

# **TUCKAMORE CAPITAL MANAGEMENT INC.**



**MANAGEMENT INFORMATION CIRCULAR**

**for the**

**SPECIAL MEETING OF SHAREHOLDERS**

**to be held on**

**Friday, February 19, 2016**

**Dated January 25, 2016**



**TUCKAMORE CAPITAL MANAGEMENT INC.**  
**NOTICE OF SPECIAL MEETING OF SHAREHOLDERS**

**to be held on Friday, February 19, 2016**

**NOTICE IS HEREBY GIVEN** that a special meeting (the “**Meeting**”) of the shareholders (each a “**Shareholder**”) of Tuckamore Capital Management Inc. (the “**Corporation**” or “**Tuckamore**”) will be held at the office of Norton Rose Fulbright Canada LLP, Suite 3800, Royal Bank Plaza, South Tower, 200 Bay Street, Toronto, Ontario, on Friday, February 19, 2016, at 10:00 a.m. (Toronto time) for the following purposes:

- (a) to consider, and, if deemed advisable, pass an ordinary resolution (the “**Refinancing Resolution**”), the full text of which is set forth in the accompanying management information circular dated January 25, 2016 (the “**Circular**”), authorizing and approving, among other things:
  - (i) the issuance by the Corporation of (A) 8.00% senior secured debentures due 2026 of the Corporation (the “**Senior Secured Debentures**”) in the principal amount of \$176,228,000 which shall be issued as follows: (x) a minimum of \$130,000,000 to Canso Investment Counsel Ltd. (“**Canso**”), in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and (y) up to \$46,228,000 to accredited investors that subscribe for Senior Secured Debentures, provided that any such Senior Secured Debentures not issued to such other investors shall be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (the “**Senior Secured Debenture Private Placement**”); and (B) 10.00% second lien secured convertible debentures due 2026 of the Corporation (the “**Convertible Secured Debentures**”) in the principal amount of \$35,000,000 which shall be issued as follows: (x) a minimum of \$25,000,000 to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, (the “**Convertible Secured Debenture Private Placement**”) and (y) up to \$10,000,000 to existing Shareholders of the Corporation pursuant to an offering of transferable rights (the “**Rights Offering**”), provided that any such Convertible Secured Debentures not subscribed for pursuant to the Rights Offering shall be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, (the Rights Offering, together with the Senior Secured Debenture Private Placement and Convertible Secured Debenture Private Placement, the “**Refinancing Transactions**”); and
  - (ii) the waiver of the application of the shareholder rights plan (the “**Rights Plan**”) of the Corporation established pursuant to the shareholders rights plan agreement dated as of August 20, 2014 between the Corporation and CST Trust Company with respect to (A) the issuance of any Convertible Secured Debentures pursuant to the Refinancing Transactions and the MacDonald Employment Agreement Amendment (as defined below); (B) the issuance of any PIK Debentures (as defined in the Circular); (C) the acquisition of any Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, after completion of the Refinancing Transactions; and (D) the acquisition by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, or any other holder of Convertible Secured Debentures purchased pursuant to the Rights Offering, of up to 19.99% of the then issued and outstanding common shares of the Corporation (the “**Common Shares**”), whether acquired through the conversion of Convertible Secured Debentures or PIK Debentures or purchases of Common Shares (or any combination thereof), not taking into account Convertible Secured Debentures and PIK Debentures (which, in respect of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, includes Convertible Secured Debentures acquired after completion of the Refinancing Transactions) that have not yet been converted into Common Shares (but, for greater certainty, are permitted to be converted under the terms of the Rights Plan such that if converted, the holdings of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may exceed 19.99% of the then issued and outstanding Common Shares), all as more particularly described in the accompanying Circular;
- (b) to consider, and, if deemed advisable, pass an ordinary resolution (the “**MacDonald Employment Agreement Amendment Resolution**”), the full text of which is set forth in the Circular, authorizing and approving certain amendments to the employment agreement of the Executive Chairman of the Corporation regarding the settlement of his change of control payments thereunder and the issuance of Convertible Secured Debentures in the principal amount of up to \$1,000,000 to the Executive Chairman of the Corporation in settlement of his change of control payment entitlements (the “**MacDonald Employment Agreement Amendment**”); and
- (c) to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

This Notice of Meeting is accompanied by the Circular and a form of proxy or voting instruction form. Details of the matters to be put before the Meeting are set forth in the Circular. Any adjourned or postponed meeting resulting from an adjournment or postponement of the Meeting will be held at a time and place to be specified either by Tuckamore before the Meeting or by the Chair of the Meeting, as applicable.

The board of directors of Tuckamore has fixed January 12, 2016 as the record date (the "**Record Date**") for determining Shareholders who are entitled to receive notice of and to vote at the Meeting or any adjournment(s) or postponement(s) thereof. Only Shareholders whose names appear in the register of Shareholders maintained by or on behalf of Tuckamore ("**Registered Shareholders**") at the close of business on the Record Date will be entitled to receive notice of the Meeting and to attend and vote at the Meeting.

Each Common Share entitled to be voted at the Meeting will entitle the holder thereof to one vote at the Meeting in respect of each of the Refinancing Resolution and the MacDonald Employment Agreement Amendment Resolution. The Refinancing Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of the votes cast by disinterested Shareholders voting in person or by proxy at the Meeting for the purposes of "minority approval" under Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transaction* ("**MI 61-101**"), as the Refinancing Transactions will constitute a "related party transaction" under MI 61-101, and must also be approved by an affirmative vote of at least a simple majority of disinterested Shareholders in accordance with the policies of the Toronto Stock Exchange (the "**TSX**"). The MacDonald Employment Agreement Amendment Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of disinterested Shareholders in accordance with the policies of the TSX.

**The board of directors of the Corporation has unanimously concluded that the Refinancing Transactions and the MacDonald Employment Agreement Amendment are in the best interests of the Corporation and recommends that Shareholders vote IN FAVOUR of the Refinancing Resolution and the MacDonald Employment Agreement Amendment Resolution.**

Whether or not you expect to attend the Meeting, please exercise your right to vote. Please complete, date and sign the enclosed form of proxy and deposit it with CST Trust Company by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502, or toll free (in Canada and the U.S. only) to 1-866-781-3111, by email of a scan copy to [proxy@canstockta.com](mailto:proxy@canstockta.com) or in person at 320 Bay Street, Basement Level, Toronto, Ontario, M5H 4A6 not later than 10:00 a.m. (Toronto time) on Wednesday, February 17, 2016, or not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto) before any adjournment(s) or postponement(s) of the Meeting. The Chair of the Meeting may waive or extend this time limit for receipt of completed proxies by CST Trust Company without notice.

**Only Registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting.** Most Common Shares trade in the "book-entry only" system where Common Shares beneficially owned by a person are registered in the name of CDS & Co., the nominee of CDS Clearing and Depository Services Inc. In order to ensure your representation at the Meeting, we encourage you to take the time now to complete, sign, date and return the enclosed form of proxy or voting instruction form in accordance with the instructions set out therein and in the accompanying Circular so that your Common Shares can be voted at the Meeting in accordance with your instructions.

**DATED** at Toronto, Ontario this 25<sup>th</sup> day of January, 2016.

**BY ORDER OF THE BOARD OF DIRECTORS**

(signed) *Keith Halbert*  
Keith Halbert  
Chief Financial Officer  
Tuckamore Capital Management Inc.

## TABLE OF CONTENTS

<b>FORMATION OF TUCKAMORE CAPITAL MANAGEMENT INC.</b> .....	<b>1</b>
<b>CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS</b> .....	<b>1</b>
<b>INFORMATION CONTAINED IN THIS CIRCULAR</b> .....	<b>2</b>
<b>RESTATEMENT OF FINANCIAL STATEMENTS</b> .....	<b>2</b>
<b>VOTING INFORMATION</b> .....	<b>3</b>
Solicitation of Proxies .....	3
Appointment and Revocation of Proxies.....	3
Voting of Proxies .....	4
Advice to Beneficial Holders .....	4
Voting Securities and Principal Holders Thereof .....	5
Quorum, Adjournment and Postponement.....	6
<b>THE REFINANCING TRANSACTIONS</b> .....	<b>7</b>
Background.....	7
Reasons for the Refinancing Transactions .....	8
Effect of the Refinancing Transactions.....	9
Summary of the Purchase Agreement and Backstop Commitment Letter.....	10
Purchase Agreement.....	10
Backstop Commitment Letter.....	14
Terms of the New Debentures .....	14
Senior Secured Debentures.....	15
Convertible Secured Debentures.....	16
Terms applicable to both Senior Secured Debentures and Convertible Secured Debentures.....	19
Security, Ranking and Priority of New Debentures .....	21
The Rights Offering .....	21
Waiver of the Application of the Shareholders Rights Plan.....	22
Risk Factors .....	24
<b>REGULATORY REQUIREMENTS RELATING TO THE REFINANCING TRANSACTIONS</b> .....	<b>27</b>
General.....	27
MI 61-101 Requirements .....	27
Minority Approval Requirements .....	27
Formal Valuation Requirements .....	27
TSX Requirements.....	28
<b>AMENDMENT TO THE EMPLOYMENT AGREEMENT OF THE EXECUTIVE CHAIRMAN</b> .....	<b>31</b>
<b>PARTICULARS OF THE MATTERS TO BE ACTED UPON</b> .....	<b>32</b>
Refinancing Resolution .....	32
MacDonald Employment Agreement Amendment Resolution.....	33
Other Matters.....	33
<b>INTEREST OF MANAGEMENT AND OTHERS IN MATTERS TO BE ACTED UPON</b> .....	<b>33</b>
<b>INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS</b> .....	<b>34</b>
<b>AUDITOR</b> .....	<b>34</b>
<b>ADDITIONAL INFORMATION</b> .....	<b>34</b>
<b>APPROVAL</b> .....	<b>34</b>

(This page has been left blank intentionally.)



**TUCKAMORE CAPITAL MANAGEMENT INC.**

130 King Street West  
Suite 2950  
Toronto, Ontario  
M5X 1B1 Canada

**MANAGEMENT INFORMATION CIRCULAR**

(all information is given as of January 25, 2016 unless otherwise provided)

**FORMATION OF TUCKAMORE CAPITAL MANAGEMENT INC.**

Pursuant to a Plan of Arrangement approved on March 25, 2011 by the unitholders of Newport Partners Income Fund (the “**Fund**”), on April 1, 2011, the Fund was converted from an open-ended income trust to Tuckamore Capital Management Inc. (formerly Newport Inc.), a corporation governed by the *Business Corporations Act* (Ontario) (the “**Corporation**” or “**Tuckamore**”). For ease of reference, the use of “Tuckamore” or the “Corporation” throughout this management information circular (the “**Circular**”) refers to the Corporation from and after April 1, 2011 and to the Fund for the period prior thereto. In this Circular, “directors” refer to directors of the board of directors (the “**Board**”) of the Corporation.

**CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS**

This Circular contains statements that may include forward-looking information within the meaning of applicable securities laws. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking statements may relate to management’s future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of Tuckamore which reflect management’s expectations, intentions, plans and beliefs. Without limitation, information regarding the expected performance of the Corporation, the expected timetable for completing the Refinancing Transactions (as defined in “*The Refinancing Transactions – Background*”), benefits of the Refinancing Transactions and future opportunities of the Corporation, the re-filing of the 2015 Q3 Financial Statements (as defined below), and the conditions precedent to the completion of the Refinancing Transactions constitute forward-looking statements. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management of Tuckamore.

Shareholders are cautioned not to place undue reliance on forward-looking statements. By their nature, forward-looking statements involve numerous assumptions, known and unknown risks and uncertainties, of both a general and specific nature, that could cause actual results to differ materially from those suggested by the forward-looking statements or contribute to the possibility that predictions, forecasts or projections will prove to be materially inaccurate. Assumptions upon which forward-looking statements related to the Refinancing Transactions are based include, without limitation, that Shareholders will approve the Refinancing Transactions and that all other conditions to the completion of the Refinancing Transactions will be satisfied or waived. Many of these assumptions are based on factors and events that are not within the control of Tuckamore and may not prove to be correct. Should one or more of these factors or events fail to materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results

may vary materially from those described herein as anticipated, believed, expected, planned, intended or estimated.

A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking statements including the risks outlined herein under the heading "*The Refinancing Transactions - Risk Factors*", which risks include, but are not limited to, failure to satisfy the conditions to complete the Refinancing Transactions, including failure to receive required regulatory, stock exchange, Shareholder or third party approvals and/or consents; the occurrence of any event, change or other circumstance that could give rise to the termination of the Purchase Agreement and Backstop Commitment Letter (each as defined herein); the delay of consummation of the Refinancing Transactions or the failure of the Refinancing Transactions to be completed for any other reason; and the amount of costs, fees and other expenses incurred in connection with the Refinancing Transactions.

The forward-looking statements contained in the Circular are made as of the date of the Circular. The Corporation undertakes no obligation to publicly update or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Undue reliance should not be placed on forward-looking statements.

### INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at January 25, 2016, except where otherwise noted. No person has been authorized to give information or to make any representations in connection with the Refinancing Transactions or any other matters described herein other than those contained in this Circular and, if given or made, any such information or representations should not be relied upon in making a decision as to how to vote on the Refinancing Resolution and the MacDonald Employment Agreement Amendment Resolution (as such terms are defined herein) or be considered to have been authorized by the Corporation. Shareholders should not construe the contents of this Circular as legal, tax, investment or financial advice and should consult with their own professional advisors in considering the relevant legal, tax, investment, financial or other matters contained in this Circular.

### RESTATEMENT OF FINANCIAL STATEMENTS

The Corporation anticipates filing a preliminary short form prospectus in connection with the proposed Rights Offering (as defined below) (see "*The Refinancing Transactions-The Rights Offering*"). The preliminary short form prospectus is anticipated to be filed during the week of January 25, 2016. As part of this filing, the Corporation will be re-filing its unaudited interim consolidated financial statements for the three and nine month periods ended September 30, 2015, together with the notes thereto, (the "**2015 Q3 Financial Statements**") and the applicable management's discussion and analysis of the financial condition and results of operations of the Corporation, as the previously filed 2015 Q3 Financial Statements had not been reviewed by the auditors of the Corporation, as permitted by applicable securities law.

In connection with the review engagement with its auditors, the Corporation will be restating the 2015 Q3 Financial Statements, in addition to certain note disclosure, to include the following:

- (a) The 2015 Q3 Financial Statements have been prepared on the basis of accounting principles applicable to a going concern, which assumes that the Corporation will continue in operation for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations. The Corporation, however, has two significant tranches of debt coming due on January 31, 2016 (in respect of the Credit Agreement (as defined below)) and March 23, 2016 (in respect of the Existing Debentures (as defined below)), and will require the continued support of its financial lenders. The Corporation is in the process of refinancing its business in order to continue as a going concern. In the event that the Corporation is unsuccessful or is unable to complete the Refinancing Transactions, there may be significant doubt as to the Corporation's ability to continue as a going concern.



- (b) In connection with the review of the 2015 Q3 Financial Statements, the Corporation has re-evaluated the carrying values of the assets of the cash generating units. Indicators of impairment were identified at Quantum Murray LP. Although revenues have increased over the same period in the prior year, the business has experienced losses and a decline in margins as management is in the final stages of rationalizing its cost structure and implementing business process improvements. As a result, it is expected that there will be a \$5,200,000 non-cash impairment charge to the assets of the Quantum Murray LP cash generating unit in the 2015 Q3 Financial Statements to be re-filed in connection with the Rights Offering.

Additionally, one of the conditions to the completion of the Refinancing Transactions is the obligation of the Corporation to provide evidence of the disposition of certain assets of the Corporation (other than the assets of ClearStream Energy Holdings LP). The Corporation has been actively pursuing the sale of sufficient assets as required by the Indentures (as defined below) (see also "*The Refinancing Transactions - Summary of the Purchase Agreement and Backstop Commitment Letter – Purchase Agreement – Conditions in Favour of Canso*"). Based on expressions of interest received to date by the Corporation, the value of the asset sales will be significantly less than the carrying value of these assets, and the proceeds of any such sales will result in additional downward adjustment to the carrying values of such assets and liabilities to reflect the value at which these assets are ultimately sold, if at all. Such additional non-cash adjustments will be material to the Corporation's financial statements.

## VOTING INFORMATION

### Solicitation of Proxies

This Circular is furnished in connection with **the solicitation of proxies by and on behalf of management** for use at the special meeting of shareholders (the "**Shareholders**") of the Corporation (the "**Meeting**") to be held at the time and place and for the purposes set forth in the notice of meeting of Shareholders accompanying this Circular (the "**Notice of Meeting**").

It is expected that the solicitation of proxies will be by mail, but proxies may also be solicited personally, by telephone or by other forms of electronic communication by directors, management and employees of the Corporation. Tuckamore may also reimburse brokers and other persons holding shares in their name or in the name of nominees for their costs incurred in sending proxy material to their principals in order to obtain their proxies. All costs of the solicitation will be borne by Tuckamore.

The Corporation will not be relying on the notice and access delivery procedures outlined in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* of the Canadian Securities Administrators ("**NI 54-101**") to distribute copies of proxy-related materials in connection with the Meeting.

### Appointment and Revocation of Proxies

The persons named in the enclosed form of proxy are Keith Halbert, Chief Financial Officer of the Corporation, and Pranay Naik, Director of Finance of the Corporation. **Each Shareholder is entitled to appoint a person or company (who need not be a Shareholder) other than the individuals named in the enclosed form of proxy to represent such Shareholder at the Meeting. A Shareholder desiring to appoint some other person or company to represent him, her or it at the Meeting may do so by inserting the desired person's or company's name in the blank space provided in the form of proxy and depositing the completed and signed proxy with CST Trust Company. All completed and signed proxies should be deposited by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502, or toll free (in Canada and the U.S. only) to 1-866-781-3111, by email of a scan copy to proxy@canstockta.com or in person at 320 Bay Street, Basement Level, Toronto, Ontario, M5H 4A6 not later than 10:00 a.m. (Toronto time) on Wednesday, February 17, 2016, or not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto) before any adjourned or postponed meeting. Late proxies may be accepted or rejected by the Chair of the Meeting at his or her discretion and the Chair of the Meeting is under no obligation to accept or reject any particular late proxy. The Chair of the Meeting**

**may waive or extend this time limit for the receipt of completed proxies by CST Trust Company without notice.**

A proxy given pursuant to this solicitation may be revoked by an instrument in writing, including another proxy bearing a later date, executed by the Shareholder or by his or her attorney authorized in writing, and deposited with CST Trust Company by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502, or toll free (in Canada and the U.S. only) to 1-866-781-3111, by email of a scan copy to proxy@canstockta.com or in person at 320 Bay Street, Basement Level, Toronto, Ontario, M5H 4A6 not later than 5:00 p.m. (Toronto time) on February 18, 2016, or not later than 5:00 p.m. (Toronto time) on the business day immediately preceding any adjourned or postponed meeting, or with the Chair of the Meeting on the day of, but prior to the commencement of, the Meeting or any adjournment(s) or postponement(s) thereof, or in any other manner permitted by law.

### **Voting of Proxies**

The common shares of Tuckamore (the “**Common Shares**”) represented by the proxies which are hereby solicited will be voted or withheld from voting in accordance with the instructions of the Shareholder on any ballot that may be called for and, if the Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly. Where a Shareholder fails to specify a choice with respect to a matter referred to in the Notice of Meeting, the persons named in the enclosed form of proxy will vote the Common Shares represented by such proxy **IN FAVOUR** of the matters proposed by management at the Meeting.

**The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters that may properly come before the Meeting or any adjournment(s) or postponement(s) thereof, to the fullest extent permitted by law, whether or not such amendment, variation or other matter is routine or contested. As at the date hereof, the Corporation does not know of any amendments, variations or other matters to come before the Meeting. However, if any amendments or variations to matters identified in the Notice of Meeting or any other matters which are not now known to management should properly come before the Meeting or any adjournment or postponement thereof, the Common Shares represented by properly executed proxies given in favour of the persons designated by management of the Corporation in the enclosed form of proxy will be voted on such matters pursuant to such discretionary authority.**

### **Advice to Beneficial Holders**

**Only registered Shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting.** Most Common Shares of Tuckamore trade in the “book-entry only” system where shares beneficially owned by a person (a “**Beneficial Holder**”) are registered in the name of CDS & Co., the nominee of CDS Clearing and Depository Services Inc. (the “**Depository**”).

In accordance with the requirements of NI 54-101, Tuckamore will have distributed copies of the Notice of Meeting, this Circular and the accompanying form of proxy (collectively, the “**Meeting Materials**”) to the Depository for onward distribution to Beneficial Holders. “**Intermediaries**” such as, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans are required to forward the Meeting Materials to Beneficial Holders, unless a Beneficial Holder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Holders. The Corporation will pay for an Intermediary to deliver the Meeting Materials to non-registered Shareholders who are “OBOs” (as defined in NI 54-101), including a voting instruction form. Generally, Beneficial Holders who have not waived the right to receive Meeting Materials will either:

- be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Common Shares beneficially owned by the Beneficial Holder but which is otherwise not completed. In this case, the Beneficial Holder who wishes to submit a proxy should properly complete the form of proxy and submit it to Tuckamore, c/o CST Trust Company by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502, or toll free (in Canada and the U.S. only) to 1-866-781-3111, by email of a scan copy to proxy@canstockta.com

or in person at 320 Bay Street, Basement Level, Toronto, Ontario, M5H 4A6 not later than 10:00 a.m. (Toronto time) on Wednesday, February 17, 2016 or not later than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto) before any adjourned or postponed Meeting; or

- more typically, be given a voting instruction form which is not signed by the Intermediary and which must be properly completed and signed by the Beneficial Holder and returned to the Intermediary in accordance with the instructions of the Intermediary or Depository.

The purpose of these procedures is to permit Beneficial Holders to direct the voting of the Common Shares that they beneficially own. **Should a Beneficial Holder wish to attend and vote at the Meeting, or any adjournment(s) or postponement(s) thereof, in person (or to have another person appointed as proxyholder to attend and vote on behalf of the Beneficial Holder), the Beneficial Holder should follow the procedure in the request for voting instructions provided by or on behalf of the Intermediary or Depository and request a form of legal proxy which will grant the Beneficial Holder the right to attend the Meeting, and any adjournment(s) or postponement(s) thereof, and vote in person. Beneficial Holders should carefully follow the instructions of their Intermediary or Depository, including those regarding when and where the proxy or voting instruction form is to be delivered.**

A Beneficial Holder may revoke a proxy or voting instruction form which has been given to an Intermediary or Depository by written notice to the Intermediary or Depository or by submitting a proxy or voting instruction form bearing a later date. In order to ensure that an Intermediary or Depository acts upon a revocation of a proxy or voting instruction form, the written notice should be received by the Intermediary or Depository well in advance of the time by which the Intermediary or Depository is required to deposit the revocation of proxy or new proxy. See *"Voting Information - Appointment and Revocation of Proxies"*.

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

January 12, 2016 was the record date for the purposes of determining the Shareholders entitled to receive notice of and to vote at the Meeting (the **"Record Date"**). As at the Record Date and the date hereof, Tuckamore had 109,941,241 Common Shares outstanding, and each Shareholder is entitled to one vote per Common Share. The Corporation is also authorized to issue non-voting preferred shares (**"Non-Voting Shares"**) which are issuable in series with such rights, privileges, restrictions and conditions as determined by the Board, and are to be limited in number to an amount equal to one half of the issued and outstanding Common Shares at the time of issuance of such Non-Voting Shares. Unless the articles of the Corporation provide otherwise with respect to any series of the Non-Voting Shares, the holders of Non-Voting Shares are not entitled to receive any notice of or attend meetings of Shareholders and are not entitled to vote at any such meeting except where required or entitled by law separately as a class or series, in which case holders of Non-Voting Shares are entitled to one vote per Non-Voting Share. As at the Record Date and the date hereof, Tuckamore had no Non-Voting Shares outstanding.

To the knowledge of the Board and management of the Corporation, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares other than as follows: (a) Newport Private Wealth Inc. which, in its capacity as investment manager for discretionary client accounts, had control or direction over 22,717,121 Common Shares (representing approximately 20.66% of the outstanding Common Shares on an undiluted basis) as at the Record Date, with 2,525,327 of those Common Shares beneficially owned or controlled by directors and officers of the Corporation; (b) Canso Investment Counsel Ltd. (**"Canso"**), which, as of the Record Date, owned, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, 17,680,650 Common Shares (representing approximately 16.1% of the outstanding Common Shares on an undiluted basis) and (c) Orange Capital Master I, Ltd. which owned as of the Record Date 16,666,667 Common Shares (representing approximately 15.15% of the outstanding Common Shares on an undiluted basis).

**Quorum, Adjournment and Postponement**

Pursuant to the by-laws of Tuckamore, a quorum for the Meeting is two Shareholders personally present and representing, either in their own right or by proxy, not less than 25% of the Common Shares then outstanding.

The proxies submitted for the Meeting remain valid for purposes of voting at any adjourned or postponed Meeting. Consequently, a Shareholder is not required to re-submit his or her proxy form for the purposes of any adjourned or postponed Meeting.

## THE REFINANCING TRANSACTIONS

### Background

Since the completion of the conversion from an income fund structure into a corporate structure in April 2011, the Board and management of the Corporation have regularly considered, investigated and evaluated opportunities that could enhance Shareholder value. These opportunities have included the consideration of potential transactions with various strategic partners as well as with other interested parties. The Board also regularly reviews and considers market conditions, including factors that affect the business, operations, financial condition and affairs of Tuckamore and its subsidiaries. More specifically, in order to manage the Corporation through increasingly difficult market conditions in 2015, the Board has considered various alternatives in the pursuit of financing solutions to repay the existing 8.00% secured debentures of the Corporation due March 23, 2016 (the “**Existing Debentures**”) issued pursuant to the secured trust indenture dated as of March 23, 2011 as amended by a first supplemental indenture dated as of March 31, 2011 and a second supplemental indenture dated as of June 29, 2011 between Newport Partners Income Fund (as predecessor to Tuckamore), as issuer, and BNY Trust Company of Canada, as debenture trustee, as well as its existing third amended and restated credit agreement dated as of March 9, 2012 (as amended, the “**Credit Agreement**”).

To assist the Corporation, and in light of the impending debt repayment obligations of the Corporation in connection with the Credit Agreement and the Existing Debentures, in 2014, the Board asked Canaccord Genuity Corp. (“**Canaccord**”), as part of its continuing engagement as financial advisor to the Corporation, to investigate, develop and pursue potential opportunities for debt and equity financing sufficient to enable the Corporation to meet its debt repayment obligations.

In December 2014, Canaccord along with management of the Corporation met with representatives of Canso and engaged in preliminary discussions around the maturity of the Existing Debentures. Discussions continued with Canso until February 2015, at which point discussions ceased.

Over the course of 2014 and 2015, Canaccord met with numerous potential financing sources, both with and without management of the Corporation present, in order to elicit potential refinancing proposals and the Corporation entered into confidentiality agreements with more than 20 potential financing sources. The Board was provided with regular updates as to the progress of these endeavours.

In light of the unfavourability of the terms of the expressions of interest received, the Corporation and its financial advisors re-engaged in discussions with Canso in October of 2015.

On November 12, 2015, the Board met to discuss the status of the refinancing proposals received to date. The Board reviewed the proposals based on a number of criteria, including, without limitation: (a) the ability to enable a sustainable capital structure and business model and enhance the future viability of the Corporation; (b) the ability of existing Shareholders to participate meaningfully in the transaction; (c) the certainty of the transaction’s execution; and (d) the potential to preserve and increase long-term Shareholder value.

After input from management of the Corporation as well as the financial and legal advisors to the Corporation, the Board determined that the proposal presented by Canso was the most favourable to the Corporation and instructed that management of the Corporation, along with the legal and financial advisors, proceed to advance the proposal from Canso and crystallize its terms.

On December 18, 2015, the Board met to review the terms of a proposed engagement letter from Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, setting forth the terms of the Refinancing Transactions. The Board authorized management to finalize the negotiation of the engagement and delegated the authority to management of the Corporation to enter into an engagement with Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, upon the resolution of certain outstanding items.

On December 22, 2015, the Corporation announced that it had entered into a non-binding engagement with Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, to support and provide capital for certain proposed senior debt issuances by Tuckamore. Such senior debt issuances, which are intended to refinance certain existing debt of the Corporation including the Existing Debentures and to provide additional cash to fund ongoing working capital requirements, are contemplated to consist of:

- (a) the issuance of 8.00% senior secured debentures due 2026 of the Corporation (the “**Senior Secured Debentures**”) in the principal amount of \$176,228,000 which shall be issued as follows: (x) a minimum of \$130,000,000 to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and (y) up to \$46,228,000 to accredited investors that subscribe for Senior Secured Debentures, provided that any such Senior Secured Debentures not issued to such other investors shall be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (the “**Senior Secured Debenture Private Placement**”); and
- (b) the issuance of 10.00% second lien secured convertible debentures due 2026 (the “**Convertible Secured Debentures**”) and together with the Senior Secured Debentures, the “**New Debentures**”) in the principal amount of \$35,000,000 convertible into up to 260,273,493 Common Shares (including Common Shares issuable upon the conversion of PIK Debentures (as defined below)) which shall be issued as follows: (x) a minimum of \$25,000,000 to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages (the “**Convertible Secured Debenture Private Placement**”), and (y) up to \$10,000,000 to existing Shareholders of the Corporation pursuant to an offering of transferable rights (the “**Rights Offering**”), provided that any such Convertible Secured Debentures not subscribed for pursuant to the Rights Offering shall be purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as part of the Convertible Secured Debenture Private Placement (the Rights Offering, together with the Senior Secured Debenture Private Placement and Convertible Secured Debenture Private Placement, the “**Refinancing Transactions**”).

After further negotiations, on January 25, 2016 the Corporation and Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, entered into a purchase agreement (the “**Purchase Agreement**”) and backstop commitment letter (the “**Backstop Commitment Letter**”) concerning the Refinancing Transactions. A summary of the terms of the Purchase Agreement and Backstop Commitment Letter is set out under “*Summary of the Purchase Agreement and Backstop Commitment Letter*”, a summary of the terms of the Senior Secured Debentures and the Convertible Secured Debentures is set out under “*Terms of the New Debentures*” and a summary of the Rights Offering is set out under “*The Rights Offering*”.

### **Reasons for the Refinancing Transactions**

At the Meeting, Shareholders will be asked to consider, and if deemed advisable pass, with or without variation, as an ordinary resolution, the Refinancing Resolution authorizing and approving the Refinancing Transactions (see “*Particulars of the Matters to be Acted Upon – Refinancing Resolution*”).

In evaluating and approving the Refinancing Transactions and in determining whether to enter into the Purchase Agreement and Backstop Commitment Letter and to pursue the Refinancing Transactions, the Board gave careful consideration to a number of factors including, without limitation:

- (a) the fact that although Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, is currently a significant share and debt holder of the Corporation and has never had any board or management representation or access to material undisclosed information;
- (b) the advice of Canaccord, the financial advisors to the Corporation, following an exhaustive search for refinancing alternatives;

- (c) the fact that the Refinancing Transactions enable a sustainable capital structure and business model and contribute to the future viability of the Corporation;
- (d) the ability of existing Shareholders to participate meaningfully in the Refinancing Transactions through participation in the Rights Offering;
- (e) the execution certainty provided by Canso;
- (f) the potential of the Refinancing Transactions to preserve and increase long-term value for Shareholders; and
- (g) the fact that in connection with the Rights Offering, the Corporation will be filing a prospectus that will contain full, true and plain disclosure of all material facts relating to the securities offered under the Rights Offering, as required by applicable securities laws.

The foregoing factors considered by the Board are not intended to be exhaustive, but address the major factors considered by the Board in its consideration of the Refinancing Transactions. In view of the numerous criteria considered by the Board in connection with its evaluation of the Refinancing Transactions, the Board did not find it practicable to, and did not, quantify or otherwise attempt to assign relative weight to specific criteria in reaching its conclusion and the recommendations set out in this Circular. In addition, individual members of the Board may have given different weight to different criteria.

After considering, among other things, the reasons set forth above, the Board, on the advice of Canaccord, has unanimously approved the entering into of the Purchase Agreement and the Backstop Commitment Letter. Completion of the Refinancing Transactions is conditional upon, among other things, the approval of the Refinancing Resolution at the Meeting.

**The Board has unanimously concluded that the Refinancing Transactions are in the best interests of the Corporation and recommends that Shareholders vote IN FAVOUR of the Refinancing Resolution.**

### Effect of the Refinancing Transactions

The following table shows the anticipated effect of the Refinancing Transactions on the Corporation's capital structure:

	<u>Actual</u>	<u>After giving effect to the Refinancing Transactions</u>
	('000)	('000)
Current liabilities	\$78,445	\$78,445
Credit Agreement	\$58,515	-
BMO Facility Credit Agreement <sup>(1)</sup>	-	\$32,515
Long term liabilities	\$9,198	\$9,198
Existing Debentures	\$172,414	-
Senior Secured Debentures	-	\$166,228 <sup>(2)</sup>
Convertible Secured Debentures	-	\$36,000 <sup>(3)</sup>
Shareholders' equity	\$42,791	\$38,977 <sup>(4)</sup>

(1) See "The Refinancing Transactions – Terms of the New Debentures – Security, Ranking and Priority of New Debentures".

(2) The Senior Secured Debentures have been reduced by an estimated \$10,000 in financing costs.

(3) Assumes the issuance of Convertible Secured Debentures in the principal amount of up to \$1,000,000 to Dean MacDonald on the Effective Date (as defined below) pursuant to the MacDonald Employment Agreement Amendment (see "Amendment to the Employment Agreement of the Executive Chairman").

(4) Shareholder's equity is reduced by \$3,814 of amortization of financing costs relating to the maturing Existing Debentures.

## Summary of the Purchase Agreement and Backstop Commitment Letter

The Refinancing Transactions are subject to the terms of the Purchase Agreement and Backstop Commitment Letter pursuant to which Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, has agreed to participate in the Refinancing Transactions, all subject to the terms and conditions set forth therein. The following is a summary of certain principal terms of the Purchase Agreement and Backstop Commitment Letter. This summary is qualified in its entirety by the full text of each of the Purchase Agreement and Backstop Commitment Letter, which have been filed and are available electronically on SEDAR at [www.sedar.com](http://www.sedar.com) under the Corporation's profile.

### Purchase Agreement

Pursuant to the Purchase Agreement, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, agreed to purchase (a) \$130,000,000 Senior Secured Debentures; and (b) \$25,000,000 Convertible Secured Debentures (together, the **"Purchased Debentures"**). Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and the Corporation have also entered into the Backstop Commitment Letter, pursuant to which Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may purchase additional Senior Secured Debentures and/or Convertible Secured Debentures (see *"The Refinancing Transactions – Summary of the Purchase Agreement and Backstop Commitment Letter – Backstop Commitment Letter"* below).

#### *Representations and Warranties*

The Corporation has made certain customary representations and warranties in the Purchase Agreement in respect of the following matters, among other things: incorporation and organization; compliance with applicable laws and licenses; corporate authorization; execution and delivery of the Purchase Agreement, Backstop Commitment Letter and other Transaction Agreements (as such term is defined in the Purchase Agreement); authorization of issuance of the New Debentures and Common Shares issuable upon conversion of the Convertible Secured Debentures; absence of conflict or breach; capitalization; securities law matters; absence of certain changes, transactions or events; litigation; required filings and consents; financial statements; disclosure of material change; and stock exchange matters. Certain of the representations and warranties of the Corporation contained in the Purchase Agreement are qualified by the Corporation's publicly filed disclosure documents.

Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, has made certain representations and warranties in the Purchase Agreement in respect of the following matters, among other things: support of the Refinancing Transactions and the Refinancing Resolution at the Meeting; securities law matters; incorporation and organization; corporate authorization; and execution and delivery of the Purchase Agreement.

#### *Canso's Acknowledgements and Covenants*

Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, has made certain customary acknowledgements in the Purchase Agreement in respect of the following matters, among other things: that the New Debentures and underlying Common Shares will not be qualified for distribution by a prospectus in Canada (other than Convertible Secured Debentures offered under the Rights Offering) or registered under U.S. securities laws; personal information; required filings; legended certificates; and a standstill in effect until closing of the Refinancing Transactions preventing Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, from, between the date of the Purchase Agreement and the Closing Date (as defined in the Purchase Agreement) directly or indirectly selling, lending, gifting, assigning, pledging (other than Common Shares held in prime brokerage accounts which are currently or may be pledged by virtue of the nature of Canso's prime brokerage arrangement), encumbering, hypothecating or otherwise transferring any of Common Shares which it has the power to vote to approve the Refinancing Transactions or enter into any agreement or understanding in connection therewith, unless the transferee of such Common Shares agrees to vote such Common Shares in favour of the Refinancing Transactions or any other transactions contemplated by the Purchase Agreement or any of the Transaction Agreements.



### *Tuckamore's Covenants*

Tuckamore has provided certain covenants in the Purchase Agreement in favour of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in respect of the following matters, among other things, to: notify Canso in writing (until the earlier of the termination of the Purchase Agreement and the Closing Date) of any written demand, request or inquiry (formal or informal) by any securities commission, the TSX or other Governmental Entity (as defined in the Purchase Agreement) that concerns any matter relating to the affairs of the Corporation that may materially adversely affect the transactions contemplated in the Transaction Agreements; use commercially reasonable efforts to cause the listing of the Convertible Secured Debentures and Common Shares issuable on conversion of the Convertible Secured Debentures on the TSX; pay all reasonable and documented out-of-pocket costs, expenses, fees and disbursements (including, without limitation, reasonable and documented legal fees and expenses and due diligence expenses) of Canso, its affiliates and its counsel incurred in connection with the preparation, review, negotiation, execution and delivery of the Transaction Agreements and all other agreements, memoranda, correspondence and documents prepared and delivered in connection with the Refinancing Transactions, the Purchase Agreement and any other Transaction Agreements; use of the net proceeds in connection with the sale of the Senior Secured Debentures and the Convertible Secured Debentures; use its commercially reasonable efforts to obtain all necessary consents, approvals or exemptions necessary for the completion of the transactions contemplated in the Purchase Agreement and the Transaction Agreements; pursue, support and use commercially reasonable efforts to complete, in good faith, the transactions contemplated by the Purchase Agreement and the Transaction Agreements; do and perform all things required to be done and performed under the Purchase Agreement or any Transaction Agreement; not take any action, directly or indirectly, that is materially inconsistent with, or is intended or is likely to interfere with the consummation of the transactions contemplated by the Purchase Agreement and the other Transaction Agreements; take all actions as may be necessary and appropriate so that the transactions contemplated in the Purchase Agreement and in the other Transaction Agreements and the Rights Offering will be effected in accordance with applicable securities laws; and comply with certain customary covenants during the period from the date of the Purchase Agreement up to the earlier of the termination of the Purchase Agreement and the Closing Time (as defined in the Purchase Agreement).

The Corporation has also agreed to certain post-closing covenants with Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, for so long as Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, holds any Senior Secured Debentures or 5% or more of the Common Shares, including that a majority of the directors of the Corporation shall be independent within the meaning of section 1.5 of National Instrument 52-110 - *Audit Committees*. In respect of such post-closing covenant, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and Tuckamore have agreed that Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, will be entitled to seek equitable relief, including injunctive relief and specific performance.

Additionally, the Corporation has agreed to pay all reasonable and documented out-of-pocket costs, expenses, fees and disbursements (including, without limitation, reasonable and documented legal fees and expenses and due diligence expenses) of Canso, its affiliates and its counsel up to a maximum of \$10,000 incurred in connection with any application for relief from the Ontario Securities Commission in respect of section 111 of the *Securities Act* (Ontario) (or any successor provision) in respect of the conversion of any Convertible Secured Debentures purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages.

### *Mutual Conditions*

The respective obligations of each of the Corporation and Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, to complete the issuance by the Corporation and purchase by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, of the Purchased Debentures is subject to there being no Actions (as defined in the Purchase Agreement) in progress, or to the knowledge of the Corporation or Canso, pending or threatened, by or before any Governmental Entity in any jurisdiction, to enjoin, restrict or prohibit the issuance of the New Debentures or

the Common Shares issuable upon conversion of the Convertible Secured Debentures or suspending or ceasing the trading of any securities of the Corporation (the “**Mutual Condition**”).

*Conditions in Favour of Canso*

The obligation of Canso to complete the purchase of the Purchased Debentures, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, on the Closing Date is subject to the following conditions (collectively, the “**Canso Conditions**”) being satisfied in full, which conditions are for the exclusive benefit of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, any of which may be waived, in whole or in part, by Canso, in its sole and absolute discretion:

- Tuckamore will have taken all requisite actions, including the passing of all requisite resolutions of the directors of the Corporation and obtaining requisite Shareholder approval on or before March 23, 2016, and have made and/or obtained all necessary filings, approvals, orders, rulings and consents of all relevant securities regulatory authorities and other Governmental Entities, required in connection with the issuance and delivery of the Senior Secured Debentures and the purchase of the Purchased Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as contemplated by the Purchase Agreement and the Senior Secured Indenture or Convertible Secured Indenture (as each such term is defined below), as the case may be;
- Canso will have received a legal opinion dated as of the Closing Date from Canadian counsel to the Corporation with respect to the matters set forth in the Purchase Agreement in the form and substance satisfactory to Canso, acting reasonably;
- Tuckamore will have entered into each of the Transaction Agreements to be entered into on or prior to the Closing Date in the form of each such document as agreed upon with Canso, which agreements will remain in full force and effect, unamended, as at the Closing Time (except for amendments made with the prior written consent of Canso, in its sole and absolute discretion);
- Tuckamore will have entered into a registration rights agreement with Canso on or prior to the Closing Date in form and substance satisfactory to Canso and the Corporation, acting reasonably;
- Canso will have received at the Closing Time a certificate or certificates dated the Closing Date and signed on behalf of the Corporation by the Executive Chairman and the Chief Financial Officer of the Corporation or such other officers of the Corporation acceptable to Canso, acting reasonably, in form and content satisfactory to Canso, acting reasonably, addressed to Canso certifying for and on behalf of the Corporations certain matters set out in the Purchase Agreement;
- the conditions set forth in section 2.5 of the Senior Secured Indenture and section 2.5 of the Convertible Secured Indenture (which include, without limitation, the termination of the Credit Agreement and the entering into of the BMO Facility Credit Agreement (as defined below) and the disposition of certain assets of the Corporation or its subsidiaries for aggregate net proceeds of not less than \$16,500,000) shall be fully satisfied or waived in accordance with the terms of the Senior Secured Indenture or Convertible Secured Indenture, as the case may be, on or prior to the Closing Date;
- the New Debentures, when issued and delivered, shall be duly authorized and validly issued;
- the Shareholders shall have approved such waivers from the Rights Plan as contemplated under “*The Refinancing Transactions – Waiver of the Application of the Shareholder Rights Plan*”;
- all material filings under applicable securities laws that are required for the implementation of the Refinancing Transactions and the consummation of the transactions contemplated by the Transaction Agreements shall have been made; and

- there shall not have occurred, after the date of the Purchase Agreement, a Material Adverse Change (as defined in the Purchase Agreement).

*Conditions in Favour of Tuckamore*

The obligation of the Corporation to issue the Purchased Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, is subject to the following conditions (the “**Tuckamore Conditions**”) being satisfied, which conditions are for the exclusive benefit of the Corporation, and which may be waived, in whole or in part, by the Corporation, in its sole and absolute discretion:

- the Corporation will have obtained requisite approval of Shareholders on or before March 23, 2016 and conditional approval of the TSX in respect of the purchase of the Convertible Secured Debentures pursuant to the Purchase Agreement and the listing of the Convertible Secured Debentures and Common Shares issuable on conversion of the Convertible Secured Debentures on the TSX;
- the Corporation will have received at the Closing Time a certificate or certificates dated the Closing Date and signed on behalf of Canso by such officer of Canso acceptable to the Corporation, acting reasonably, addressed to the Corporation certifying for and on behalf of Canso (and without personal liability) certain matters set out in the Purchase Agreement; and
- Tuckamore shall have received (a) the Purchase Price (as defined in the Purchase Agreement); and (b) the aggregate principal amount of the Backstopped Debentures (as defined below) delivered in accordance with the Backstop Commitment Letter.

*Indemnification*

Pursuant to the Purchase Agreement, the Corporation has agreed to indemnify and hold harmless Canso, for and on behalf of itself and for and on behalf of certain accounts that it manages and in trust for each of the accounts that it manages and their respective directors, officers, employees, advisors and agents from and against any and all losses, claims, damages, liabilities, costs or expenses of any kind or nature (including reasonable legal expenses) caused or incurred as a result of any claim brought against such person by reason of or in any way arising, directly or indirectly, out of:

- any order made or inquiry, investigation or proceeding commenced or threatened by any securities commission, or other competent authority in Canada or before or by any Governmental Entity, based upon or relating to the issuance of the Purchased Debentures or the Common Shares issuable upon conversion of the Convertible Secured Debentures or the other transactions contemplated in the Purchase Agreement including, without limitation, any actions taken or statements made by or on behalf of the Corporation in connection with the issuance of the Purchased Debentures or the other transactions contemplated in the Purchase Agreement;
- the non-compliance or alleged non-compliance by the Corporation with any requirement of applicable securities laws or any other applicable laws in connection with the issuance of the Purchased Debentures or the Common Shares issuable upon conversion of the Convertible Secured Debentures or the other transactions contemplated in the Purchase Agreement; and/or
- any breach or default of or under any representation, warranty, covenant or agreement of the Corporation contained in the Purchase Agreement.

### *Termination Rights*

Either the Corporation or Canso may terminate and cancel its obligations under the Purchase Agreement, without any liability on its part, if the Mutual Condition is not satisfied on the Closing Date.

Canso may terminate and cancel its obligations under the Purchase Agreement, without any liability on its part, if the Canso Conditions have not been satisfied on the Closing Date, and/or have, at any time and for any reason, become incapable of being satisfied by the Closing Date.

The Corporation may terminate and cancel its obligations under the Purchase Agreement, without any liability on its part, if the Tuckamore Conditions have not been satisfied on the Closing Date, and/or have, at any time and for any reason, become incapable of being satisfied by the Closing Date.

### Backstop Commitment Letter

As set out above, pursuant to the terms of the Purchase Agreement, Canso has agreed to purchase, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, an aggregate principal amount of \$130,000,000 Senior Secured Debentures and an aggregate principal amount of \$25,000,000 Convertible Secured Debentures pursuant to the terms of the Purchase Agreement. The Corporation has advised Canso that the Corporation will offer the remaining \$46,228,000 Senior Secured Debentures (the "**Remaining Senior Secured Debentures**") under the Senior Secured Debenture Private Placement to accredited investors and the remaining \$10,000,000 Convertible Secured Debentures (the "**Remaining Convertible Secured Debentures**", and together with the Remaining Senior Secured Debentures, the "**Backstopped Debentures**") to existing Shareholders pursuant to the Rights Offering (see "*The Rights Offering*" below).

Pursuant to the Backstop Commitment Letter, Canso has confirmed its commitment to the Corporation to purchase, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, the Backstopped Debentures, upon the terms and subject to the conditions set forth in the Purchase Agreement and the Backstop Commitment Letter at a price equal to the aggregate principal amount of the Backstopped Debentures (the commitment of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, being referred to as the "**Backstop Commitment**"). For greater certainty, the Purchase Agreement shall govern all Backstopped Debentures purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages.

Pursuant to the Backstop Commitment Letter, the Corporation shall provide Canso written notice (a) with respect to the Senior Secured Debenture Private Placement of the Remaining Senior Secured Debentures, no later than five business days prior to the Closing Date, as to the principal amount of the Remaining Senior Secured Debentures that are not subject to a binding commitment to purchase on the Closing Date, and (b) with respect to the Rights Offering, on the expiry date of the Rights Offering, as to the principal amount of the Remaining Convertible Secured Debentures that have not been subscribed for pursuant to the Rights Offering.

The Backstop Commitment Letter and Canso's obligations thereunder terminate on the earlier of (a) the issuance of the Backstopped Debentures on the Closing Date, and (b) termination of the Purchase Agreement pursuant to and in accordance with its terms (see "*Purchase Agreement – Termination Rights*" above).

### **Terms of the New Debentures**

The following is a summary of material terms of the Senior Secured Debentures and the Convertible Secured Debentures as well as the Senior Secured Indenture and the Convertible Secured Indenture. Although the material terms of the Senior Secured Debentures and the Convertible Secured Debentures as well as the Senior Secured Indenture and the Convertible Secured Indenture are settled and are summarized below in this Circular, the Senior Secured Indenture and the Convertible Secured Indenture have not been finalized as of the date of this Circular. Reference should be made to the Senior Secured Indenture and the Convertible Secured Indenture, the forms of which are substantially settled and contained within the Purchase Agreement and the final versions of which will be filed on SEDAR at [www.sedar.com](http://www.sedar.com) under the Corporation's profile on or promptly following the Effective Date (as defined below). Certain terms applicable to both the Senior Secured Debentures and the Convertible Secured Debentures are set out under "*The Refinancing Transactions*

– *Terms of the New Debentures - Terms Applicable to both Senior Secured Debentures and Convertible Secured Debentures*”.

### Senior Secured Debentures

#### *Trustee*

The Senior Secured Debentures will be issued pursuant to a senior secured trust indenture (the “**Senior Secured Indenture**”) to be dated as of the date of issue (the “**Effective Date**”) and to be entered into between the Corporation and BNY Trust Company of Canada (in such capacity, the “**Senior Debenture Trustee**”).

#### *Amount*

The aggregate principal amount of Senior Secured Debentures authorized for issue under the Senior Secured Indenture will be \$176,228,000. The Senior Secured Debentures will be issuable in denominations of \$100 and integral multiples thereof.

#### *Maturity*

The Senior Secured Debentures will be dated as of the Effective Date. Subject to the certain redemption provisions, the Corporation shall repay the principal amount of the Senior Secured Debentures on the date that is ten (10) years from the Effective Date (the “**Maturity Date**”).

#### *Interest*

The Senior Secured Debentures will bear interest from and including the date of issue at the rate of 8.00% per annum, payable in cash semi-annually in arrears on June 30 and December 31 of each year (each, an “**Interest Payment Date**”), commencing on June 30, 2016. Regardless of the date of issue, the first interest payment will include interest accrued from the Effective Date up to, but excluding, June 30, 2016.

#### *Redemption*

The Corporation may redeem the Senior Secured Debentures, in whole or in part, at a redemption price equal to the greater of (a) the Canada Yield Price<sup>1</sup>, and (b) 101% of the aggregate principal amount of Senior Secured Debentures redeemed, at any time on or before the Maturity Date. The Corporation shall also pay accrued and unpaid interest on the Senior Secured Debentures so redeemed up to but excluding the Redemption Date<sup>2</sup>. The Corporation shall also, in certain cases as described in the Senior Secured Indenture, be required to redeem in whole or in part the Senior Secured Debentures, at a redemption price equal to the principal amount of the Senior Secured Debentures to be redeemed, in advance of the Maturity Date. In such cases, the Corporation shall also pay accrued and unpaid interest on the Senior Secured Debentures so redeemed up to but excluding the applicable Redemption Date.

---

<sup>1</sup> “**Canada Yield Price**” means, with respect to any Convertible Secured Debentures or Senior Secured Debentures being redeemed by the Corporation, or in respect of which the maturity has been accelerated in accordance with the Convertible Secured Indenture or Senior Secured Indenture, as the case may be, the price for such Convertible Secured Debentures or Senior Secured Debentures, as the case may be, as determined by an independent member of the Investment Industry Regulatory Organization of Canada selected by the Corporation, as of the business day immediately preceding the date on which the relevant notice of redemption, Change of Control Notice (as defined below) or notice of acceleration, as applicable, is given, equal to the sum of the present values of all remaining scheduled payments of principal and interest on such Convertible Secured Debentures or Senior Secured Debentures, as the case may be (not including any portion of the scheduled payments of interest accrued as of the relevant Redemption Date, Put Date (as defined below) or acceleration date, as applicable, up to and including the Maturity Date, discounted from the relevant Interest Payment Date to the applicable Redemption Date, Put Date or acceleration date, as applicable, using a discount rate equal to the sum of the applicable Canada Bond Yield (as defined in the Indentures) plus 100 basis points.

<sup>2</sup> “**Redemption Date**” means (a) in respect of Senior Secured Debentures, the date fixed for redemption of Senior Secured Debentures in accordance with the Senior Secured Indenture; and (b) in respect of Convertible Secured Debentures, the date fixed for redemption of Convertible Secured Debentures in accordance with the Convertible Secured Indenture.

### *Covenants*

The Corporation will provide to the Senior Debenture Trustee (for its benefit and for the benefit of the holders of Senior Secured Debentures) covenants that are customary for transactions of this nature and that are substantially similar to the covenants to be given to the Convertible Debenture Trustee (as defined below) (for its benefit and for the benefit of the holders of Convertible Secured Debentures).

### *Events of Default*

The Senior Secured Indenture will provide that an event of default in respect of the Senior Secured Debentures will occur if certain acts or omissions have occurred and are continuing with respect to the Senior Secured Debentures (as fully set out in the Senior Secured Indenture). If an event of default occurs and is continuing, the Senior Debenture Trustee may, in its discretion, and shall upon the request of holders of not less than 25% of the principal amount of Senior Secured Debentures then outstanding, declare the principal of, premium (if any), and interest on all Senior Secured Debentures then outstanding and all other monies outstanding under the Senior Secured Indenture to be immediately due and payable to the Senior Debenture Trustee.

### Convertible Secured Debentures

#### *Trustee*

The Convertible Secured Debentures will be issued pursuant to a secured trust indenture to be dated on the Effective Date (the “**Convertible Secured Indenture**” and together with the Senior Secured Indenture, the “**Indentures**”) and to be entered into between the Corporation and BNY Trust Company of Canada (in such capacity, the “**Convertible Debenture Trustee**”).

#### *Amount*

The aggregate principal amount of Convertible Secured Debentures authorized for issue under the Convertible Secured Indenture will be \$36,000,000, plus the principal amount of any PIK Debentures issued in accordance with the terms of the Convertible Secured Indenture. The Convertible Secured Debentures (other than PIK Debentures) will be issuable in denominations of \$100 and integral multiples thereof. Any PIK Debentures issued in satisfaction of any Interest Obligation (as defined below) will be issued in denominations of \$1.00.

#### *Maturity*

The Convertible Secured Debentures will be dated as of the Effective Date. Subject to certain early redemption provisions, the Corporation shall repay the principal amount of the Convertible Secured Debentures on the Maturity Date.

#### *TSX Listing*

The Corporation will use commercially reasonable efforts to maintain the listing of the Common Shares and the Convertible Secured Debentures on the TSX or, if the Common Shares or the Convertible Secured Debentures are de-listed from the TSX, on another nationally recognized stock exchange in Canada, and to maintain the Corporation’s status as a “reporting issuer” in each of the provinces and territories of Canada, provided that the foregoing shall not prevent or restrict the Corporation from carrying out a transaction in compliance with the successor provisions of the Convertible Secured Indenture even if, as a result of such transaction, the Corporation ceases to be a “reporting issuer” in any of the provinces and territories of Canada or the Common Shares or Convertible Secured Debentures cease to be listed on the TSX or any other stock exchange.

### *Interest*

The Convertible Secured Debentures will bear interest from and including the date of issue at the rate of 10.00% per annum, payable semi-annually in arrears (in cash or by issuing PIK Debentures as described below) on each Interest Payment Date, commencing on June 30, 2016. Regardless of the date of issue, the first interest payment will include interest accrued from the Effective Date up to, but excluding, June 30, 2016.

All interest payable on the Convertible Secured Debentures shall be paid by the Corporation in cash unless the Corporation makes a PIK Election (as defined below) in respect of all or any part of the then outstanding Convertible Secured Debentures; provided, that interest payable on the Maturity Date, a Put Date (as defined below), a Redemption Date or an acceleration date shall only be payable in cash.

The Corporation will have the right to elect (a "**PIK Election**"), from time to time, in respect of all or any part of the then outstanding Convertible Secured Debentures, to satisfy the obligation of the Corporation to pay interest on the Convertible Secured Debentures, as and when the same becomes due in accordance with the Convertible Secured Indenture (an "**Interest Obligation**") on any Interest Payment Date (other than any Interest Payment Date that is also the Maturity Date, a Put Date, a Redemption Date or an acceleration date) by delivering additional Convertible Secured Debentures (the "**PIK Debentures**"). The Corporation can make a PIK Election by delivering a written notice to the Convertible Debenture Trustee (a "**PIK Election Notice**") specifying (a) the Interest Obligation and the Interest Payment Date to which the PIK Election relates; and (b) the amount of the Interest Obligation subject to the PIK Election, which PIK Election Notice must be delivered to the Convertible Debenture Trustee not less than 15 business days prior to the Interest Payment Date to which the PIK Election relates, subject to compliance with applicable securities legislation and to obtaining any applicable regulatory approvals, including any approvals required by the TSX or any other stock exchange on which the Convertible Secured Debentures may then be listed.

PIK Debentures shall be issued on the same terms and conditions as the Convertible Secured Debentures that are issued on the Effective Date. Such PIK Debentures shall constitute part of the same series of securities as the Convertible Secured Debentures issued on the Effective Date and the holders thereof will have the right to vote together with the holders of all other outstanding Convertible Secured Debentures as one class on all matters with respect to the Convertible Secured Indenture and the Convertible Secured Debentures.

The Corporation will have the right to withdraw any PIK Election by delivering written notice to the Convertible Debenture Trustee not less than three business days prior to the consummation of such PIK Election and the issuance of any PIK Debentures on the Interest Payment Date in respect of which such PIK Election was made, whereupon the Corporation shall be obliged to pay in cash the Interest Obligation in respect of which such PIK Election was made on such Interest Payment Date.

### *Conversion*

The Convertible Secured Debentures shall be convertible in whole or in part (in minimum denominations of the lesser of a holder's entire position and \$100, and any integral multiple thereof) into fully paid and non-assessable Common Shares at the option of the holder of any Convertible Secured Debenture at any time prior to 4:00 p.m. (Toronto time) on the earlier of (a) the business day immediately preceding the Maturity Date; and (b) the last business day immediately preceding the date specified by the Corporation for redemption of such Convertible Secured Debenture by notice to holders thereof. On the Effective Date, the conversion price in effect for each Common Share to be issued upon the conversion of Convertible Secured Debentures (the "**Conversion Price**") shall be equal to \$0.35. Following the Effective Date, the Conversion Price applicable on any Date of Conversion (as defined below) shall be subject to adjustment in certain circumstances as described below.

Common Shares issued upon a conversion shall rank only in respect of distributions or dividends declared in favour of shareholders of record on and after the date on which it is deemed pursuant to the terms of the Convertible Secured Indenture to be surrendered for conversion (the "**Date of Conversion**") or such later date as such holder of Convertible Secured Debentures shall become the holder of record of such Common

Shares. No adjustment to the Conversion Price shall be made for interest accrued since the then most recently completed Interest Payment Date on Convertible Secured Debentures surrendered for conversion. In addition, the holder of a Convertible Secured Debenture shall not be entitled to receive any accrued and unpaid interest in respect thereof for the period from and including the most recently completed Interest Payment Date up to the Date of Conversion. No Convertible Secured Debenture may be converted on an Interest Payment Date or during the five business days preceding an Interest Payment Date. If a Convertible Secured Debenture is surrendered for conversion on an Interest Payment Date or during the five business days preceding an Interest Payment Date, the person entitled to receive Common Shares in respect of the Convertible Secured Debenture so surrendered for conversion shall not become the holder of record of such Common Shares until the business day following such Interest Payment Date.

Subject to the provisions thereof, the Convertible Secured Indenture will provide for the adjustment of the Conversion Price in certain events including: (a) the subdivision or consolidation of the outstanding Common Shares; (b) the distribution of Common Shares to holders of Common Shares by way of a dividend or distribution; (c) the issuance of options, rights or warrants to all or substantially all the holders of Common Shares entitling them, for a period expiring not more than 45 days after such record date, to acquire Common Shares or other securities convertible into or exchangeable for, or rights to acquire Common Shares at less than 95% of the then Current Market Price<sup>3</sup> of the Common Shares on such record date; and (d) the distribution to all or substantially all of the holders of Common Shares of any securities or assets (other than cash distributions and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course). There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Convertible Secured Debentures are allowed to participate as though they had converted their Convertible Secured Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the then prevailing Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Common Shares or, in the case of any consolidation, amalgamation or merger of the Corporation with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Corporation as, or substantially as, an entirety to another entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege shall be adjusted so that each holder of a Convertible Secured Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance or other similar transaction, upon the exercise of such right thereafter, be entitled to receive the number of Common Shares or other securities or property such holder would be entitled to receive if on the effective date thereof, it had been the holder of the number of Common Shares into which the Convertible Secured Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, merger, sale, conveyance, or other similar transaction.

No fractional Common Shares will be issued upon any conversion of Convertible Secured Debentures but in lieu thereof the Corporation shall satisfy fractional interests by a cash payment equal to the fractional interest which would have been issuable multiplied by the Current Market Price, provided that the Corporation shall not be required to make any payment of less than the then prevailing Conversion Price.

#### *Redemption*

The Corporation may redeem the Convertible Secured Debentures, in whole or in part, by payment of money, at a redemption price equal to the greater of (a) the Canada Yield Price, and (b) 101% of the aggregate principal amount of Convertible Secured Debentures redeemed, at any time after the five year anniversary of

<sup>3</sup> “**Current Market Price**” means, in the case of the Common Shares, the volume weighted average trading price per share for the Common Shares on the TSX for the 20 consecutive trading days ending on the fifth trading day preceding the date of the applicable event (or if the Common Shares do not trade on the TSX, on the exchange or trading system with the greatest volume of Common Shares traded during the 20 day period referred to above); provided that, for purposes of this definition, the volume weighted average trading price shall be calculated by dividing (a) the total aggregate sale price of all Common Shares sold on such exchange or trading system, as the case may be, during the relevant period, by (b) the total number of Common Shares sold on such exchange or trading system, as the case may be, during the relevant period.



the Effective Date and before the Maturity Date. The Corporation shall also pay accrued and unpaid interest on the Convertible Secured Debentures so redeemed up to but excluding the Redemption Date.

#### *Covenants*

The Corporation will provide to the Convertible Debenture Trustee (for its benefit and for the benefit of the holders of Convertible Secured Debentures) covenants that are customary for transactions of this nature and that are substantially similar to the covenants to be given to the Senior Debenture Trustee (for its benefit and for the benefit of the holders of Senior Secured Debentures).

#### *Events of Default*

The Convertible Secured Indenture will provide that an event of default in respect of the Convertible Secured Debentures will occur if certain acts or omissions have occurred and are continuing with respect to the Convertible Secured Debentures (as fully set out in the Convertible Secured Indenture). If an event of default has occurred and is continuing, the Convertible Debenture Trustee may, in its discretion, and shall upon the request of holders of not less than 25% of the principal amount of Convertible Secured Debentures then outstanding, declare the principal of, premium (if any), and interest on all outstanding Convertible Secured Debentures to be immediately due and payable.

#### Terms Applicable to both Senior Secured Debentures and Convertible Secured Debentures

##### *Change of Control*

Upon the consummation of any transaction or series of transactions (including, without limitation, any merger, consolidation, arrangement or amalgamation) the result of which is that any person, or group of persons acting jointly or in concert for purposes of such transaction, becomes the beneficial owner, directly or indirectly, of voting shares of the Corporation representing more than 50% of the aggregate voting power of the voting shares of the Corporation (after giving effect to the conversion or exchange of securities convertible into, exchangeable for or otherwise carrying the right to acquire equity interests of the Corporation) (a "**Change of Control**"), each holder of Convertible Secured Debentures shall have the right (the "**Put Right**") to require the Corporation to redeem, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "**Put Date**"), all or any part of such holder's Convertible Secured Debentures, in accordance with the requirements of applicable securities legislation, at a price equal to 115% of the principal amount thereof (the "**Put Price**"), plus accrued and unpaid interest on such Convertible Secured Debentures up to, but excluding, the Put Date (less any tax required to be withheld). The Corporation will, as soon as possible after becoming aware of the occurrence of a Change of Control and in any event no later than five business days of becoming so aware, give written notice to the Convertible Debenture Trustee of the Change of Control. The Convertible Debenture Trustee will, as soon as practicable thereafter, and in any event no later than two business days after receiving notice from the Corporation of the occurrence of the Change of Control, be required to give notice to the holders of Convertible Secured Debentures (a "**Change of Control Notice**"). To exercise the Put Right, a holder of Convertible Secured Debentures must deliver to the Convertible Debenture Trustee, not less than five business days prior to the Put Date, written notice of the holder's exercise of such right, together with the Convertible Secured Debentures with respect to which the right is being exercised, duly endorsed for transfer, or a duly endorsed form of transfer in the case of a global debenture.

If 90% or more in aggregate principal amount of the Convertible Secured Debentures outstanding on the date on which notice of the Change of Control was given by the Corporation to the Convertible Debenture Trustee have been tendered for redemption pursuant to the Put Right, the Corporation will have the right (but not the obligation), upon written notice provided to the Convertible Debenture Trustee prior to the Put Date, to redeem all but not less than all of the remaining outstanding Convertible Secured Debentures on the Put Date at a price per Convertible Secured Debenture equal to the Put Price (the "**90% Redemption Right**").

The Senior Secured Indenture will provide for a Put Right upon the occurrence of a Change of Control and a 90% Redemption Right substantially the same as that afforded to holders of Convertible Secured Debentures, except that the Corporation must purchase Senior Secured Debentures pursuant to the Put Right at a price that is equal to the greater of: (a) the Canada Yield Price; and (b) 101% of the principal amount thereof, plus, in each case, accrued and unpaid interest on the Senior Secured Debentures so redeemed up to, but excluding the Put Date.

#### *Modifications*

The rights of the holders of the Convertible Secured Debentures may be modified in accordance with the terms of the Convertible Secured Indenture. For that purpose, among others, the Convertible Secured Indenture will contain certain provisions which (subject to certain exceptions and approvals of the TSX (if applicable) and such other exchange (if applicable)) will make binding on all holders of Convertible Secured Debentures resolutions passed at meetings of the holders of Convertible Secured Debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of those Convertible Secured Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of those Convertible Secured Debentures.

Holders of Convertible Secured Debentures may also, by resolutions passed at meetings of the holders of Convertible Secured Debentures by votes cast thereat by holders of not less than a simple majority of those debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than a simple majority of the principal amount of those debentures then outstanding, assent to modifications to the scope of permitted acquisitions.

Notwithstanding the foregoing, in relation to the Convertible Secured Debentures, without the affirmative vote of each holder of Convertible Secured Debentures, an amendment or waiver under the Convertible Secured Indenture may not (with respect to any Convertible Secured Debentures held by a non-consenting holder): (a) reduce the principal amount of any Convertible Secured Debenture; (b) reduce the rate of, or change the time for payment of interest, including default interest, on any Convertible Secured Debenture; (c) change the Maturity Date of any Convertible Secured Debenture; (d) change the currency in which amounts are payable under any Convertible Secured Debenture; (e) impair the right of a holder of Convertible Secured Debentures to receive payment of principal and interest on such Convertible Secured Debentures on or after the date therefor or to institute suit for the enforcement of any payment on or with respect to such Convertible Secured Debentures; (f) modify or change any provisions of the Convertible Secured Indenture or of any collateral documents relating thereto that adversely affects the ranking of the Convertible Secured Debenture; (g) amend, modify or change the obligation of the Corporation to make an offer to redeem Convertible Secured Debentures pursuant to the Put Right in connection with a Change of Control; (h) change the amendment or waiver provisions or in any provisions that require the consent of each holder of Convertible Secured Debentures; (i) except for certain permitted modifications or changes, amend, change or modify any collateral document or Intercreditor Agreement (as defined below) to the extent such amendment, change or modification adversely affects the rights of any holders of Convertible Secured Debentures in any material respect; or (j) change the Conversion Price of the Convertible Secured Debentures or the Conversion Price adjustment provisions set forth in the Convertible Secured Indenture.

The rights of holders of Senior Secured Debentures may be modified in accordance with terms that will be substantially the same as the terms that will govern the rights of holders of Convertible Secured Debentures.

#### *Governing Law*

The Senior Secured Indenture, the Convertible Secured Indenture, the Senior Secured Debentures and the Convertible Secured Debentures shall be governed by and construed in accordance with the laws of the Province of Ontario and the laws of Canada applicable therein and shall be treated in all respects as Ontario contracts.

## Security, Ranking and Priority of New Debentures

In connection with the issuance of the New Debentures, the Corporation has agreed to grant security, and to cause the other Obligors<sup>4</sup> to provide guarantees and to grant security, for the obligations of the Corporation under the Indentures and the New Debentures. Subsidiaries of the Corporation created or acquired after the Effective Date will be required to execute and deliver similar guarantees and security (subject to certain exceptions).

The Obligors will be required to grant guarantees and security (a) to the Senior Debenture Trustee over all of their undertakings, property and assets, both real and personal, as security for the performance of the obligations under or in connection with the Senior Secured Indenture; and (b) to the Convertible Debenture Trustee over all of their undertakings, property and assets, both real and personal, other than certain assets of the Obligors relating to inventory and receivables that will be subject to a first ranking security interest securing the obligations under or in connection with an asset based lending facility agreement to be entered into by, among others, the Corporation or a subsidiary of the Corporation, as borrower, and Bank of Montreal, as administrative agent (the “**BMO Facility Credit Agreement**”), as security for the performance of the obligations or in connection with the Convertible Secured Indenture.

The Senior Debenture Trustee and the holders of the Senior Secured Debentures will have liens on all property of the Obligors that will rank prior to the liens granted to the Convertible Debenture Trustee and the holders of Convertible Secured Debentures. The New Debentures will be direct secured obligations of the Corporation and will rank equal in right of payment with all debt of the Corporation that is not expressly subordinated in right of payment to the New Debentures, and will rank senior in right of payment to all subordinated debt of the Corporation.

The Convertible Debenture Trustee and the Senior Debenture Trustee will be authorized and directed to enter into intercreditor agreements (each, an “**Intercreditor Agreement**”) (a) with each other confirming the subordination of the security interests granted to the Convertible Debenture Trustee to the security interests granted to the Senior Debenture Trustee and containing terms and conditions substantially the same as those to be described in the relevant exhibit to be appended to the Indentures; and (b) with Bank of Montreal, as administrative agent under the BMO Facility Credit Agreement, confirming the subordination of the security interests granted to the Senior Debenture Trustee over certain assets of the Obligors relating to inventory and receivables to the security interests granted to Bank of Montreal, as administrative agent, in respect of those same assets of the Obligors and containing terms and conditions substantially the same as those to be described in the relevant exhibit to be appended to the Indentures.

### **The Rights Offering**

In connection with the Refinancing Transactions, the Corporation will conduct an offering of transferable rights (the “**Rights**”) to Shareholders to subscribe, on a pro-rata basis, for Convertible Secured Debentures in the aggregate principal amount of up to \$10,000,000 pursuant to the Rights Offering. To the knowledge of the Corporation, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, intends to exercise not less than substantially all of its pro rata share of the Rights pursuant to the basic subscription privilege and additional subscription privilege under the Rights Offering. Should the principal amount of the Convertible Secured Debentures to be issued pursuant to the Rights Offering amount to less than \$10,000,000, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, has agreed to purchase, pursuant to its Backstop Commitment, the number of Convertible Secured Debentures required so that the aggregate principal amount of the Convertible Secured Debentures to be issued pursuant to the Rights Offering and the Backstop Commitment equals \$10,000,000. For greater

---

<sup>4</sup> “**Obligors**” means, collectively, the Corporation and those subsidiaries of the Corporation that have given guarantees and granted security on their property to secure the Existing Debentures and who will (subject to certain exceptions) be required to give guarantees and grant security (a) to the Convertible Debenture Trustee over all of their undertakings, property and assets, both real and personal, other than certain assets of the Obligors relating to inventory and receivables that are subject to a security interest securing the obligations under and in connection with the BMO Facility Credit Agreement, as security for the performance of obligations owing under or in connection with the Convertible Secured Indenture; and (b) to the Senior Debenture Trustee over all of their undertakings, property and assets, both real and personal to the Senior Debenture Trustee, as security for the performance of obligations owing under or in connection with the Senior Secured Indenture.

certainty, the Purchase Agreement shall govern all Remaining Convertible Secured Debentures purchased by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, pursuant to its Backstop Commitment (see *"The Refinancing Transactions – Summary of the Purchase Agreement and Backstop Commitment Letter – Backstop Commitment Letter"* above).

Under the Rights Offering, for every one Common Share held, each Shareholder of the Corporation will be issued one Right. For every specified number of Rights held, a holder of Rights will (subject to the terms and conditions of the Rights Offering that will be set out in the short form prospectus to be issued by the Corporation) be entitled to subscribe for \$100 principal amount of Convertible Secured Debentures at a subscription price that will be set forth in the final short form prospectus and that will not exceed the principal amount of the Convertible Secured Debentures. The Corporation will grant an additional subscription privilege under the Rights Offering. Further details regarding the Rights Offering, will be provided in the Corporation's preliminary short form prospectus which is anticipated to be filed by the Corporation during the week of January 25, 2016. The Corporation will apply to list the Rights for trading on the TSX and it is expected that the Rights will be exercisable for a period of not less than 21 days following the date of mailing to Shareholders of the Corporation's final short form prospectus in respect of the Rights Offering.

### **Waiver of the Application of the Shareholders Rights Plan**

At the Meeting and as part of the Refinancing Resolution, Shareholders will be asked to authorize and approve the waiver of the shareholder rights plan of the Corporation (established pursuant to the shareholders rights plan agreement dated as of August 20, 2014 between the Corporation and CST Trust Company (the **"Rights Plan"**)) with respect to (a) the issuance of any Convertible Secured Debentures pursuant to the Refinancing Transactions and the MacDonald Employment Agreement Amendment (as defined below); (b) the issuance of any PIK Debentures; (c) the acquisition of any Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, after completion of the Refinancing Transactions; and (d) the acquisition by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, or any other holder of Convertible Secured Debentures purchased pursuant to the Rights Offering, of up to 19.99% of the then issued and outstanding Common Shares, whether acquired through the conversion of Convertible Secured Debentures or PIK Debentures or purchases of Common Shares (or any combination thereof), not taking into account Convertible Secured Debentures and PIK Debentures (which, in respect of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, includes Convertible Secured Debentures acquired after completion of the Refinancing Transactions) that have not yet been converted into Common Shares (but, for greater certainty, are permitted to be converted under the terms of the Rights Plan such that if converted, the holdings of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may exceed 19.99% of the then issued and outstanding Common Shares). The issuance of any Common Shares upon conversion of Convertible Secured Debentures described in (a), (b) or (c) above is exempt from the application of the Rights Plan under the terms of the Rights Plan, which, if permitted under securities legislation, would allow Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, to hold more than 19.99% of the Common Shares.

The objectives of the Rights Plan are to encourage the fair treatment of all Shareholders in connection with any initiative to acquire control of the Corporation, to ensure, to the extent possible, that the Shareholders and the Board have adequate time to consider and evaluate any unsolicited take-over bid made for all or any portion of the outstanding Common Shares and that the Board has adequate time to identify, develop and negotiate value-enhancing alternatives, as appropriate, to any unsolicited take-over bid made for all or any portion of the outstanding Common Shares.

As of the date of this Circular, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, owns 17,680,650 Common Shares, representing approximately 16.1% of the issued and outstanding Common Shares. As part of the Refinancing Transactions, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, will purchase Convertible Secured Debentures in the principal amount of \$25,000,000 under the Convertible Secured Debenture Private Placement, and may also purchase Convertible Secured Debentures in the principal amount of up to \$10,000,000 in connection

with the Rights Offering and the Backstop Commitment. Pursuant to their terms, the Convertible Secured Debentures will be convertible into Common Shares at a Conversion Price of \$0.35 per Common Share for every \$1,000 principal amount of Convertible Secured Debentures, subject to certain adjustments as set out below.

Assuming that (a) all interest on the Convertible Secured Debentures is paid as PIK Debentures over the life of the Convertible Secured Debentures to maturity; (b) no Convertible Secured Debentures are redeemed; (c) all Convertible Secured Debentures are converted immediately prior to maturity; (d) the purchase of Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in connection with the Rights Offering and the Backstop Commitment is in the aggregate principal amount of up to \$10,000,000; and (e) there is no adjustment to the Conversion Price of the Convertible Secured Debentures, a maximum of 260,273,493 Common Shares may be issued to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, (to the extent permitted under securities legislation), or any transferee of Canso's holdings, upon conversion of the Convertible Secured Debentures issued pursuant to the Refinancing Transactions (representing approximately 237% of the current issued and outstanding Common Shares). See also "*Regulatory Requirements Relating to the Refinancing Transactions – TSX Requirements*" below.

The issuance of Convertible Secured Debentures pursuant to the Convertible Secured Debenture Private Placement, the Rights Offering and the Backstop Commitment and the issuance any PIK Debentures may therefore result in the initiation of a "Flip-In Event" (as such term is defined in the Rights Plan) pursuant to Section 3.1 of the Rights Plan. Under the Rights Plan, a "Flip-In Event" may cause substantial dilution to a person or group who attempts to acquire over 20% or more of the then outstanding Common Shares. Under the Rights Plan, the Board may, with the consent of the Shareholders in accordance with the terms of the Rights Plan, waive the application of this provision of the Rights Plan prior to the occurrence of a Flip-In Event. The Refinancing Transactions will not be completed unless the Shareholders approve the waiver of the application of the Rights Plan with respect to (a) the issuance of any Convertible Secured Debentures pursuant to the Refinancing Transactions and the MacDonald Employment Agreement Amendment (as defined below); (b) the issuance of any PIK Debentures; (c) the acquisition of any Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, after completion of the Refinancing Transactions; and (d) the acquisition by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, or any other holder of Convertible Secured Debentures purchased pursuant to the Rights Offering, of up to 19.99% of the then issued and outstanding Common Shares, whether acquired through the conversion of Convertible Secured Debentures or PIK Debentures or purchases of Common Shares (or any combination thereof), not taking into account Convertible Secured Debentures and PIK Debentures (which, in respect of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, includes Convertible Secured Debentures acquired after completion of the Refinancing Transactions) that have not yet been converted into Common Shares (but, for greater certainty, are permitted to be converted under the terms of the Rights Plan such that if converted, the holdings of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may exceed 19.99% of the then issued and outstanding Common Shares). The Board has approved the Convertible Secured Debenture Private Placement, the Rights Offering, the Backstop Commitment in respect thereto and the MacDonald Employment Agreement Amendment and believes that it is in the best interests of the Corporation to pursue both the Convertible Secured Debenture Private Placement and the Rights Offering.

Although the Corporation is seeking Shareholder approval for the foregoing waivers, the Rights Plan shall otherwise remain in effect.

A copy of the Rights Plan is available on SEDAR at [www.sedar.com](http://www.sedar.com) under the Corporation's profile.

Pursuant to Section 5.2(a) of the Rights Plan, the Corporation has extended the Separation Time (as defined in the Rights Plan) for the rights to the date that is 10 business days following the Meeting. If Shareholders approve the waiver, the Separation Time will not occur.

## **Risk Factors**

Shareholders should carefully consider the following risk factors related to the Refinancing Transactions. In addition to the risks noted under “*Cautionary Statement Regarding Forward-Looking Statements*”, the Refinancing Transactions are subject to certain risks, including the following:

### The Credit Agreement must be amended prior to the completion of the Refinancing Transactions

Pursuant to the terms of the Credit Agreement, the maturity date of the Credit Agreement was December 31, 2015. On December 29, 2015, the Corporation announced that it had entered into an amending agreement with the lenders under the Credit Agreement to extend the maturity date thereunder from December 31, 2015 to January 31, 2016. There can be no assurances that the Corporation will be able to further amend the Credit Agreement in order to extend the maturity date until such time as the Refinancing Transactions are completed. If the lenders under the Credit Agreement do not agree to a further extension of the maturity date beyond January 31, 2016 and require that all outstanding obligations under the Credit Agreement be repaid at that time, sufficient funds will not be available to repay those outstanding obligations at that time. A failure to make the required repayment of all outstanding obligations under the Credit Agreement may cause Bank of Montreal, as agent under the Credit Agreement, to bring enforcement proceedings against the Corporation, Tuckamore Finance Corp. and the Corporation’s other subsidiaries that have guaranteed the obligations under the Credit Agreement. Such enforcement proceedings may include steps by Bank of Montreal, as agent under the Credit Agreement, to seek to enforce its security interest against the assets of the Corporation, Tuckamore Finance Corp. and the Corporation’s other subsidiaries that have granted security interests on their respective assets to secure the obligations under the Credit Agreement.

### The Refinancing Transactions may result in the issuance of a significant number of Common Shares

In connection with the Refinancing Transactions, the Corporation will issue a significant number of Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages. In addition, the Corporation may be required to issue additional Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as PIK Debentures (see “*The Refinancing Transactions – Terms of the New Debentures – Convertible Secured Debentures – Interest*”). Accordingly, if Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, exercises the conversion option of such Convertible Secured Debentures and any PIK Debentures, the Refinancing Transactions may result in significant dilution to existing Shareholders of the Corporation (see “*Regulatory Requirements Relating to the Refinancing Transactions – TSX Requirements*”). The possible substantial increase in the number of Common Shares upon conversion of the Convertible Secured Debentures may create a market overhang over the Common Shares and may adversely affect the market for, and the market price of, the Common Shares.

### The Refinancing Transactions could result in a change of control of the Corporation

In connection with the Refinancing Transactions, the Corporation will issue a significant number of Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, (see “*Regulatory Requirements Relating to the Refinancing Transactions – TSX Requirements*”). In addition, the Corporation may be required to issue additional Convertible Secured Debentures to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as PIK Debentures (see “*The Refinancing Transactions – Terms of the New Debentures – Convertible Secured Debentures – Interest*”). Assuming that (a) all interest on the Convertible Secured Debentures is paid as PIK Debentures over the life of the Convertible Secured Debentures to maturity; (b) no Convertible Secured Debentures are redeemed; (c) all Convertible Secured Debentures are converted immediately prior to maturity; (d) the purchase of Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in connection with the Rights Offering and the Backstop Commitment is in the aggregate principal amount of up to \$10,000,000; and (e) there is no adjustment to the Conversion Price of the Convertible Secured Debentures, a maximum of 260,273,493 Common Shares may be issued to Canso, in its capacity as portfolio manager for and on behalf of certain

accounts that it manages, (to the extent permitted under securities legislation), or any transferee of Canso's holdings, upon conversion of the Convertible Secured Debentures issued pursuant to the Refinancing Transactions. Canso, to the extent permitted under securities legislation, or any transferee of Canso's holdings, will be in a position to unilaterally elect a majority of the directors of the Corporation should it choose to do so.

#### The Refinancing Transactions will impose significant obligations on the Corporation

The Corporation's Existing Debentures contain obligations of the Corporation typical for debt arrangements of their sort in the form of negative and positive covenants and specified events of default. The New Debentures are expected to impose substantially similar obligations on the Corporation, as well as certain incremental obligations. A failure to comply with the Corporation's obligations under the New Debentures would result in a default and would have a material adverse effect on the Corporation and its ability to operate as a going concern.

#### The Refinancing Transactions may not be successful

The Corporation is undertaking the Refinancing Transactions in order to repay its outstanding debt obligations in connection with the Credit Agreement and the Existing Debentures and to extend its working capital, liquidity and overall financial position, while preserving the possibility of future increases in the value of the Common Shares. While the Refinancing Transactions will extend the maturity date of the remaining indebtedness until March 2026, there can be no assurances that the Corporation will be able to meet its obligations under the New Debentures or that the Common Shares will retain or increase in value following the completion of the Refinancing Transactions.

#### The Refinancing Transactions may not be completed

As of the date of this Circular, the Corporation has settled the terms of the Purchase Agreement and Backstop Commitment Letter with Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, and has settled the terms of the New Debentures. The Purchase Agreement and Backstop Commitment Letter contain specified conditions precedent to the closing of the Refinancing Transactions, including, in particular, conditions regarding approval of final definitive documentation, no material changes having occurred since December 31, 2014, the receipt of all necessary regulatory approvals, including the approval of the TSX, the perfection of security interests in the collateral and the execution of the BMO Facility Credit Agreement. Regardless of whether or not Shareholders approve the Refinancing Resolution at the Meeting, one or more of the conditions precedent may not be satisfied, or Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may otherwise refuse to close the Refinancing Transactions on the terms set forth in the Purchase Agreement and Backstop Commitment Letter. As a result, there can be no assurances that the Refinancing Transactions will be completed on the terms described in the Purchase Agreement and Backstop Commitment Letter or at all.

#### Failure to approve the Refinancing Transactions will have a material adverse effect on the Corporation

Absent the Refinancing Transactions, the Corporation has no reasonable or foreseeable prospect of repaying the outstanding obligations under the Existing Debentures and the Credit Agreement. As a result of numerous factors discussed elsewhere in this Circular, the Corporation has not been able to identify any available financing alternatives (see "*The Refinancing Transactions – Background*"). In light of the pending maturity date of the Existing Debentures and the Credit Agreement, in the absence of the implementation of the Refinancing Transactions, the Corporation will not have sufficient funds to repay the Existing Debentures and the Credit Agreement. A default on some or all of the Corporation's indebtedness would constitute a material event with material negative economic consequences, including with respect to the Corporation's ability to continue to operate as a going concern. This could include either or both a potential delisting of the Common Shares from the TSX, resulting in significantly reduced liquidity for Shareholders in the Common Shares, and/or insolvency or bankruptcy proceedings.

The Refinancing Transactions may not improve the financing condition of the Corporation

Management believes that the Refinancing Transactions will enhance the Corporation's liquidity and provide it with continued operating flexibility. However, such belief is based on certain assumptions, including, without limitation, that the Corporation's consolidated sales and relationships with suppliers, minority partners, customers and competitors will not be materially adversely affected and that they will be stable or will improve following the completion of the Refinancing Transactions, that general economic conditions and the markets for the products and services of the Corporation's subsidiaries will remain stable or improve, as well as the Corporation's continued ability to manage costs. Should any of those assumptions prove false, the financial position of the Corporation may be materially adversely affected.



## REGULATORY REQUIREMENTS RELATING TO THE REFINANCING TRANSACTIONS

### General

In connection with the Refinancing Transactions contemplated under the Purchase Agreement and Backstop Commitment Letter (all as more particularly described above under “*The Refinancing Transactions – Summary of the Purchase Agreement and Backstop Commitment Letter*”), the Corporation has, pursuant to the requirements of the TSX and applicable securities laws, called a meeting of the Shareholders for the purpose of considering the Refinancing Resolution. The full text of the Refinancing Resolution is set forth under “*Particulars of the Matters to be Acted Upon – Refinancing Resolution*” below. **In order for the Refinancing Transactions to be completed, the Refinancing Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of the votes cast by Minority Shareholders (as defined below).**

### MI 61-101 Requirements

Canso is a “related party” of the Corporation pursuant to Multilateral Instrument 61-101 – *Protection of Minority Security Holders in Special Transaction* (“**MI 61-101**”) as it, through investment accounts over which Canso has investment authority, has beneficial ownership of, and control or direction over, directly or indirectly, securities of the Corporation carrying more than 10% of the voting rights attached to all of the Corporation’s outstanding voting securities. The Refinancing Transactions constitute a “related party transaction” pursuant to MI 61-101.

### Minority Approval Requirements

MI 61-101 provides that, in addition to any other required security holder approval, a related party transaction is subject to “minority approval” (as defined in MI 61-101) of every class of “affected securities” (as defined in MI 61-101) of the issuer. As a result, the Refinancing Resolution will require the affirmative vote of a simple majority of the votes cast by all Shareholders, present in person or represented by proxy at the Meeting, other than with respect to Common Shares beneficially owned, or over which control or direction is exercised, by: (a) Tuckamore; (b) any “interested party” (as defined in MI 61-101); (c) any related party of an interested party; and (d) any person that is a “joint actor” (as defined in MI 61-101) with any person referred to in (b) or (c) above in respect of the Refinancing Transactions (the “**Minority Shareholders**”). The Common Shares are “affected securities” in connection with the Refinancing Resolution. Based on the above, to the knowledge of the Corporation after reasonable inquiry, as at the date hereof, the votes of the following persons are required to be excluded for purposes of “minority approval” in accordance with MI 61-101:

Name	Number of Common Shares Beneficially Owned or Controlled or Directed	Percentage of Outstanding Common Shares
Canso Investment Counsel Ltd.	17,680,650	16.1%

As Canso, through investment accounts over which Canso has investment authority, beneficially owns, controls or directs over 10% of the issued and outstanding Common Shares, it is an “insider” pursuant to applicable securities laws. As a result, any Common Shares beneficially owned, or over which control or direction is exercised by Canso and its directors and senior officers, must be excluded for purposes of determining whether minority approval has been obtained.

### Formal Valuation Requirements

MI 61-101 also provides that, in certain circumstances, unless exempted, an issuer proposing to carry out a related party transaction is required to obtain a formal valuation of such related party transaction from a

qualified and independent valuator and to provide security holders with a summary of such valuation. The Corporation is relying on an exemption contained in MI 61-101 from the formal valuation requirement.

Section 5.5(c) of MI 61-101 provides an exemption from the formal valuation requirement for a transaction that is a distribution of securities of the issuer to a related party for cash consideration if: (a) neither the issuer nor, to the knowledge of the issuer after reasonable inquiry, the related party has knowledge of any material information concerning the issuer or its securities that has not been generally disclosed, and the disclosure document for the transaction includes a statement to that effect; and (b) the disclosure document for the transaction includes a description of the effect of the distribution on the direct or indirect voting interest of the related party.

Neither the Corporation nor, to the knowledge of the Corporation after reasonable inquiry, Canso, has knowledge of any material information concerning the Corporation or concerning the securities of the Corporation that has not been generally disclosed.

During the previous 24 months, no prior valuations have been made in respect of the Corporation relating to the subject matter of the Refinancing Transactions which would require disclosure in accordance with Section 6.8 of MI 61-101.

### **TSX Requirements**

The TSX regulates the issuance or potential issuance of listed securities, such as the potential issuance of the Rights under the Rights Offering, the Convertible Debentures and the Common Shares pursuant to the terms of the Convertible Secured Debentures (see "*The Refinancing Transactions – Terms of the New Debentures - Terms of the Convertible Secured Debentures*" above). The TSX also regulates the pricing of convertible securities, such as the Convertible Secured Debentures (including any PIK Debentures issued from time to time). At the Meeting, the Corporation will be seeking disinterested securityholder approval of the Refinancing Transactions pursuant to the policies of the TSX given that:

- (a) the Refinancing Transactions (including the Rights Offering) could (i) materially affect control of Tuckamore pursuant to Section 604(a)(i) and Section 614(c)(ii) of the TSX Company Manual (the "**Manual**"); or (ii) provide consideration to insiders of Tuckamore in aggregate of 10% or greater of the market capitalization of Tuckamore during any six-month period, pursuant to Section 604(a)(ii) of the Manual;
- (b) the Convertible Secured Debenture Private Placement could result in dilution in excess of 25% of Tuckamore's currently issued and outstanding Common Shares, pursuant to Section 607(g)(i) of the Manual;
- (c) the Convertible Secured Debenture Private Placement grants entitlements to insiders that could result in greater than 10% of the Company's issued and outstanding Common Shares being issued upon the conversion of the Convertible Secured Debentures, pursuant to Section 607(g)(ii) of the Manual; and
- (d) the Common Shares underlying the Convertible Secured Debentures (including any PIK Debentures issued from time to time) will be considered by the TSX as being issued at a price per Common Share that is less than the market price, pursuant to Section 607(f)(iii) of the Manual, as the Conversion Price of the Convertible Secured Debentures (including any PIK Debentures) is not defined to be equal to at least the market price at the time of conversion and may therefore be lower than the maximum applicable discount applicable by the TSX pursuant to Section 607(e) of the Manual.

The Refinancing Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of disinterested Shareholders in accordance with policies of the TSX.

The following table shows the number of Common Shares issuable to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, pursuant to the Convertible Secured Debentures to be issued in connection with two possible alternative scenarios in connection with the Refinancing Transactions:

	Assumes participation by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in the Convertible Secured Debenture Private Placement only and no participating by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in the Rights Offering			Assumes participation by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in the Convertible Secured Debenture Private Placement and the purchase by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, of all Convertible Secured Debentures offered pursuant to Rights Offering		
	Common Shares issuable upon conversion of Convertible Secured Debentures issued pursuant to Convertible Secured Debenture Private Placement	Common Shares issuable upon conversion of PIK Debentures (assumes all interest PIK) <sup>(2)</sup>	Total (% of I&O) <sup>(3)</sup>	Common Shares issuable upon conversion of Convertible Secured Debentures issued pursuant to Convertible Secured Debenture Private Placement and Rights Offering	Common Shares issuable upon conversion of PIK Debentures (assumes all interest PIK) <sup>(2)</sup>	Total (% of I&O) <sup>(4)</sup>
<b>Canso<sup>(1)</sup></b>	71,428,571	114,481,066	203,590,288  68.8%	100,000,000	160,273,493	277,954,143  75.1%

- (1) As of the date of this Circular, Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, owns, controls or directs 17,680,650 Common Shares, representing 16.1% of the issued and outstanding Common Shares.
- (2) See *"The Refinancing Transactions - Terms of the New Debentures - Convertible Secured Debentures - Interest"*.
- (3) Includes Common Shares owned, controlled or directed by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as of the date hereof and assumes aggregate number of 295,850,878 issued and outstanding Common Shares.
- (4) Includes Common Shares owned, controlled or directed by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, as of the date hereof and assumes aggregate number of 370,214,734 issued and outstanding Common Shares.

#### Maximum Overall Dilution pursuant to Refinancing Transactions and MacDonald Employment Agreement Amendment

Pursuant to the terms of the Convertible Secured Debentures, the Convertible Secured Debentures will be convertible into Common Shares at the Conversion Price of \$0.35 per Common Share. Assuming that (a) all interest on the Convertible Secured Debentures is paid as PIK Debentures over the life of the Convertible Secured Debentures to maturity; (b) no Convertible Secured Debentures are redeemed; (c) all Convertible Secured Debentures are converted immediately prior to maturity; (d) the purchase by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, of Convertible Secured Debentures in the principal amount of \$10,000,000 in connection with the Backstop Commitment and in the principal amount of \$25,000,000 in connection with the Convertible Secured Debenture Private Placement; (e) there is no adjustment to the Conversion Price of the Convertible Secured Debentures; and (vi) \$1,000,000 principal amount Convertible Secured Debentures are issued to Mr. MacDonald, a maximum of 267,709,879 Common Shares (representing approximately 244% of the current issued and outstanding Common Shares), may be issued pursuant to the Convertible Secured Debentures.

Assuming (a) all interest on the Convertible Secured Debentures is paid as PIK Debentures over the life of the Convertible Secured Debentures to maturity (i.e. interest is paid or satisfied by the issuance of additional Convertible Secured Debentures); (b) no Convertible Secured Debentures are redeemed; (c) all Convertible Secured Debentures are converted immediately prior to maturity; (d) the purchase of Convertible Secured Debentures in the principal amount of up to \$10,000,000 in connection with the Rights Offering and the Backstop Commitment; and (e) there is no adjustment to the Conversion Price of the Convertible Secured

Debentures, a maximum of 260,273,493 Common Shares (representing approximately 237% of the current issued and outstanding Common Shares), may be issued to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, pursuant to the Convertible Secured Debentures purchased under the Convertible Secured Debenture Private Placement, the Rights Offering and the Backstop Commitment.

Aggregate Consideration to be paid to Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, in respect of the Senior Secured Debentures

Pursuant to the terms of the Senior Secured Indenture governing the Senior Secured Debentures, a maximum of approximately \$140,928,400 in interest payments (representing approximately 915.60% of Tuckamore's current market capitalization of \$15,391,773 as of the date of this Circular) shall be paid by Tuckamore during the term of the Senior Secured Debentures, assuming (a) all \$176,228,000 principal amount Senior Secured Debentures are purchased by Canso; (b) no Convertible Secured Debentures are redeemed; and (c) all Senior Secured Debentures are held by Canso until maturity.

The TSX has provided a conditional listing letter in respect of (a) all Convertible Secured Debentures to be issued pursuant to the Refinancing Transactions; and (b) all Common Shares to be potentially issued upon the conversion of the Convertible Secured Debentures, subject to typical conditions, including approval of the Refinancing Resolution by Minority Shareholders at the Meeting.

## AMENDMENT TO THE EMPLOYMENT AGREEMENT OF THE EXECUTIVE CHAIRMAN

Mr. Dean MacDonald is the Executive Chairman of the Corporation. Pursuant to his employment agreement entered into with the Corporation (the “**MacDonald Employment Agreement**”), Mr. MacDonald is entitled to certain severance payments in the amount of approximately \$2,600,000 in the event that he resigns or is terminated in certain circumstances following a change of control of the Corporation (the “**Change of Control Severance Payments**”). Change of control events include, among others, certain events that result in any person or group having the power to exercise effective control of the Corporation.

In connection with the Refinancing Transactions (which will constitute a “change of control” for the purposes of the MacDonald Employment Agreement), Mr. MacDonald has agreed to amend the terms of the MacDonald Employment Agreement to forgo the Change of Control Severance Payments in exchange for the issuance of Convertible Secured Debentures in the principal amount of up to \$1,000,000 to Mr. MacDonald on the Effective Date (as defined in the Senior Secured Indenture and the Convertible Secured Indenture) (the “**MacDonald Employment Agreement Amendment**”). As the MacDonald Employment Agreement Amendment will reduce the required cash obligations of the Corporation under the MacDonald Employment Agreement, the Board believes the MacDonald Employment Agreement Amendment is beneficial to the Corporation. The MacDonald Employment Agreement Amendment will not be implemented if the Refinancing Transaction is not completed.

The full text of the resolution to approve the MacDonald Employment Agreement Amendment (the “**MacDonald Employment Agreement Amendment Resolution**”) is set out in “*Particulars of the Matters to be Acted Upon – MacDonald Employment Agreement Amendment Resolution*”. The MacDonald Employment Agreement Amendment Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of disinterested Shareholders (which requires the exclusion of the 10,775,442 Common Shares beneficially owned or over which control or direction is exercised by Mr. MacDonald representing 9.8% of the Common Shares that are currently issued and outstanding), whose votes may not be included in determining disinterested approval pursuant to policies of the TSX.

As Executive Chairman of the Corporation, Mr. MacDonald is a “related party” of the Corporation pursuant to MI 61-101 and the MacDonald Employment Agreement Amendment constitutes a “related party transaction” pursuant to MI 61-101. The MacDonald Employment Agreement Amendment is exempt from the formal valuation and minority shareholder approval requirements of MI 61-101 as neither the fair market value of the subject matter of, nor the fair market value of the consideration for, the MacDonald Employment Agreement Amendment, insofar as the MacDonald Employment Agreement Amendment involves Mr. MacDonald, exceeds 25% of the Corporation's market capitalization.

## PARTICULARS OF THE MATTERS TO BE ACTED UPON

### Refinancing Resolution

At the Meeting, Shareholders will be asked to consider, and if deemed advisable pass, with or without variation, as an ordinary resolution, the Refinancing Resolution. See *"The Refinancing Transactions"* and *"Regulatory Requirements Relating to the Refinancing Transactions"*.

The full text of the Refinancing Resolution is as follows:

**"BE IT RESOLVED**, as an ordinary resolution of the holders (the **"Shareholders"**) of common shares (**"Common Shares"**) of Tuckamore Capital Management Inc. (the **"Corporation"**):

**THAT** the completion of the Refinancing Transactions (as such term is defined in the Corporation's management information circular dated January 25, 2016 (the **"Circular"**)), involving the Corporation and Canso Investment Counsel Ltd. (**"Canso"**), in its capacity as portfolio manager for and on behalf of certain accounts that it manages, all as more particularly described in the Circular is hereby authorized and approved;

**THAT** notwithstanding that this ordinary resolution has been duly passed by the Shareholders of the Corporation, the Board of Directors of the Corporation is hereby authorized, at its discretion at any time before it is acted upon, to determine not to proceed with the Refinancing Transactions;

**THAT** the waiver by the Board of Directors of the Corporation of the application of Section 3.1 of the shareholders rights plan agreement dated as of August 20, 2014 between the Corporation and CST Trust Company (the **"Rights Plan"**) pursuant to Sections 5.2(a) and 5.3(a) of the Rights Plan with respect to (a) the issuance of any Convertible Secured Debentures (as such term is defined in the Circular) pursuant to the Refinancing Transactions and the MacDonald Employment Agreement Amendment (as such term is defined in the Circular); (b) the issuance of any PIK Debentures (as defined in the Circular); (c) the acquisition of any Convertible Secured Debentures by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, after completion of the Refinancing Transactions; and (d) the acquisition by Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, or any other holder of Convertible Secured Debentures purchased pursuant to the Rights Offering (as such term is defined in the Circular), of up to 19.99% of the then issued and outstanding Common Shares, whether acquired through the conversion of Convertible Secured Debentures or PIK Debentures or purchases of Common Shares (or any combination thereof), not taking into account Convertible Secured Debentures and PIK Debentures (which, in respect of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, includes Convertible Secured Debentures acquired after completion of the Refinancing Transactions) that have not yet been converted into Common Shares (but, for greater certainty, are permitted to be converted under the terms of the Rights Plan such that if converted, the holdings of Canso, in its capacity as portfolio manager for and on behalf of certain accounts that it manages, may exceed 19.99% of the then issued and outstanding Common Shares), is hereby authorized and approved and any such issuance or acquisition shall not constitute a Flip-in Event (as such term is defined in the Rights Plan);

**THAT** notwithstanding that this ordinary resolution has been duly passed by the Shareholders of the Corporation, if the Refinancing Transactions do not proceed, the Board of Directors of the Corporation is hereby authorized, at its discretion at any time before it is acted upon, to determine not to proceed with the waiver of the application of the foregoing resolution without further approval of the Shareholders; and

**THAT** any director or officer of the Corporation be, and such director or officer of the Corporation hereby is, authorized, instructed and empowered, acting for, in the name of and on behalf of the Corporation, to do or to cause to be done all such other acts and things in the opinion of such director

or officer of the Corporation as may be necessary or desirable in order to fulfill the intent of this foregoing resolution or otherwise effect the Refinancing Transactions.”

**The Board has unanimously concluded that the Refinancing Transactions are in the best interests of the Corporation and recommends that Shareholders vote IN FAVOUR of the Refinancing Resolution (see “*The Refinancing Transactions - Reasons for the Refinancing Transactions*”).** To become effective, the Refinancing Resolution must be approved, with or without variation, by an affirmative vote of at least a simple majority of the votes cast by Minority Shareholders (see “*Regulatory Requirements Relating to the Refinancing Transactions*”). Unless a Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such form of proxy are to be voted against the Refinancing Resolution, the persons named in the accompanying form of proxy will vote IN FAVOUR of the Refinancing Resolution.

#### **MacDonald Employment Agreement Amendment Resolution**

At the Meeting, Shareholders will be asked to consider, and if deemed advisable pass, with or without variation, as an ordinary resolution, the MacDonald Employment Agreement Amendment Resolution. See “*Amendment to the Employment Agreement of the Executive Chairman*”.

The full text of the MacDonald Employment Agreement Amendment Resolution is as follows:

**“BE IT RESOLVED**, as an ordinary resolution of the holders (the “**Shareholders**”) of common shares (“**Common Shares**”) of Tuckamore Capital Management Inc. (the “**Corporation**”):

**THAT** the issuance of Convertible Secured Debentures (as such term is defined in the Corporation’s management information circular dated January 25, 2016 (the “**Circular**”)) in the principal amount of \$1,000,000 pursuant to the MacDonald Employment Agreement Amendment (as such term is defined in the Circular) is hereby authorized and approved;

**THAT** notwithstanding that this ordinary resolution has been duly passed by the Shareholders of the Corporation, the Board of Directors of the Corporation is hereby authorized, at its discretion at any time before it is acted upon, to determine not to proceed with the MacDonald Employment Agreement Amendment; and

**THAT** any director or officer of the Corporation be, and such director or officer of the Corporation hereby is, authorized, instructed and empowered, acting for, in the name of and on behalf of the Corporation, to do or to cause to be done all such other acts and things in the opinion of such director or officer of the Corporation as may be necessary or desirable in order to fulfill the intent of this foregoing resolution or otherwise effect the MacDonald Employment Agreement Amendment.”

**The Board has unanimously concluded that the MacDonald Employment Agreement Amendment is in the best interests of the Corporation and recommends that Shareholders vote IN FAVOUR of the MacDonald Employment Agreement Amendment Resolution.** To become effective, the MacDonald Employment Agreement Amendment must be approved, with or without variation, by an affirmative vote of disinterested Shareholders (see “*Amendment to the Employment Agreement of the Executive Chairman*” above). Unless a Shareholder has specifically instructed in the enclosed form of proxy that the Common Shares represented by such form of proxy are to be voted against the MacDonald Employment Agreement Amendment Resolution, the persons named in the accompanying form of proxy will vote IN FAVOUR of the MacDonald Employment Agreement Amendment Resolution.

#### **Other Matters**

As of the date hereof, to the knowledge of the Corporation, there are no other matters be acted upon at the Meeting.

#### **INTEREST OF MANAGEMENT AND OTHERS IN MATTERS TO BE ACTED UPON**

Other than as described elsewhere in this Circular, no person who has been a director, trustee or executive officer of Tuckamore at any time since the beginning of the Corporation’s most recently completed financial

year, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting.

#### **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as described elsewhere in this Circular, no director, senior officer or other insider, as applicable, or any associate or affiliate thereof, has or has had any material interest, direct or indirect, in any transaction since the commencement of Tuckamore's most recently completed financial year or in any proposed transaction that has materially affected or will materially affect Tuckamore or any of its subsidiaries.

#### **AUDITOR**

The auditor of Tuckamore is Ernst & Young LLP, located at 222 Bay Street, P.O. Box 251, Toronto, Ontario M5K 1J7.

#### **ADDITIONAL INFORMATION**

A copy of this Circular has been sent to each director of the Corporation, each Shareholder entitled to receive notice of, and to vote at, the Meeting and to the auditor of the Corporation. Information contained in this Circular is given as of the date hereof except as otherwise noted. Additional information relating to the Corporation can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding the Corporation can be found in the Corporation's audited consolidated financial statements for the year ended December 31, 2014 together with the auditor's report thereon and accompanying management's discussion and analysis for the year ended December 31, 2014. Copies of these financial statements, as well as copies of this Circular, are available to securityholders of the Corporation upon written request, free of charge, by contacting Keith Halbert at [keith@tuckamore.ca](mailto:keith@tuckamore.ca) and are available under the Corporation's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

#### **APPROVAL**

The contents and mailing of this Circular have been approved by the Board.

**DATED** at Toronto, Ontario, this 25<sup>th</sup> day of January, 2016.

#### **BY ORDER OF THE BOARD OF DIRECTORS OF TUCKAMORE CAPITAL MANAGEMENT INC.**

Per: (signed) Keith Halbert

Keith Halbert  
Chief Financial Officer  
Tuckamore Capital Management Inc.











**TUCKAMORE**  
CAPITAL