the provisions of the Arrangement Agreement or at the direction of the Court in the Interim Order;

"**Authorization**" means, with respect to any Person, any order, permit, approval, consent, waiver, licence or similar authorization of any Governmental Entity having jurisdiction over the Person;

"**BCBCA**" means the *Business Corporations Act* (British Columbia);

"**Business Day**" means any day of the year, other than a Saturday, Sunday or any day on which major banks are closed for business in Vancouver, British Columbia or Chicago, Illinois;

"**Cancelled Certificate**" means, following the Effective Time, any certificate which immediately prior to the Effective Time represented outstanding Common Shares that were transferred pursuant to Section 2.3(f), Company Options that were transferred pursuant to Section 2.3(a) or Company Warrants that were transferred pursuant to Section 2.3(c);

"**Common Shares**" means the common shares in the capital of the Company;

"**Company**" means Pacific Insight Electronics Corp., a company incorporated under the laws of British Columbia;

"**Company Incentive Plan**" means the share option plan of the Company adopted effective November 28, 2016;

"**Company Meeting**" means the special meeting of Securityholders, including any adjournment or postponement of such special meeting in accordance with the terms of this Agreement, to be called and held in accordance with the Interim Order to consider the Arrangement Resolution;

"**Company Optionholders**" means the holders of Company Options;

"**Company Options**" means the outstanding options to purchase Common Shares issued pursuant to the Company Incentive Plan;

"**Company Securities**" means, collectively, the Common Shares, the Company Options and the Company Warrants;

"**Company Securityholders**" means, collectively, the Shareholders, the Company Optionholders and the Company Warrantholders;

"**Company Warrantholders**" means the holders of Company Warrants;

"**Company Warrants**" means the outstanding warrants to purchase Common Shares issued on November 6, 2015 and November 30, 2015;

"**Consideration**" means \$18.50 for each Common Share;

"**Court**" means the Supreme Court of British Columbia;

"**Depository**" means Computershare Investor Services Inc., or any other depository or trust company, bank or financial institution agreed to between the Purchaser and the Company for the purpose of, among other things, receiving Letters of Transmittal in connection with the Arrangement;

"**Dissent Rights**" has the meaning set forth in Section 3.1(a);

"**Dissent Shares**" means Common Shares held by a Dissenting Shareholder and in respect of which the Dissenting Shareholder has validly exercised Dissent Rights;

"**Dissenting Shareholder**" means a registered Shareholder who has duly exercised a Dissent Right and has not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of Common Shares in respect of which Dissent Rights are validly exercised by such Shareholder;

"**Effective Date**" means the date upon which the Arrangement becomes effective, as set out in Section 2.7 of the Arrangement Agreement;

"**Effective Time**" means 12:01 a.m. (Vancouver time) on the Effective Date or such other time as agreed to by the Purchaser and the Company in writing;

"**Fair Market Value**" means the closing price of the Common Shares on the Toronto Stock Exchange on the second trading day immediately preceding the Effective Date;

"**Final Order**" means the final order of the Court pursuant to section 291 of the BCBCA approving the Arrangement, as such order may be amended by the Court at any time prior to the Effective Date or, if appealed, then, unless such appeal is withdrawn or denied, as affirmed or as amended on appeal;

"**Former Shareholder**" means a Company Securityholder who, immediately prior to the Effective Time, held Common Shares, Company Options or Company Warrants that were transferred pursuant to Section 2.3(f), Section 2.3(a) or Section 2.3(c), respectively;

"**Governmental Entity**" means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, board, bureau, ministry, agency or instrumentality, domestic or foreign, (ii) any subdivision or authority of any of the above, (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing or (iv) any stock exchange;

"**Interim Order**" means the interim order of the Court made in connection with the Arrangement pursuant to Section 291 of the BCBCA and providing for, among other things, the calling and holding of the Company Meeting, as such order may be amended by the Court;

"**Law**" means, with respect to any Person, any and all applicable law (statutory, common or otherwise), constitution, treaty, convention, ordinance, code, rule, regulation, order, injunction, judgment, decree, ruling or other similar requirement, whether domestic or foreign, enacted, adopted, promulgated or applied by a Governmental Entity that is binding upon or applicable to such Person or its business, undertaking, property or securities, and to the extent that they have the force of law, policies, guidelines, notices and protocols of any Governmental Entity, as amended;

"**Letter of Transmittal**" means the letters of transmittal to be delivered by the Company to Company Securityholders providing for delivery of the Securityholder's Cancelled Certificates to the Depository;

"**Liens**" means any hypothecs, mortgages, pledges, assignments, liens, charges, security interests, encumbrances and adverse rights or claims, other third party interest or encumbrance of any kind, whether contingent or absolute, and any agreement, option, right or privilege (whether by Law, contract or otherwise) capable of becoming any of the foregoing;

"**Net Surrender Shares**" has the meaning set forth in Section 2.3(a);

"**Person**" includes any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental Entity), syndicate or other entity, whether or not having legal status;

"**Plan of Arrangement**" means this plan of arrangement and any amendments or variations hereto made in accordance with Section 8.1 of the Arrangement Agreement and this plan of arrangement or made at the direction of the Court in the Final Order with the prior written consent of the Company and the Purchaser, each acting reasonably;

"**Purchaser**" means Methode Electronics, Inc., a corporation existing under the laws of Delaware;

"**Tax Act**" means the *Income Tax Act* (Canada); and

"**Shareholders**" means the holders of Common Shares.

## **1.2 Interpretation Not Affected by Headings**

The division of this Plan of Arrangement into Articles and Sections and the insertion of headings are for convenience of reference only and shall not affect in any way the meaning or interpretation of this Plan of Arrangement. Unless the contrary intention appears, references in this Plan of Arrangement to an Article or Section by number refer to the Article or Section, respectively, bearing that designation in this Plan of Arrangement.

## **1.3 Date for any Action**

If the date on or by which any action is required or permitted to be taken hereunder is not a Business Day, such action shall be required or permitted to be taken on the next succeeding day which is a Business Day.

## **1.4 Number and Gender**

In this Plan of Arrangement, unless the contrary intention appears, words importing the singular include the plural and vice versa, and words importing gender include all genders.



## **1.5 References to Persons and Statutes**

A reference to a Person includes any successor to that Person. A reference to any statute includes all regulations made pursuant to such statute and the provisions of any statute or regulation which amends, supplements or supersedes any such statute or regulation.

## **1.6 Currency**

Unless otherwise stated, all references in this Plan of Arrangement to sums of money are expressed in lawful money of Canada and "\$" refers to Canadian dollars.

# **ARTICLE 2 ARRANGEMENT**

## **2.1 Arrangement Agreement**

This Plan of Arrangement is made pursuant to the provisions of the Arrangement Agreement.

## **2.2 Binding Effect**

At the Effective Time, this Plan of Arrangement and the Arrangement shall without any further authorization, act or formality on the part of the Court become effective and be binding upon the Purchaser, Acquireco, the Company, the Depositary, all registered and beneficial Shareholders, including Dissenting Shareholders, and all holders of Company Options and Company Warrants.

## **2.3 Arrangement**

Commencing at the Effective Time, each of the following events shall occur and shall be deemed to occur consecutively in the following order, except where noted, without any further authorization, act or formality:

- (a) each Company Option outstanding immediately prior to the Effective Time shall be, and shall be deemed to be, fully vested and surrendered and transferred to the Company in consideration for the issuance by the Company of that number of Common Shares ("**Net Surrender Shares**") equal to, rounded down to the nearest whole share, (i) the number of Common Shares subject to such Company Option immediately prior to the Effective Time minus (ii) the number of whole and partial (computed to the nearest four decimal places) Common Shares that, when multiplied by the Fair Market Value of a Common Share is equal to the aggregate exercise price of such Company Option, and the holder of such Company Option shall be and shall be deemed to be the holder of such number of Net Surrender Shares and the central securities register of the Company shall be, and shall be deemed to be, revised accordingly, but the holder of such Company Option shall not

- be entitled to a certificate or other document representing the Net Surrender Shares so issued;
- (b) concurrently with the preceding step, all outstanding Company Options shall, and shall be deemed to be, terminated (and all rights thereunder shall expire) and be of no further force or effect;
  - (c) each Company Warrant outstanding immediately prior to the Effective Time shall be, and shall be deemed to be, fully vested and surrendered and transferred to the Company in consideration for the issuance by the Company of that number of Net Surrender Shares equal to, rounded down to the nearest whole share, (i) the number of Common Shares subject to such Company Warrant immediately prior to the Effective Time minus (ii) the number of whole and partial (computed to the nearest four decimal places) Common Shares that, when multiplied by the Fair Market Value of a Common Share is equal to the aggregate exercise price of such Company Warrant, and the holder of such Company Warrant shall be and shall be deemed to be the holder of such number of Net Surrender Shares and the central securities register of the Company shall be, and shall be deemed to be, revised accordingly, but the holder of such Company Warrant shall not be entitled to a certificate or other document representing the Net Surrender Shares so issued;
  - (d) concurrently with the preceding step, all outstanding Company Warrants shall, and shall be deemed to be, terminated (and all rights thereunder shall expire) and be of no further force or effect;
  - (e) each Dissent Share shall be deemed to be transferred and assigned by such Dissenting Shareholder, without any further act of formality on its part, to Acquireco in accordance with, and for the consideration contemplated in, Article 3 and:
    - (i) the registered holder thereof shall cease to be, and shall be deemed to cease to be, the registered holder of each such Dissent Share and the name of such registered holder shall be, and shall be deemed to be, removed from the register of Shareholders in respect of each such Dissent Share, and at such time each Dissenting Shareholder will have the rights set out in Section 3.1;
    - (ii) the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign each such Dissent Share; and
    - (iii) Acquireco shall be and shall be deemed to be the holder of all of the outstanding Dissent Shares and the central securities register of the Company shall be, and shall be deemed to be, revised accordingly;

- (f) each Common Share (other than any Common Share held by the Purchaser, Acquireco or any of their respective affiliates and any Dissent Share) shall be transferred and assigned, without any further act or formality on its part, to Acquireco in exchange for the Consideration, subject to Section 4.3, and
  - (i) the registered holder thereof shall cease to be, and shall be deemed to cease to be, the registered holder of each such Common Share and the name of such registered holder shall be, and shall be deemed to be, removed from the register of Shareholders;
  - (ii) the registered holder thereof shall be deemed to have executed and delivered all consents, releases, assignments and waivers, statutory or otherwise, required to transfer and assign each such Common Share; and
  - (iii) Acquireco shall be and shall be deemed to be the holder of all of the outstanding Common Shares and the central securities register of the Company shall be, and shall be deemed to be, revised accordingly,

it being expressly provided that the events provided for in this Section 2.1 will be deemed to occur on the Effective Date, notwithstanding that certain procedures related thereto may not be completed until after the Effective Date.

## **2.4 Rounding of Consideration**

In any case where the aggregate Consideration payable to a particular Shareholder under the Arrangement would, but for this provision, include a fraction of a cent, the Consideration payable shall be rounded down to the nearest whole cent.

## **ARTICLE 3 DISSENT RIGHTS**

### **3.1 Dissent Rights**

- (a) In connection with the Arrangement, each registered Shareholder may exercise rights of dissent ("**Dissent Rights**") with respect to the Common Shares held by such Shareholder pursuant to sections 237 to 247 of the BCBCA, as modified by the Interim Order and this Section 3.1(a); provided that, notwithstanding section 242(1)(a) of the BCBCA, the written objection to the Arrangement Resolution referred to in section 242(1)(a) of the BCBCA must be received by the Company not later than 4:00 p.m. (Vancouver time) two Business Days immediately preceding the date of the Company Meeting. Dissenting Shareholders who:
  - (i) are ultimately entitled to be paid by Acquireco fair value for their Dissent Shares: (1) shall be deemed to not to have participated in the transactions in Section 2.3 (other than Section 2.3(e)); (2) shall be

deemed to have transferred and assigned such Dissent Shares to Acquireco in accordance with Section 2.3(e); (3) will be entitled to be paid the fair value of such Dissent Shares by Acquireco, which fair value, notwithstanding anything to the contrary contained in the BCBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted at the Company Meeting; and (4) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Common Shares; or

- (ii) are ultimately not entitled, for any reason, to be paid by Acquireco fair value for their Dissent Shares, shall be deemed to have participated in the Arrangement in respect of those Common Shares on the same basis as a non-dissenting Shareholder (and shall be entitled to receive the Consideration from Acquireco in the same manner as such non-Dissenting Shareholders).
- (b) For greater certainty, in no case shall the Purchaser, Acquireco, the Company or any other Person be required to recognize Dissenting Shareholders as registered or beneficial owners of Common Shares in respect of which Dissent Rights have been validly exercised (or any interest therein, other than the rights set out in this Section 3.1) after the completion of the transfer under Section 2.3(e), and the names of such Dissenting Shareholders shall be deleted from the central securities register of the Company in respect of the Common Shares in respect of which Dissent Rights have been validly exercised at the same time as the event described in Section 2.3(e).
- (c) For greater certainty, in addition to any other restrictions in the Interim Order, no Person shall be entitled to exercise Dissent Rights with respect to Common Shares in respect of which a Person has voted or has instructed a proxyholder to vote in favour of the Arrangement Resolution.

#### **ARTICLE 4**

#### **EXCHANGE OF CERTIFICATES AND DELIVERY OF CONSIDERATION**

##### **4.1 Certificates and Payments**

- (a) Following receipt of the Final Order and prior to the Effective Time, the Purchaser or Acquireco shall deliver or cause to be delivered to the Depositary sufficient funds to satisfy the aggregate Consideration payable to the Former Shareholders in accordance with Section 2.3(f), which cash, shall be held by the Depositary as agent and nominee for such Former Shareholders for distribution to such Former Shareholders in accordance with the provisions of this Article 4.

- (b) Upon surrender to the Depositary for cancellation of a Cancelled Certificate, together with a duly completed and executed Letter of Transmittal and any such additional documents and instruments as the Depositary may reasonably require, the registered holder of the Common Shares represented by such Cancelled Certificate (or, in the case of a former Company Optionholder or former Company Warrantholder, the registered holder of the Common Shares issued to such holder pursuant to Section 2.3(a) or Section 2.3(c), respectively) shall be entitled to receive in exchange therefor, and the Depositary shall deliver to such Former Shareholder, the Consideration that such Former Shareholder has the right to receive under the Arrangement for such Common Shares, less any amounts withheld pursuant to Section 4.3, and any certificate so surrendered shall forthwith be cancelled.
- (c) After the Effective Time and until surrendered for cancellation as contemplated by Section 4.1(b), each Cancelled Certificate shall be deemed at all times to represent only the right to receive in exchange therefor the Consideration that the holder of such certificate is entitled to receive in accordance with Section 2.3, less any amounts withheld pursuant to Section 4.3.

#### **4.2 Lost Certificates**

In the event any Cancelled Certificate shall have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the Person claiming such certificate to be lost, stolen or destroyed, the Depositary will issue in exchange for such lost, stolen or destroyed certificate, the Consideration deliverable in accordance with such Former Shareholder's duly completed and executed Letter of Transmittal. When authorizing such payment in exchange for any lost, stolen or destroyed certificate, the Person to whom such cash is to be delivered shall as a condition precedent to the delivery of such Consideration, give a bond satisfactory to the Purchaser and the Depositary (acting reasonably) in such sum as the Purchaser may direct, or otherwise indemnify the Purchaser, Acquireco and the Company in a manner satisfactory to the Purchaser, Acquireco and the Company, acting reasonably, against any claim that may be made against the Purchaser, Acquireco and the Company with respect to the certificate alleged to have been lost, stolen or destroyed.

#### **4.3 Withholding Rights**

The Purchaser, Acquireco, the Company or the Depositary shall be entitled to deduct and withhold from any amount payable to any Person under the Plan of Arrangement (including, without limitation, any amounts payable pursuant to Section 2.3 such amounts as the Purchaser, Acquireco, the Company or the Depositary determines, acting reasonably, are required or permitted to be deducted and withheld with respect to such payment under the Tax Act, the United States Internal Revenue Code of 1986 or any provision of any other Law. To the extent that amounts are so withheld, such withheld amounts shall be treated for all purposes hereof as having been paid to the Person in respect of which such withholding

was made, provided that such amounts are actually remitted to the appropriate taxing authority.

#### **4.4 Limitation and Proscription**

To the extent that a Former Shareholder shall not have complied with the provisions of Section 4.1 or Section 4.2 on or before the date that is six (6) years after the Effective Date (the "**final proscription date**"), then the Consideration that such Former Shareholder was entitled to receive shall be automatically cancelled without any repayment of capital in respect thereof and the Consideration to which such Former Shareholder was entitled, shall be delivered to Acquireco, as applicable, by the Depositary and the interest of the Former Shareholder in such Consideration to which it was entitled shall be terminated as of such final proscription date, and the Cancelled Certificates shall cease to represent a right or claim of any kind or nature as of such final proscription date. Any payment made by way of cheque by the Depositary pursuant to this Plan of Arrangement that has not been deposited or has been returned to the Depositary or that otherwise remains unclaimed, in each case, on or before the final proscription date shall cease to represent a right or claim of any kind or nature and the right of any Former Shareholder to receive the Consideration for Common Shares pursuant to this Plan of Arrangement shall terminate and be deemed to be surrendered and forfeited to Acquireco.

#### **4.5 No Liens**

Any exchange or transfer of Common Shares pursuant to this Plan of Arrangement shall be free and clear of any Liens or other claims of third parties of any kind whatsoever.

#### **4.6 Paramountcy**

From and after the Effective Time: (i) this Plan of Arrangement shall take precedence and priority over any and all Common Shares issued prior to the Effective Time; (ii) the rights and obligations of the registered holders of Common Shares (other than the Purchaser, Acquireco or any of their respective affiliates), the Company Optionholders and the Company Warrantholders and of the Company, the Purchaser, Acquireco, the Depositary and any transfer agent or other depositary in relation thereto, shall be solely as provided for in this Plan of Arrangement and the Arrangement Agreement; and (iii) all actions, causes of action, claims or proceedings (actual or contingent and whether or not previously asserted) based on or in any way relating to any Company Securities shall be deemed to have been settled, compromised, released and determined without liability except as set forth herein.

## **ARTICLE 5 AMENDMENTS**

#### **5.1 Amendments**

- (a) The Purchaser and the Company reserve the right to amend, modify and/or supplement this Plan of Arrangement at any time and from time to time prior

to the Effective Time, provided that any such amendment, modification or supplement must be agreed to in writing by each of the Company and the Purchaser and filed with the Court, and, if made following the Company Meeting, then: (i) approved by the Court, and (ii) if the Court directs, approved by the some or all of the Company Securityholders and communicated to the Company Securityholders if and as required by the Court, and in either case in the manner required by the Court.

- (b) Subject to the provisions of the Interim Order, any amendment, modification or supplement to this Plan of Arrangement, if agreed to by the and the Purchaser, may be proposed by the Company and the Purchaser at any time prior to or at the Company Meeting, with or without any other prior notice or communication, and if so proposed and accepted by the Persons voting at the Company Meeting shall become part of this Plan of Arrangement for all purposes.
- (c) Any amendment, modification or supplement to this Plan of Arrangement that is approved or directed by the Court following the Company Meeting will be effective only if it is agreed to in writing by each of the Company and the Purchaser and, if required by the Court, by some or all of the Company Securityholders voting in the manner directed by the Court.
- (d) Any amendment, modification or supplement to this Plan of Arrangement may be made by the Company and the Purchaser without the approval of or communication to the Court or the Company Securityholders, provided that it concerns a matter which, in the reasonable opinion of the Company and the Purchaser is of an administrative or ministerial nature required to better give effect to the implementation of this Plan of Arrangement and is not materially adverse to the financial or economic interests of any of the Company Securityholders.
- (e) This Plan of Arrangement may be withdrawn prior to the Effective Time in accordance with the Arrangement Agreement.

## **ARTICLE 6 FURTHER ASSURANCES**

### **6.1 Further Assurances**

Notwithstanding that the transactions and events set out in this Plan of Arrangement shall occur and shall be deemed to occur in the order set out in this Plan of Arrangement without any further act or formality, each of the parties to the Arrangement Agreement shall make, do and execute, or cause to be made, done and executed, all such further acts, deeds, agreements, transfers, assurances, instruments or documents as may reasonably be required by any of them in order further to document or evidence any of the transactions or events set out in this Plan of Arrangement.

**Schedule C**  
**Representations and Warranties of the Company**

**1. Organization and Qualification.**

- (a) The Company is a corporation duly incorporated and validly existing under the laws of British Columbia and has the corporate power and authority to own and operate its assets and conduct its business as now owned and conducted.
- (b) The Company is duly qualified, licensed or registered to carry on business and is in good standing in each jurisdiction in which the character of its assets and properties, owned, leased, licensed or otherwise held, or the nature of its activities makes such qualification necessary, and has all Authorizations required to own, lease and operate its properties and to carry on its business as now conducted, except where the failure to be so qualified will not, individually or in the aggregate, have a Material Adverse Effect.
- (c) True and complete copies of the Constatng Documents of the Company and each of its Subsidiaries have been disclosed in the Data Room and no action has been taken to amend or supersede such documents.

**2. Corporate Authorization.**

The Company has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. The execution and delivery and performance by the Company of this Agreement and the consummation of the Arrangement have been duly authorized by all necessary corporate action on the part of the Company and no other corporate proceedings on the part of the Company are necessary to authorize this Agreement or the consummation of the Arrangement other than approval by the Board of the Company Circular, approval by the Shareholders in the manner required by the Interim Order and Law and approval by the Court.

**3. Execution and Binding Obligation.**

This Agreement has been duly executed and delivered by the Company, and constitutes a legal, valid and binding agreement of the Company enforceable against it in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other Law affecting the enforcement of creditors' rights generally and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

**4. Governmental Authorization.**

The execution, delivery and performance by the Company of this Agreement and the consummation by the Company of the Arrangement does not require any



Authorization or other action by or in respect of, or filing, recording, registering or publication with, or notification to, any Governmental Entity other than (i) the Interim Order and any approvals required by the Interim Order; (ii) the Final Order; (iii) compliance with Securities Law and stock exchange rules and policies; and (iv) any actions or filings, the absence of which would not be reasonably expected to have, individually or in the aggregate, a Material Adverse Effect.

**5. No Conflict/ Non- Contravention.**

(a) The execution, delivery and performance by the Company of this Agreement and the consummation of the Arrangement do not and will not (or would not with the giving of notice, the lapse of time or the happening of any other event or condition):

(i) contravene, conflict with, or result in any violation or breach of the Constatng Documents of the Company;

(ii) contravene, conflict with or result in a violation or breach of Law;

(iii) other than as described in Section 5(a)(iii) of the Company Disclosure Letter, allow any Person to exercise any rights, require any consent or other action by any Person, or constitute a default under, or cause or permit the termination, cancellation, acceleration or other change of any right or obligation or the loss of any benefit to which the Company is entitled (including by triggering any rights of first refusal or first offer, change in control provision or other restriction or limitation) under any Contract, Lease or any Authorization to which the Company or any of its Subsidiaries is a party of by which the Company or any of its Subsidiaries is bound; or

(iv) result in the creation or imposition of any Lien upon any of the Company's assets or the assets of any of its Subsidiaries;

with such exceptions, in the case of paragraphs (ii) through (iv), as would not be reasonably expected to individually or in the aggregate have a Material Adverse Effect in respect of the Company.

**6. Capitalization.**

(a) The authorized capital of the Company consists of 100,000,000 Common Shares without par value. As of the close of business on the date of this Agreement, there were issued and outstanding the number of Common Shares set out in Section 6(a) of the Company Disclosure Letter. All outstanding Common Shares have been duly authorized and validly issued, are fully paid and non-assessable. All of the Common Shares issuable upon the exercise of rights under the Company Incentive Plan, including outstanding Company Options and Company Warrants, have been duly

authorized and, upon issuance in accordance with their respective terms, will be validly issued as fully paid and non-assessable and are not and will not be subject to or issued in violation of, any pre-emptive rights. No Common Shares or Company Warrants have been issued, and no Company Options have been granted, in violation of any Law or any pre-emptive or similar rights applicable to them.

- (b) Section 6(b) of the Company Disclosure Letter sets forth, in respect of each Company Option outstanding as of the date of this Agreement: (i) the number of Common Shares issuable upon exercise; (ii) the purchase price payable; (iii) the date of grant; (iv) the date of expiry; (v) the name of the registered holder, identifying whether such holder is not an employee of the Company; and (vi) the extent to which such Company Options are vested and are exercisable, identifying whether such vesting or exercise may be accelerated as a result, either alone or together with another event or occurrence, of the Arrangement.
- (c) Section 6(c) of the Company Disclosure Letter sets forth, in respect of each Company Warrant outstanding as of the date of this Agreement: (i) the number of Common Shares issuable upon exercise; (ii) the exercise or issuance price; (iii) the date of issue; (iv) the date of expiry; and (v) the name of the registered holder.
- (d) The Company Incentive Plan and the issuance of Common Shares under such plan (including all outstanding Company Options) have been duly authorized by the Board in compliance with Law and the terms of the Company Incentive Plan, and have been recorded on the Company's financial statements in accordance with GAAP, and no such grants involved any "back dating," "forward dating," "spring loading" or similar practices.
- (e) Except for the outstanding Company Options and Company Warrants set out in Sections 6(b) and 6(c) respectively of the Company Disclosure Letter, there are no issued, outstanding or authorized options, warrants, calls, conversion, pre-emptive, redemption, repurchase, stock appreciation or other rights, or any other agreements, arrangements, instruments or commitments of any kind that obligate the Company or any of its Subsidiaries to, directly or indirectly, issue or sell any securities of the Company or any of its Subsidiaries, or give any Person a right to subscribe for or acquire, any securities of the Company or any of its Subsidiaries, or the value of which is based on the value of the securities of the Company or any of its Subsidiaries.
- (f) There are no issued, outstanding or authorized:
  - (i) obligations to repurchase, redeem or otherwise acquire any securities of the Company or any of its Subsidiaries, or qualify securities for public distribution in Canada or elsewhere, or with respect to the

voting or disposition of any securities of the Company or any of its Subsidiaries; or

- (ii) notes, bonds, debentures or other evidences of indebtedness or any other agreements, arrangements, instruments or commitments of any kind that give any Person, directly or indirectly, the right to vote with holders of Common Shares on any matter.
- (g) All dividends or distributions on securities of the Company that have been declared or authorized have been paid in full.

**7. Shareholders' and Similar Agreements.**

The Company has never been subject to, or affected by, any shareholders agreement and is not party to any shareholder, pooling, voting, or other similar arrangement or agreement relating to the ownership or voting of any of the securities of the Company or any of its Subsidiaries or pursuant to which any Person may have any right or claim in connection with any existing or past equity interest in the Company or any of its Subsidiaries and the Company has not adopted a shareholder rights plan or any other similar plan or agreement that is currently in effect.

**8. Subsidiaries.**

- (a) The following information with respect to each of Subsidiary of the Company is accurately set out in Section 8(a) of the Company Disclosure Letter: (i) its name; (ii) the number, type and principal amount, as applicable, of its outstanding equity securities or other equity interests and a list of registered holders of outstanding equity securities or other equity interests; and (iii) its jurisdiction of incorporation, organization or formation.
- (b) Each Subsidiary of the Company is a corporation, partnership, trust or limited partnership, as the case may be, duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation, organization or formation, as the case may be, and has all requisite corporate, trust or partnership power and authority, as the case may be, to own, lease and operate its properties and assets and to carry on its business as now being conducted, except where the failure to be so organized, validly existing, qualified or in good standing, or to have such power or authority, would not, individually or in the aggregate, reasonably be expected to have a Material Adverse Effect.
- (c) The Company is, directly or indirectly, the registered and beneficial owner of all of the outstanding common shares or other equity interests of each of the Subsidiaries, free and clear of any Liens, except as disclosed in Section 8(c) of the Company Disclosure Letter, all such shares or other equity interests so owned by the Company have been validly issued and are fully paid and non-assessable, as the case may be, and no such shares or interests have been

issued in violation of any pre-emptive or similar rights. Except for the shares or interests owned by the Company in any of its Subsidiaries, the Company does not own, beneficially or of record, any equity interests of any kind in any other Person.

9. **Securities Law Matters.**

- (a) The Company is a "reporting issuer" not in default (or the equivalent) under Securities Laws in each of British Columbia, Alberta and Ontario and is not a reporting issuer (or the equivalent) in any other jurisdiction. The Common Shares are listed and posted for trading on the Exchange. The Company is not in default of Securities Laws or the rules or regulations of the Exchange.
- (b) The Company has not taken any action to cease to be a reporting issuer in British Columbia, Alberta and Ontario nor has the Company received notification from any Securities Authority seeking to revoke the reporting issuer status of the Company. No delisting, suspension of trading or cease trade or other order or restriction with respect to any securities of the Company is in effect, or to the knowledge of the Company is pending, has been threatened, or is expected to be implemented or undertaken, and to the knowledge of the Company, the Company is not subject to any formal or informal review, enquiry, investigation or other proceeding relating to any such order or restriction.
- (c) Except as disclosed in Section 9(c) of the Company Disclosure Letter, the Company has timely filed or furnished all documents required to be filed or furnished by the Company with any Governmental Entity (including "documents affecting the rights of securityholders" required to be filed by Part 12 of National Instrument 51-102 - *Continuous Disclosure Obligations*). Each of the Company Filings complied as filed in all material respects with Law and did not, as of the date filed (or, if amended or superseded by a subsequent filing prior to the date of this Agreement, on the date of such filing), contain any Misrepresentation. Any amendments to the Company Filings required to be made have been filed on a timely basis with the applicable Governmental Entity.
- (d) The Company has not filed any confidential material change report (which at the date of this Agreement remains confidential) or any other confidential filings (including redacted filings) filed to or furnished with, as applicable, any Securities Authority.
- (e) There are no outstanding or unresolved comments in comment letters from any Securities Authority with respect to any of the Company Filings and to the knowledge of the Company, neither the Company nor any of the Company Filings is the subject of an ongoing audit, review, comment or investigation by any Securities Authority or the Exchange.

10. **U.S. Securities Law Matters.**

- (a) The Company does not have, nor is it required to have, any class of securities registered under the U.S. Exchange Act, nor is the Company subject to any reporting obligation (whether active or suspended) pursuant to section 15(d) of the U.S. Exchange Act.
- (b) The Company is not, and has never been, subject to any requirement to register any class of its equity securities pursuant to Section 12(g) of the U.S. Exchange Act, is not an investment company registered or required to be registered under the *Investment Company Act of 1940* of the United States of America, and is a "foreign private issuer" (as such term is defined in Rule 3b-1 under the U.S. Exchange Act).
- (c) No securities of the Company have been ever traded on any national securities exchange in the United States during the past 12 calendar months.

11. **Financial Statements.**

- (a) The audited consolidated financial statements and the consolidated interim financial statements of the Company (including, in each case, any the notes or schedules to and the auditor's report on such financial statements) included in the Company Filings or otherwise publicly disseminated by the Company in respect of any subsequent period prior to the Effective Date: (i) were or shall be prepared in accordance with GAAP; (ii) complied or shall comply, as applicable, as to form in all material respects with applicable accounting requirements in Canada, and (iii) fairly present or shall fairly present, as applicable, in all material respects, the assets, liabilities (whether accrued, absolute, contentment or otherwise), consolidated financial position, results of operations or financial performance, and cash flows of the Company and its Subsidiaries as of their respective dates and the consolidated financial position, results of operations or financial performance, and cash flows of the Company and its Subsidiaries for the respective periods covered by such financial statements (except as may be expressly indicated in the notes to such financial statements and subject, in the case of unaudited interim statements, to normal period-end adjustments); and (iv) reflect reserves required by GAAP in respect of all material contingent liabilities, if any, of the Company on a consolidated basis.
- (b) The Company does not intend to correct or restate, nor, is there any basis for any correction or restatement of, any aspect of any of the financial statements referred to in this Section 11. The selected financial data and the summary financial information included in the Company Filings present fairly the information shown in the Company Filings and have been compiled on a basis consistent with that of the audited financial statements included in the Company Filings. The other financial and operational information included

in the Company Filings presents fairly the information included in the Company Filings.

- (c) There are no off-balance sheet transactions, arrangements, obligations (including contingent obligations) or other relationships of the Company or any of its Subsidiaries with unconsolidated entities or other Persons.
- (d) The financial books, records and accounts of the Company and each of its Subsidiaries: (i) have been maintained, in all material respects, in accordance with GAAP, (ii) are stated in reasonable detail, (iii) accurately and fairly reflect all the material transactions, acquisitions and dispositions of the Company and its Subsidiaries, and (iv) accurately and fairly reflect the basis for the Company's financial statements.

**12. Disclosure Controls and Internal Control over Financial Reporting.**

- (a) The Company has established and maintains disclosure controls and procedures (as such term is defined in National Instrument 52-109 - *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109")) to provide reasonable assurance that: (i) material information relating to the Company is made known to the Company's management, including its chief financial officer and chief executive officer, particularly during the periods in which the Company's interim filings and annual filings (as such terms are defined in NI 52-109) are being prepared; and (ii) information required to be disclosed by the Company in such annual or interim filings or other reports filed or submitted by it under Securities Laws, is recorded, processed, summarized and reported within the time periods specified in Securities Laws.
- (b) The Company has established and maintains a system of internal control over financial reporting (as such term is defined in NI 52-109) to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP.
- (c) There is no material weakness (as such term is defined in NI 52-109) relating to the design, implementation or maintenance of its internal control over financial reporting, or fraud, whether or not material, that involves management or other employees who have a significant role in the internal control over financial reporting of the Company.
- (d) None of the Company, any of its Subsidiaries or, to the Company's knowledge, any director, officer, employee, auditor, accountant or representative of the Company or any of its Subsidiaries has received or otherwise obtained knowledge of any complaint, allegation, assertion, or claim, whether written or oral, regarding accounting, internal accounting controls or auditing matters, including any complaint, allegation, assertion,

or claim that the Company or any of its Subsidiaries has engaged in questionable accounting or auditing practices, or any expression of concern from its employees regarding questionable accounting or auditing matters, which has not been resolved to the satisfaction of the audit committee of the Board.

13. **No Undisclosed Liabilities.**

- (a) There are no liabilities or obligations of the Company or any of its Subsidiaries of any kind whatsoever, whether accrued, contingent, absolute, determined, determinable or otherwise, other than liabilities or obligations: (i) disclosed in the Company Financial Statements or otherwise in the Company Filings; (ii) incurred in the Ordinary Course; or (iii) incurred in connection with this Agreement.
- (b) The principal amount of all indebtedness for borrowed money of the Company and its Subsidiaries, including capital leases, is disclosed in Section 13(b) of the Company Disclosure Letter.

14. **Non-Arm's Length Transactions.**

Neither the Company nor any of its Subsidiaries is indebted to any director, officer, employee or agent of, or independent contractor to, the Company or any of its Subsidiaries or any of their respective affiliates or associates (except for amounts due in the Ordinary Course as salaries, bonuses and director's fees or the reimbursement of Ordinary Course expenses. Other than Contracts relating to employment matters, there are no Contracts with, or advances, loans, guarantees, liabilities or other obligations to, on behalf or for the benefit of, any shareholder, officer or director of the Company or any of its Subsidiaries, or any of their respective affiliates or associates. No officer, director, employee or agent of, or independent contractor to, the Company or any of its Subsidiaries, or any immediate family member thereof, or any entity in which such person owns any beneficial interest (other than as a holder of not more than 5% of the issued shares or debentures of any company listed on any stock exchange) has any interest in any property (real, personal or mixed), tangible or intangible, used or intended to be used in the operations or business of the Company or any of its Subsidiaries.

15. **No "Collateral Benefit".**

Except as disclosed in Section 15 of the Company Disclosure Letter, to the knowledge of the Company, no related party of the Company (within the meaning of MI 61-101), together with its associated entities, beneficially owns or exercises control or direction over 1% or more of the outstanding Common Shares, except for related parties who will not receive a "collateral benefit" (within the meaning of such instrument) as a consequence of the transactions contemplated by this Agreement.

16. **Ordinary Course.**

Since June 30, 2016:

- (a) other than the transactions contemplated in this Agreement, the Company and each of its Subsidiaries has conducted their respective business only in the Ordinary Course;
- (b) except as disclosed in Section 16(b) of the Company Disclosure Letter, there has not been any event, circumstance or occurrence which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect;
- (c) neither the Company nor any of its Subsidiaries has adopted a plan of complete or partial liquidation, dissolution, merger, consolidation, restructuring, recapitalization or other reorganization;
- (d) there has not been any acquisition or disposition (whether by transfer, license, sale, lease, or otherwise (such as through merger, consolidation, sale of stock or assets, or otherwise), pledge, or encumbrance (other than Permitted Liens) by the Company or any of its Subsidiaries of any material property or assets, including the capital stock or other equity interests in the Company or any of its Subsidiaries; provided, that the foregoing shall not include any transfer, sale, lease, or disposition of obsolete equipment, or any grant of non-exclusive licenses of Owned IP Rights, in each case in the Ordinary Course;
- (e) except in the Ordinary Course, neither the Company nor any of its Subsidiaries has incurred any indebtedness for borrowed money or guaranteed any such indebtedness of another Person, issued or sold any debt securities or options, warrants, calls, or other rights to acquire any debt securities of the Company or any of its Subsidiaries, or guaranteed any debt securities of another Person;
- (f) no liability or obligation of any nature (whether absolute, accrued, contingent or otherwise) which has had, or is reasonably likely to have, individually or in the aggregate, a Material Adverse Effect has been incurred;
- (g) there has not been any change in the accounting practices used by the Company and its Subsidiaries;
- (h) other than as described in Section 16(h) of the Company Disclosure Letter and except for Ordinary Course adjustments (other than with respect to directors or officers), there has not been any material increase in the salary, bonus, or other remuneration payable to any Company Employee, or any amendment or modification to the vesting or exercisability schedule or criteria, including any acceleration, right to accelerate or acceleration event or



other entitlement under any employment agreement, stock option, restricted stock, deferred compensation or other compensation award of any Company Employee;

- (i) there has not been any issue, sale, pledge, disposition of, or encumbrance of any securities of the Company or any of its Subsidiaries, other than the issuance of Common Shares upon the exercise of (i) Company Options, or (ii) Company Warrants, in each case as of the date of this Agreement;
- (j) there has not been any redemption, repurchase or other acquisition of Common Shares by the Company, or any declaration, setting aside or payment of any dividend or other distribution (whether in cash or otherwise) with respect to the Common Shares;
- (k) there has not been a material change in the level of accounts receivable or payable, inventories or employees, other than those changes in the Ordinary Course;
- (l) other than as described in Section 16(l) of the Company Disclosure Letter, there has not been any entering into, termination, or an amendment of, any Material Contract other than in the Ordinary Course;
- (m) other than as described in Section 16(m) of the Company Disclosure Letter, there has not been any satisfaction or settlement of any material claims or material liabilities that were not reflected in the Company's audited financial statements, other than the settlement of claims or liabilities incurred in the ordinary course of business; and
- (n) other than as described in Section 16(n) of the Company Disclosure Letter and except for Ordinary Course adjustments, there has not been any increase in the salary, bonus, or other remuneration payable to any officers or directors of the Company or its Subsidiaries or any amendment or modification to the vesting or exercisability schedule or criteria, including any acceleration, right to accelerate or acceleration event or other entitlement under any stock option, restricted stock, deferred compensation or other compensation award of any officer or director of the Company or any of its Subsidiaries.

**17. Compliance with Laws; Regulatory Matters.**

- (a) The Company and each of its Subsidiaries is, and has been, in compliance in all respects with Law, other than acts of non-compliance or violations which would not, individually or in the aggregate, have a Material Adverse Effect. Neither the Company nor any of its Subsidiaries has been convicted of any crime, has engaged in any conduct that could result in criminal liability or disqualification by a Governmental Entity, or is under any investigation with respect to, has been charged or threatened to be charged with, or has received

notice of, any violation or potential violation of any Law or disqualification by a Governmental Entity.

- (b) The Company and each of its Subsidiaries is, and has been, in compliance in all respects with all Laws concerning the export or re-export of products (including technology and services), the terms and conduct of international transactions, the making or receiving of international payments, and embargoes or restrictions on transactions with designated entities (including countries, terrorists, organizations and individuals), including without limitation all such Laws, embargoes and restrictions administered or enforced by Global Affairs Canada or the U.S. Department of Treasury's Office of Foreign Assets Control. Except as disclosed in Section 17(b) of the Company Disclosure Letter, neither the Company nor any of its Subsidiaries has, directly or, to the knowledge of the Company, indirectly, exported, re-exported, transshipped or sold goods to Belarus, Burma, Central African Republic, Crimean Region of Ukraine, Cuba, Democratic Republic of the Congo, Eritrea, Iran, Iraq, Lebanon, Libya, North Korea, Russia, Somalia, South Sudan, Sudan, Syria, Tunisia, Ukraine, Yemen, or Zimbabwe.
- (c) Except as disclosed in Section 17(c) of the Company Disclosure Letter, none of the products manufactured or provided or contracted to be manufactured or provided by the Company or any of its Subsidiaries contain tantalum, tin, tungsten or gold originated from the Democratic Republic of the Congo, Zambia, Angola, Republic of the Congo, Central African Republic, South Sudan, Uganda, Rwanda, Burundi or Tanzania.
- (d) The Company and each of its Subsidiaries, in each of their respective collection, use, storage, processing, import, export and disclosure of personally identifiable information or other protected information relating to individuals, is, and has been, in compliance with the Company's privacy policies and all applicable Laws relating to data collection, use, privacy or protection, other than acts of non-compliance or violations which would not, individually or in the aggregate, have a Material Adverse Effect.

**18. Authorizations and Licenses.**

- (a) Section 18 of the Company Disclosure Letter lists and describes all Authorizations that are required by Law in connection with the operation of the business of the Company or any of its Subsidiaries as presently or previously conducted, or in connection with the ownership, operation or use of the assets of the Company or any of its Subsidiaries.
- (b) The Company or its Subsidiaries, as applicable, lawfully hold, own or use, and have complied with, all such Authorizations. Each Authorization is issued with the correct scope with regard to the applicable regulated activity, is valid and in full force and effect in accordance with its terms, and is renewable by its terms or in the Ordinary Course of business without the

need for the Company to comply with any special rules or procedures, agree to any materially different terms or conditions or pay any amounts other than routine filing fees.

- (c) No action, investigation or proceeding is to the knowledge of the Company pending in respect of or regarding any such Authorization and none of the Company, its Subsidiaries or, to the knowledge of the Company, any of their respective officers or directors has received notice, whether written or oral, of revocation, non-renewal or material amendments of any such Authorization, or of the intention of any Person to revoke, refuse to renew or materially amend any such Authorization.
- (d) Neither the Company, any of its Subsidiaries, or, to the knowledge of the Company, any of their respective officers or directors, owns or has any proprietary, financial or other interests (direct or indirect) in any such Authorization.
- (e) Except as disclosed in Section 18(e) of the Company Disclosure Letter, the Shelter Companies have obtained and complied with all applicable Authorizations required, and all obligations derived therefrom, in connection with the Shelter Agreement.

19. **Opinion of Financial Advisors.**

The Board and the Special Committee have received the Fairness Opinion. A true and complete copy of the engagement letter between the Company and KPMG LLP has been disclosed in the Data Room and the Company has made true and complete disclosure to the Purchaser of all fees, commissions or other payments that may be incurred pursuant to such engagement or that may otherwise be payable to KPMG LLP.

20. **Finders' Fees.**

Other than as described in Section 20 of the Company Disclosure Letter and except for the engagement letters between the Company and Fort Capital Corporation and the Company and KPMG LLP, and the fees payable under or in connection with such engagement, no investment banker, broker, finder, financial adviser or other intermediary has been retained by or is authorized to act on behalf of the Company or any of its Subsidiaries, or any of their respective officers, directors or employees, or is entitled to any fee, commission or other payment from the Company or any of its Subsidiaries, or any of their respective officers, directors or employees, in connection with this Agreement or the transactions contemplated by this Agreement.

21. **Board and Special Committee Approval.**

- (a) The Special Committee, after consultation with its financial and legal advisors, has unanimously recommended that the Board approve the

Arrangement and that the Shareholders vote in favour of the Arrangement Resolution.

- (b) The Board, acting on the unanimous recommendation in favour of the Arrangement by the Special Committee, has unanimously: (i) determined that the Consideration to be received by the Shareholders pursuant to the Arrangement and this Agreement is fair to such holders and that the Arrangement is in the best interests of the Company and the Shareholders; (ii) resolved to unanimously recommend that the Shareholders vote in favour of the Arrangement Resolution; and (iii) authorized the entering into of this Agreement and the performance by the Company of its obligations under this Agreement, and no action has been taken to amend, or supersede such determinations, resolutions, or authorizations.
- (c) Each of the directors and officers of the Company has advised the Company and the Company believes that they intend to vote or cause to be voted all Company Securities beneficially held by them in favour of the Arrangement Resolution and the Company shall make a statement to that effect in the Company Circular.

**22. Material Contracts.**

- (a) Section 22(a) of the Company Disclosure Letter sets out a complete and accurate list of all Material Contracts. True and complete copies of the Material Contracts have been disclosed in the Data Room.
- (b) Except as disclosed in Section 22(b) of the Company Disclosure Letter, each Material Contract is legal, valid, binding and in full force and effect and is enforceable by the Company or a Subsidiary, as applicable, in accordance with its terms (subject to bankruptcy, insolvency and other Laws affecting creditors' rights generally, and to general principles of equity) and is the product of fair and arms' length negotiations between each of the parties to such Material Contracts.
- (c) The Company and each of its Subsidiaries have performed in all material respects all respective obligations required to be performed by them to date under the Material Contracts and neither the Company nor any of its Subsidiaries is in breach or default under any Material Contract, nor does the Company have knowledge of any condition that with the passage of time or the giving of notice or both would result in such a breach or default.
- (d) None of the Company or any of its Subsidiaries knows of, or has received any notice (whether written or oral) of, any breach or default under nor, to the knowledge of the Company, does there exist any condition which with the passage of time or the giving of notice or both would result in such a breach or default under) any such Material Contract by any other party to a Material Contract.

- (e) The Company has not received any notice (whether written or oral), that any party to a Material Contract intends to cancel, terminate or otherwise modify or not renew its relationship with the Company or any of its Subsidiaries, and, to the knowledge of the Company, no such action has been threatened.

23. **Real Property.**

- (a) The Company or one of its Subsidiaries, as applicable, has valid, good and marketable title to all of the real or immovable property owned by the Company or its Subsidiaries (the "**Owned Properties**") free and clear of any Liens, except for Permitted Liens. There are no outstanding options or rights of first refusal to purchase the Owned Properties, or any portion thereof or interest therein.
- (b) Except as disclosed in Section 23 of the Company Disclosure Letter, each lease, sublease, license or occupancy agreement for real or immovable property leased, subleased, licensed or occupied by the Company or its Subsidiaries (the "**Leased Properties**") is valid, legally binding and enforceable by the Company or its Subsidiary, as applicable, (and to the knowledge of the Company, the other parties) in accordance with its terms and in full force and effect unamended by oral or written agreement, true and complete copies of which (including all related amendments, supplements, notices and ancillary agreements) have been disclosed in the Data Room, and none of the Company or any of its Subsidiaries is in material breach of, or default under, such lease, sublease, license or occupancy agreement, and no event has occurred which, with notice, lapse of time or both, would constitute such a material breach or default by the Company or any of its Subsidiaries or permit termination, modification or acceleration by any third party thereunder.
- (c) All of the Leased Properties are listed in Section 23 of the Company Disclosure Letter.
- (d) No third party has repudiated or has the right to terminate or repudiate any lease, sublease, license or occupancy agreement in respect of the Leased Properties (except for the normal exercise of remedies in connection with a default thereunder or any termination rights set forth in the lease, sublease, license or occupancy agreement) or any provision thereof.
- (e) None of the leases, subleases, licenses or occupancy agreements in respect of the Leased Properties has been assigned by the Company or any of its Subsidiaries in favour of any Person or sublet or sublicensed.

24. **Personal Property.**

- (a) The Company and/or its Subsidiaries have good title to all material personal or movable property of any kind or nature which the Company or any of its

Subsidiaries purports to own, free and clear of all Liens (other than Permitted Liens). The Company and its Subsidiaries, as lessees, have the right under valid and subsisting leases to use, possess and control all personal or movable property leased by and material to the Company or any of its Subsidiaries as used, possessed and controlled by the Company or its Subsidiaries, as applicable.

- (b) No other Person owns any property or assets which are being used in the business of the Company or its Subsidiaries except for the Leased Properties, the personal property leased by the Company pursuant to the Material Contracts and the Intellectual Property Rights licensed to the Company or its Subsidiaries and disclosed in Section 24(b) of the Company Disclosure Letter.
- (c) No Person has any written or oral agreement, option, understanding or commitment, or any right or privilege capable of becoming such for the purchase or other acquisition from the Company or any of its Subsidiaries of any of their assets, other than assets which are obsolete and which individually or in the aggregate do not exceed \$100,000 or inventory to be sold in the Ordinary Course.
- (d) The buildings, plants, structures, vehicles, equipment, technology and communications hardware and other tangible personal property of the Company and each of its Subsidiaries are structurally sound, in good operating condition and repair having regard to their use and age and are adequate and suitable for the uses to which they are being put. None of such buildings, plants, structures, vehicles, equipment or other property are in need of maintenance or repairs except for routine maintenance and repairs in the Ordinary Course that are not material in nature or cost.

**25. Inventories.**

The inventory of the Company and each of its Subsidiaries is good and usable and is capable of being processed and sold in the Ordinary Course at normal profit margins, subject to a reasonable allowance for obsolete inventory consistent with the allowances reflected in the audited annual consolidated financial statements of the Company for the year ended June 30, 2016 and the unaudited condensed interim consolidated financial statements of the Company for the period ended March 31, 2017. The inventory levels of the Company have been maintained at levels sufficient for the continuation of the business in the Ordinary Course. All inventories of the Company have been determined and valued in accordance with the policies, practices and procedures set forth in Section 25 of the Company Disclosure Letter.

**26. Customers and Suppliers.**

Section 26 of the Company Disclosure Letter is a true and correct list setting forth the ten largest customers and the ten largest suppliers of the Company and its Subsidiaries by dollar amount for the year ended June 30, 2017. Except as disclosed

in Section 26 of the Company Disclosure Letter, the Company has no reason to believe that the benefits of any relationship with any of the major customers or suppliers of the Company or any of its Subsidiaries will not continue after the Effective Date in substantially the same manner as prior to the date of this Agreement.

27. **Product Warranties; Product Recalls.**

Except as disclosed in Section 27 of the Company Disclosure Letter, there are no, and have not been any, material liabilities or material obligations, including product liability, product warranty or service warranty liabilities and obligations, in respect of any products or services manufactured, constructed, installed, shipped, distributed, sold or provided by the Company or any of its Subsidiaries in connection with the business prior to the Effective Date. There are no matters, facts, circumstances or events in existence which will give rise to such material liabilities or material obligations after the Effective Date. Except as disclosed in Section 27 of the Company Disclosure Letter, no product manufactured, constructed, installed, shipped, distributed, sold, or provided by the Company or any of its Subsidiaries is or has been the subject of any product recall, service bulletin or similar corrective action in connection with any actual, alleged, or potential product defect. To the knowledge of the Company there is no reasonable basis for any product recall, service bulletin or similar corrective action in connection with any actual, alleged, or potential product defect regarding any product manufactured, constructed, installed, shipped, distributed, sold, or provided by the Company or any of its Subsidiaries.

28. **Intellectual Property.**

Except as disclosed in Section 28 of the Company Disclosure Letter:

- (a) The Company and its Subsidiaries own all right, title and interest in and to, or have validly licensed (and are not in material breach of such licences), free and clear of all Liens other than Permitted Liens, all patents, trade-marks, trade names, service marks, domain names, logos, slogans, trade dress, copyrights, know how, trade secrets, software, technology, inventions, rights of publicity, rights of privacy and rights to personal information, and all other intellectual property and proprietary rights (collectively, the "**Intellectual Property Rights**" and all such rights that are owned being collectively referred to as the "**Owned IP Rights**") that are material to the conduct of the business, as presently conducted or planned to be conducted in the future, of the Company and its Subsidiaries taken as a whole.
- (b) Section 28 of the Company Disclosure Letter includes a complete and accurate list of the particulars of: (i) all material Owned IP Rights, including all registrations and applications for registration of any Owned IP Rights, and (ii) all licensed Intellectual Property Rights other than off-the-shelf software. The Company has not received any notice (whether written or

oral), that a licensor of Intellectual Property Rights to the Company and/or its Subsidiaries intends to cancel, terminate or otherwise modify or not renew its relationship with the Company or any of its Subsidiaries, and, to the knowledge of the Company, no such action has been threatened. All of Owned IP Rights which have been registered or applied for have been properly maintained and renewed in accordance with all applicable Law and has not been used or enforced, or failed to be used or enforced, in a manner that would result in the abandonment, cancellation or unenforceability of any rights in such Intellectual Property.

- (c) The Company and its Subsidiaries are the sole and exclusive owners of all Owned IP Rights. To the knowledge of the Company, the Owned IP Rights are valid and enforceable and the conduct of the business of the Company and its Subsidiaries (including the Owned IP Rights and the products and services of the Company and its Subsidiaries) does not infringe upon, misappropriate, or otherwise violate any third parties' intellectual property and proprietary rights and no claim has been made to that effect by any third party, and the entering into of this Agreement and completion of the transactions contemplated hereby will not render invalid or unenforceable, or result in the loss of or require additional payment with respect to, any Intellectual Property Rights, except as would not reasonably be expected to have a Material Adverse Effect.
- (d) To the knowledge of the Company, no third party is infringing upon the Owned IP Rights.
- (e) The Company and its Subsidiaries own, or have validly licensed (and are not in material breach of such licences), all hardware, software and firmware, processed data, technology infrastructure and other computer systems that are material to the conduct of the business, as presently conducted or planned to be conducted in the future, of the Company and its Subsidiaries taken as a whole (collectively, the "**Technology**") and have taken commercially reasonable steps to implement and maintain appropriate virus protection and security measures in relation to the Technology.
- (f) Except as would not reasonably be expected to have a Material Adverse Effect, all current and to the knowledge of the Company, all former, employees and consultants of the Company and/or its Subsidiaries whose duties or responsibilities relate to the creation, handling, use, access, improvement, development, or licensing of confidential information or Intellectual Property Rights have entered into confidentiality, intellectual property assignment and proprietary information agreements with and in favour of Company and/or its Subsidiaries. Each such Person has waived its non-assignable rights (including moral rights) to any Intellectual Property created by it on behalf of the Company and/or its Subsidiaries.



- (g) Other than as described in Section 28(g) of the Company Disclosure Letter, the Company and its Subsidiaries have reasonable back-up systems and a disaster recovery plan adequate to ensure the continuing availability of the functionality provided by the Technology except for such unavailability as would not reasonably be expected to have a Material Adverse Effect, and have ownership of, or a valid licence to, the Intellectual Property Rights necessary to allow them to continue to provide the functionality provided by the Technology in the event of any malfunction of the Technology or other form of disaster affecting the Technology.
- (h) No claims have been asserted which are outstanding against the Company or its Subsidiaries or, to the knowledge of the Company, threatened against the Company or any of its Subsidiaries alleging a violation of any Person's privacy or personal information rights, nor, to the knowledge of the Company, does there exist a substantial basis for any material claim therefor and, except for any non-performance which does not have, and would not reasonably be expected to have, a Material Adverse Effect, the Company and its Subsidiaries have taken commercially reasonable measures consistent with industry standard practices to ensure that such personal information is protected against unauthorized access, use, modification, or other misuse.

29. **Litigation.**

- (a) Except as disclosed in Section 29(a) of the Company Disclosure Letter, there is no court, administrative, regulatory or similar proceeding (whether civil, labour-related, quasi-criminal or criminal), arbitration or other dispute, settlement procedure, or any claim, action, suit, demand, arbitration, charge, indictment, hearing or other similar civil, labour-related, quasi-criminal or criminal, administrative or investigative matter or proceeding, or to the knowledge of the Company, any investigation or inquiry by or complaint before any Governmental Entity (collectively, "**Proceedings**") against or involving the Company or any of its Subsidiaries in connection with the Shelter Agreement or the services provided thereunder or any of their respective properties or assets in effect or ongoing, to the knowledge of the Company, pending or threatened and, to the knowledge of the Company, no event has occurred which would reasonably be expected to give rise to any Proceedings.
- (b) There is no bankruptcy, liquidation, winding-up or other similar proceeding in progress, or, to the knowledge of the Company, pending or threatened against or relating to the Company any of its Subsidiaries before any Governmental Entity
- (c) There is no judgment, decree, injunction, rule, award or order of any Governmental Entity outstanding against the Company or any of its

Subsidiaries that has had, or would reasonably be expected to have, a Material Adverse Effect.

30. **Environmental Matters.**

- (a) No written notice, order, complaint or penalty has been received by the Company or any of its Subsidiaries alleging that the Company or any of its Subsidiaries is in violation of, or has any liability or potential liability under, any Environmental Law, and, to the Company's knowledge, there are no judicial, administrative or other actions, suits or proceedings pending or threatened against the Company or any of its Subsidiaries which allege a violation of, or any liability or potential liability under, any Environmental Laws; and the Company is not aware of any facts or circumstances that reasonably could be expected to give rise to any such notice, claim, order, complaint or penalty.
- (b) Except as disclosed in Section 30(b) of the Company Disclosure Letter, the Company and each of its Subsidiaries has all environmental Authorizations necessary for the operation of their respective businesses and to comply with all Environmental Laws; and the operations of the Company and each of its Subsidiaries are in compliance in all material respects with the terms of Environmental Laws.
- (c) Neither the Company nor any of its Subsidiaries has caused any Release of a Hazardous Material on, at, from or under any real or immovable property currently or formerly owned, operated, occupied or otherwise utilized by the Company or any of its Subsidiaries (including without limitation any location used for the storage, disposal, recycling or other handling of any Hazardous Materials) that is reasonably likely to form the basis of any material claim against or liability of the Company or any of its Subsidiaries.
- (d) The Company has not transported, removed or disposed of any Hazardous Materials to a location outside of Canada.
- (e) There are no outstanding orders or requirements imposed on the Company or any Subsidiary by any Governmental Entity to (i) alter any of the Leased Properties in a material way in order to be in compliance with Environmental Laws, or (ii) perform any environmental closure, decommissioning, rehabilitation, restoration or post-remedial investigations, on, about, or in connection with any real property.
- (f) Section 30 of the Company Disclosure Letter lists all reports and documents, other than correspondence in the Ordinary Course, which is not material individually or in the aggregate, in the possession of the Company or of which the Company has knowledge relating to the environmental matters affecting the Company or any of the Leased Properties, other than reports commissioned by the Purchaser. Copies of all such reports and documents

have been disclosed in the Data Room. There are no other reports or documents in the possession of the Company or of which the Company has knowledge relating to environmental matters affecting the Company or any of the Leased Properties that have not been made available to the Purchaser whether by reason of confidentiality restrictions or otherwise, other than reports commissioned by the Purchaser.

- (g) To the knowledge of the Company, each of the Shelter Companies has obtained and complied with all applicable environmental Authorizations and obligations derived therefrom in connection with the Shelter Agreement and operate in compliance with all Environmental Laws.

**31. Employees.**

- (a) Section 31(a) of the Company Disclosure Letter sets out a true and complete list of all Company Employees (without showing names or employee numbers), including their respective location, hire date and cumulative length of service, position, compensation (including but not limited to salary, bonus and commissions), benefits, vacation entitlement in days, vacation pay, current status (full time or part-time, active or non-active (and if non-active, the reason for leave)) and whether they are subject to a written employment Contract as well as a list of all former Company Employees to whom the Company or any of its Subsidiaries has or may have any outstanding obligations, indicating the nature and the value of such obligations.
- (b) To the knowledge of the Company, each independent contractor of the Company and/or its Subsidiaries has been properly classified as an independent contractor, and neither the Company nor any of its Subsidiaries has received any notice from any Governmental Entity disputing such classification.
- (c) All written Contracts or the forms thereof in relation to the Company Employees have been disclosed in the Data Room. Other than as disclosed in Section 31(c) of the Company Disclosure Letter, no such employee has indicated to the Company or its Subsidiaries that he or she intends to resign, retire or terminate his or her engagement with the Company (or its Subsidiaries, as applicable) as a result of the transactions contemplated by this Agreement or otherwise.
- (d) The Company and its Subsidiaries are in compliance with all terms and conditions of employment and all Law respecting employment, including, as applicable, pay equity, wages, hours of work, vacation accrual, vacation pay, overtime, human rights and occupational health and safety, and there are no outstanding claims, complaints, investigations or orders under any such Law and there is no basis for such claim.

- (e) Neither the Company nor any of its Subsidiaries has, and each of them is not, engaged in any unfair labour practice and no unfair labour practice complaint, grievance or arbitration proceeding is, to the knowledge of the Company, pending or threatened against the Company or any of its Subsidiaries.
- (f) Except as disclosed in Section 31(f) of the Company Disclosure Letter, no Company Employee has any Contract in relation to any employee's termination, length of notice, pay in lieu of notice, severance, job security or similar provisions (other than such as results by Law from the employment of an employee without an agreement as to notice or severance), nor are there any change of control payments, golden parachutes, severance payments, retention payments, Contracts or other agreements with current or former Company Employees providing for cash or other compensation or benefits upon the consummation of, or relating to, the Arrangement or any other transaction contemplated by this Agreement, including a change of control of the Company or of any of its Subsidiaries.
- (g) All amounts due or accrued due for all salary, wages, bonuses, commissions, vacation with pay, vacation pay, sick days and benefits under the Employee Plans have either been paid or properly accrued and accurately reflected in the books and records of the Company. The Company has disclosed in the Data Room all written policies or in the case of oral policies, has described same in Section 31(g) of the Company Disclosure Letter, relating to expense reimbursement for Company Employees whether they are reimbursed on an individual or collective basis.
- (h) There are no outstanding assessments, penalties, fines, liens, charges, surcharges, or other amounts due or owing pursuant to any workplace safety and insurance legislation and neither the Company nor any of its Subsidiaries has been reassessed in any respect under such legislation during the past three years and, to the knowledge of the Company, no audit of the Company or any of its Subsidiaries is currently being performed pursuant to any applicable workplace safety and insurance legislation. As of the date of this Agreement, there are no claims or potential claims which may materially adversely affect the Company or any of its Subsidiaries' accident cost experience or, if applicable, risk rate.
- (i) The Company has disclosed in the Data Room all orders and inspection reports under applicable occupational health and safety legislation ("OHSA") together with the minutes of the Company's Environmental, Health and Safety Committee meetings for the past three (3) years. To the knowledge of the Company, there are no charges pending under OHSA. The Company and each of its Subsidiaries has complied in all material respects with any orders issued under OHSA and there are no appeals of any orders under OHSA currently outstanding.

- (j) There have been no fatal or critical accidents which have occurred in the course of the operation of the business which could reasonably be expected to lead to charges under Law.
- (k) There is no collective bargaining agreement, union agreement or similar agreement (including letters or memorandums of understanding, letters of intent or other written communications with bargaining agents) in force with respect to any Company Employees or which are binding on the Company or any of its Subsidiaries nor is there any Contract with any employee association in respect of any Company Employees.
- (l) There are no outstanding labour tribunal proceedings of any kind, including any proceedings which could result in certification of a trade union as bargaining agent for any Company Employees. No trade union, council of trade unions, employee bargaining agency or affiliated bargaining agent holds bargaining rights with respect to any Company Employees by way of certification, interim certification, voluntary recognition, or succession rights, or has applied or, to the knowledge of the Company, threatened to apply to be certified as the bargaining agent of any Company Employees.
- (m) To the knowledge of the Company, there are no threatened or pending union organizing activities involving any Company Employees. There is no labour strike, dispute, work slowdown or stoppage involving or, to the knowledge of the Company, pending or threatened against the Company and no such event has occurred within the last five (5) years.
- (n) No trade union has applied to have the Company or any of its Subsidiaries declared a common, related or successor employer pursuant to the *Labour Relations Code* (British Columbia) or any similar legislation in any jurisdiction in which the Company or any of its Subsidiaries carries on business.
- (o) Other than the Shelter Companies and professional advisors, neither the Company nor any of its Subsidiaries has any employees, contractors or other service providers in Mexico.
- (p) The Mexican Subsidiary has not executed any agreement, either verbal or written, including but not limited to, individual employment agreements, letters of agreement, private agreements, offer letters, or any other letters of understanding or memoranda, in connection with the existence of a labour relationship between the Mexican Subsidiary and any third party personnel, including but not limited to, the Shelter Employees.
- (q) The Shelter Companies have complied with all labour and social security obligations, including payment of all required Taxes, in connection with the Shelter Agreement.

32. **Employee Plans.**

- (a) Section 32(a) of the Company Disclosure Letter lists all health, welfare, supplemental unemployment benefit, bonus, profit sharing, option, insurance, incentive, incentive compensation, deferred compensation, share purchase, share compensation, disability, severance, change in control, termination, pension or supplemental retirement plans and other material employee or director employment, compensation, severance, change in control, termination or benefit plans, policies, trusts, funds, policies, arrangements, Contracts or other agreements for the benefit of directors or former directors of the Company or any of its Subsidiaries, Company Employees or former Company Employees, which are maintained by or binding upon the Company or any of its Subsidiaries or in respect of which the Company or any of its Subsidiaries has any actual or potential liability (collectively, the "**Employee Plans**").
- (b) The Company has disclosed in the Data Room true, correct and complete copies of all the Employee Plans, as amended.
- (c) Each Employee Plan is and has been established, registered, qualified and, in all material respects, administered in accordance with Law, and in accordance with their terms, the terms of the material documents that support such Employee Plan and the terms of agreements between the Company and/or any of the Subsidiaries, as the case may be, and their respective employees and former employees who are members of, or beneficiaries under, the Employee Plan. No fact or circumstance exists which to the knowledge of the Company could adversely affect the registered status of any such Employee Plan.
- (d) All contributions, premiums or taxes required to be made or paid by the Company or any of its Subsidiaries, as the case may be, under the terms of each Employee Plan or by Law in respect of the Employee Plans have been made in a timely fashion in accordance with Law in all respects and in accordance with the terms of the applicable Employee Plan.
- (e) No Employee Plan is subject to any investigation, examination or other proceeding, action or claim initiated by any Governmental Entity, or by any other party (other than routine claims for benefits) and, to the knowledge of the Company, there exists no state of facts which after notice or lapse of time or both would reasonably be expected to give rise to any such investigation, examination or other proceeding, action or claim or to affect the registration or qualification of any Employee Plan required to be registered or qualified.
- (f) No insurance policy or any other agreement affecting any Employee Plan requires or permits a material retroactive increase in contributions, premiums or other payments due under such insurance policy or agreement. The level

of insurance reserves under each insured Employee Plan is reasonable and sufficient to provide for all incurred but unreported claims.

- (g) No Employee Plan provides for retiree benefits or for benefits to retired employees or to the beneficiaries or dependants of retired employees.
- (h) No provision of any Employee Plan or of any agreement, and no act or omission of the Company or any of its Subsidiaries, in any way limits, impairs, modifies or otherwise affects the right of the Company to unilaterally amend or terminate any Employee Plan, and no commitments to improve or otherwise amend any Employee Plan have been made.
- (i) All employee data necessary to administer each Employee Plan in accordance with its terms and conditions and Law is in possession of the Company and such data is complete, correct, and in a form which is sufficient for the proper administration of each Employee Plan.
- (j) The Company does not and has never sponsored or participated in a "registered pension plan" as such term is defined in the Tax Act or otherwise registered before the competent Mexican Governmental Entity CONSAR.
- (k) Except as disclosed in Section 32(k) of the Company Disclosure Letter, the execution and performance of this Agreement will not (i) constitute a stated triggering event under any Employee Plan that will result in any payment (whether of severance pay or otherwise) becoming due from the Company or any of its Subsidiaries to any current or former director, manager, officer, Company Employee, agent, independent contractor or consultant (or dependents of such Persons) or (ii) accelerate the time of payment or vesting or increase the amount of compensation due to any current or former director, manager, officer, Company Employee, agent, independent contractor or consultant (or dependents of such Persons) of the Company or any of its Subsidiaries.

33. **Insurance.**

- (a) Section 33 of the Company Disclosure Letter contains a correct and complete list of insurance policies and binders which are maintained by the Company and its Subsidiaries and the Company and its Subsidiaries are in compliance in all material respects with all requirements with respect to such policies. The Company has disclosed in the Data Room, true, correct and complete copies of all such policies, bonds or binders (including copies of all written amendments, supplements and other modifications thereto or waivers of rights thereunder), and the most recent inspection reports received from insurance underwriters.
- (b) The third party insurance policies of the Company and its Subsidiaries are in full force and effect in accordance with their terms, and the Company and its

Subsidiaries are not in default under the terms of any such policy. The Company has no knowledge of any proposed, contemplated or threatened termination of, or material premium increase with respect to, any of such policies.

- (c) The limits contained within the third party insurance policies of the Company and its Subsidiaries have not been exhausted or significantly diminished and no further premiums or payments will be due following the Effective Time with respect to periods of time occurring prior to the Effective Time.
- (d) The Company has made available a complete and accurate claims history for the Company during the past three years including with respect to insurance obtained but not currently maintained, together with a statement of the aggregate amount of claims paid out, and claims pending.
- (e) There is no material claim pending under any insurance policy that has been denied, rejected, questioned or disputed by any insurer or as to which any insurer has made any reservation of rights or refused to cover all or any portion of such claims. All material proceedings covered by any of the insurance policies have been properly reported to and accepted by the applicable insurer.
- (f) Neither the Company nor any of its Subsidiaries is in default with respect to any of the provisions contained in the insurance policies and nor have any of them failed to give any notice or to present any claim under any insurance policy in a due and timely fashion.
- (g) To the knowledge of the Company, there are no circumstances in respect of which any Person could make a claim under any insurance policy. There has not been any material adverse change in the relationship of the Company with its insurers, the availability of coverage, or in the premiums payable pursuant to the insurance policies.

34. **Books and Records.**

The corporate records and minute books of the Company and its Subsidiaries are currently maintained in accordance with applicable Laws and are complete and accurate in all material respects.

35. **Taxes.**

- (a) The Company and each of its Subsidiaries has paid all Taxes (including instalments on account of Taxes for the current year) which are due and payable within the time required by Law, and has paid all assessments and reassessments it has received in respect of Taxes. The Company has made full and adequate provision in the books and records of the Company and



interim financial statements for all Taxes which are not yet due and payable but which relate to periods ending on or before the Effective Date. Neither the Company nor any of its Subsidiaries has received any refund of Taxes to which it not entitled.

- (b) Except as disclosed in Section 35(b) of the Company Disclosure Letter, the liability for Taxes of the Company and each of its Subsidiaries has been assessed by all relevant Governmental Entities for all periods up to and including December 31, 2015. The only taxation years of the Company or any of its Subsidiaries that remain open for the assessment or reassessment of additional Taxes are those set out in Section 35(b) of the Company Disclosure Letter. There are no outstanding agreements, arrangements, waivers or objections extending the statutory period or providing for an extension of time with respect to the assessment or reassessment of Taxes or the filing of any Tax Return by, or any payment of Taxes by, the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has received a ruling from any Governmental Entity in respect of Taxes or signed an agreement in respect of Taxes with any Governmental Entity and, without limiting the generality of the foregoing, neither the Company nor any of its Subsidiaries is a party to or bound by any obligation under any Tax sharing or allocation agreement or similar contract or arrangement (whether or not written) nor does the Company or any of its Subsidiaries owe any amount under any such agreement.
  
- (c) Except as disclosed in Section 35(c) of the Company Disclosure Letter, there are no claims, actions, suits, audits, proceedings, investigations or other action pending or threatened in writing against the Company or any of its Subsidiaries in respect of Taxes and, there is no reason to expect that any such claim, action, suit, audit, proceeding, investigation or other action may be asserted against the Company or any of its Subsidiaries by a Governmental Entity for any period ending on or prior to the Effective Date. Neither the Company nor any of its Subsidiaries is negotiating any final or draft assessment or reassessment in respect of Taxes with any Governmental Entity and neither the Company nor of its Subsidiaries has received any indication from any Governmental Entity that an assessment or reassessment is proposed or may be proposed in respect of any Taxes for any period ending on or prior to the Effective Date. There are no facts to the knowledge of the Company that would constitute grounds for the assessment or reassessment of Taxes payable by the Company or of its Subsidiaries for any period ending on or prior to the Effective Date, except in respect of Taxes that are provided for in the Books and Records and interim financial statements of the Company for the period ended March 31, 2017. To the knowledge of the Company, there are no contingent liabilities of the Company or any of its Subsidiaries for Taxes or any grounds for an assessment or reassessment of Taxes including, without limitation, the treatment of income, expenses, credits or other claims for deduction under any Tax Return.

- (d) The Company and each of its Subsidiaries has withheld and collected all amounts required by Law to be withheld or collected by it on account of Taxes and has remitted all such amounts to the appropriate Governmental Entity within the time prescribed under any Law. The Company and each of its Subsidiaries has remitted all Canada Pension Plan contributions, employment insurance premiums, employer health taxes and other Taxes payable by it in respect of its employees and has remitted such amounts to the proper Governmental Entity within the time required by Law. The Company and each of its Subsidiaries has charged, collected and remitted on a timely basis all Taxes as required by Law (including Part IX of the *Excise Tax Act* (Canada) or the retail sales tax legislation of any province or territory of Canada) on any sale, supply or delivery whatsoever, made by the Company.
- (e) There are no circumstances existing which could result in the application of section 17, section 78, section 79, or sections 80 to 80.04 of the Tax Act, or any equivalent provision under applicable provincial law, to the Company or any of its Subsidiaries. Neither the Company nor any of its Subsidiaries has claimed nor will any of them claim any reserve under any provision of the Tax Act or any equivalent provincial provision, if any amount could be included in the income of the Company or its applicable Subsidiary for any period ending after the Effective Time.
- (f) For all transactions between the Company or any of its Subsidiaries, on the one hand, and any non-resident Person with whom the Company or its Subsidiary, as applicable, was not dealing at arm's length, for the purposes of the Tax Act, on the other hand, during a taxation year commencing after 1998 and ending on or before the Effective Date, the Company and each of its Subsidiaries has made or obtained records or documents that satisfy the requirements of paragraphs 247(4)(a) to (c) of the Tax Act. Neither the Company nor any of its Subsidiaries has entered into an agreement contemplated by section 191.3 of the Tax Act.
- (g) The Company and each of its Subsidiaries has filed or caused to be filed with the appropriate Governmental Entity, within the times and in the manner prescribed by Law, all federal, provincial, local and foreign Tax Returns which are required to be filed by or with respect to it. The information contained in such Tax Returns is correct and complete and such Tax Returns reflect accurately all liability for Taxes of the Company or its applicable Subsidiary, as the case may be, for the periods covered thereby.
- (h) Neither the Company nor each of its Subsidiaries is subject to any joint venture, partnership or other arrangement or contract that is treated as a partnership for income tax purposes in any jurisdiction.

- (i) To the knowledge of the Company, no claim has ever been made by a Governmental Entity in respect of Taxes in a jurisdiction where the Company or its relevant Subsidiary does not file Tax Returns that the Company or its applicable Subsidiary is or may be subject to Tax by that jurisdiction.
- (j) The Common Shares do not derive more than 50% of their value from immovable property located within the Mexican territory.
- (k) To the knowledge of the Company, the Company and each of its applicable Subsidiaries have complied with provisions of Articles 86, 179, 180 and 183 of the Mexican Income Tax Law.
- (l) To the knowledge of the Company, neither the Company nor any of its Subsidiaries have been subject to any of the anti-abuse provisions included in the Mexican Income Tax Law.

36. **Investment Canada and Competition Act.**

- (a) Neither the Company nor any of its Subsidiaries provide any of the services, or engage in any of the activities of a "cultural business" within the meaning of the *Investment Canada Act*.
- (b) Neither the Company nor any of its Subsidiaries collectively have assets in Canada that exceed \$100 million, or gross revenues from sales in, from or into Canada, that exceed \$150 million, all as determined in accordance with Part IX of the *Competition Act* (Canada) and the *Notifiable Transactions Regulations* thereunder.

37. **Anti-Corruption Laws and Unlawful Benefits.**

Neither the Company nor any of its Subsidiaries nor, to the knowledge of the Company, any of its or their respective officers, directors, agents, current or former employees, affiliates or other Persons associated with or acting on its or their behalf has, directly or indirectly:

- (a) taken any action which would cause it to be in violation of the *Corruption of Foreign Public Officials Act* (Canada), the *Foreign Corrupt Practices Act of 1977* (United States), any domestic commercial bribery statute, or any other Law from any jurisdiction relating to anti-corruption or anti-bribery law or regulation;
- (b) used any corporate funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity;
- (c) made, offered or authorized any unlawful payment or other thing of value to foreign or domestic government officials or employees; or

- (d) given, or agreed to give, any significant gift or similar benefit to any supplier, customer or potential employee of the Company or any of its Subsidiaries, or any other Person who was, is or may be, in a position to help or hinder any the Company or any of its Subsidiaries (or assist in connection with any actual or potential transaction) under circumstances that involve a violation of any applicable Laws which was then in effect and which could reasonably be expected to subject the Company or any of its Subsidiaries to any material damage or penalty.

38. **Full Disclosure.**

Except as disclosed in Section 38 of the Company Disclosure Letter, the Company has made available to the Purchaser all material information concerning the Company, its Subsidiaries and their respective businesses through SEDAR, information disclosed in the Data Room or the Company Disclosure Letter and all such information as made available to the Purchaser is accurate, true and correct in all material respects. To the extent that any such information provided to the Purchaser is no longer accurate in any material respect since the date posted on SEDAR, disclosed in the Data Room or provided to the Purchaser, as the case may be, such information is no longer relevant or material to the Company or additional information has been disclosed in the Data Room or provided to the Purchaser which supersedes or replaces such information.

**Schedule D**  
**Representations and Warranties of the Purchaser**

**(1) Corporate Existence and Power.**

The Purchaser is a corporation duly incorporated and validly existing under the laws of Delaware. Acquireco is a corporation duly incorporated and validly existing under the laws of British Columbia. Each of the Purchaser and Acquireco has the corporate power and authority to own and operate its assets and conduct its business as now owned and conducted.

**(2) Corporate Authorization.**

Each of the Purchaser and Acquireco has the requisite corporate power and authority to enter into and perform its obligations under this Agreement. The execution and delivery and performance by the Purchaser and Acquireco of this Agreement and the consummation of the Arrangement have been duly authorized by all necessary corporate action on the part of the Purchaser and Acquireco, respectively, and no other corporate proceedings on the part of the Purchaser or Acquireco are necessary to authorize this Agreement.

**(3) Governmental Authorization.**

The execution, delivery and performance by the Purchaser and Acquireco of this Agreement and the consummation by the Purchaser and Acquireco of the Arrangement does not require any Authorization or other action by or in respect of, or filing, recording, registering or publication with, or notification to any Governmental Entity other than (i) the Interim Order and any approvals required by the Interim Order; (ii) the Final Order; (iii) the ICA Clearance; and (iv) compliance with Securities Law and stock exchange rules and policies.

**(4) Execution and Binding Obligation.**

This Agreement has been duly executed and delivered by each of the Purchaser and Acquireco, and constitutes a legal, valid and binding agreement of each of the Purchaser and Acquireco enforceable against it in accordance with its terms subject only to any limitation under bankruptcy, insolvency or other Law affecting the enforcement of creditors' rights generally and the discretion that a court may exercise in the granting of equitable remedies such as specific performance and injunction.

**(5) Non-Contravention.**

The execution, delivery and performance by the Purchaser and Acquireco of this Agreement and the consummation of the Arrangement do not and will not (or

would not with the giving of notice, the lapse of time or the happening of any other event or condition):

- (i) contravene, conflict with, or result in any violation or breach of the Constatng Documents of the Purchaser or Acquireco; or
- (ii) subject to the receipt of the ICA Clearance, contravene, conflict with or result in a violation or breach of Law, as would not be reasonably expected to adversely impair or materially delay the consummation of the Arrangement.

**(6) Sufficient Funds.**

The Purchaser has made adequate arrangements to ensure that funds will be available for Acquireco to pay the aggregate Consideration as required by the Agreement.

**(7) Finders' Fees.**

No investment banker, broker, finder, financial adviser or other intermediary has been retained by or is authorized to act on behalf of the Purchaser or any of its affiliates who is entitled to any fee, commission or other payment from the Company or any of its Subsidiaries upon consummation of the Arrangement.

**(8) Investment Canada Act and Competition Act.**

- (a) The Purchaser is a WTO investor within the meaning of the *Investment Canada Act*.
- (b) Neither the Purchaser nor any of its Subsidiaries collectively have assets in Canada that exceed \$300 million, or gross revenues from sales in, from or into Canada, that exceed \$250 million, all as determined in accordance with Part IX of the *Competition Act* (Canada) and the *Notifiable Transactions Regulations* thereunder.