

AGILE

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The logo for DATA, featuring the word "DATA" in a bold, white, sans-serif font. The letter "D" is stylized with a white lightning bolt striking it from the bottom left. The logo is set against a dark blue rectangular background.

MANAGEMENT

INFORMATION

CIRCULAR



**NOTICE OF ANNUAL AND SPECIAL  
MEETING OF SHAREHOLDERS OF DATA GROUP LTD.**

**TO BE HELD ON JUNE 30, 2016**

**and**

**MANAGEMENT INFORMATION CIRCULAR**

June 1, 2016

This booklet contains important information and requires your immediate attention. If you are in doubt as to how to deal with these materials or the matters they describe, please consult your professional advisor.



June 1, 2016

Dear Shareholder,

On behalf of the Board of Directors and management of DATA Group Ltd. (“**DATA**” or the “**Corporation**”), we are pleased to invite you to attend an annual and special meeting of the common shareholders of the Corporation. The meeting will be held at 11:00 a.m. (Toronto time) on Thursday, June 30, 2016 at the offices of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario.

The enclosed Management Information Circular contains important information about the business to be conducted at the meeting, voting instructions, the nominated directors recommended by the Board of Directors, DATA’s corporate governance practices and how the Corporation compensates its directors and officers.

At the meeting, we will discuss DATA’s financial performance and business accomplishments in 2015 and our plans for 2016 and beyond. We will also discuss our significant re-branding initiative earlier this year as “DATA Communications Management”, which relates to our proposed name change to “DATA Communications Management Corp.”

Your participation in the affairs of DATA is important to us. Please take the time to review the information enclosed and exercise your vote.

We thank you for your support and look forward to welcoming you to this year’s annual and special meeting of the common shareholders.

*“J.R. Kingsley Ward”*

J.R. Kingsley Ward

Chair of the Board

*“Michael G. Sifton”*

Michael G. Sifton

President & Chief Executive Officer

**DATA GROUP LTD.**

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

**TO BE HELD ON JUNE 30, 2016**

Notice is hereby given that an annual and special meeting (the “**Meeting**”) of the common shareholders of DATA Group Ltd. (the “**Corporation**”) will be held at the offices of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario on June 30, 2016 at 11:00 a.m. (Toronto time). At the Meeting, shareholders will be asked to:

- (a) receive the consolidated financial statements for the year ended December 31, 2015, together with the report of the auditors thereon;
- (b) appoint auditors and authorize the directors to fix the remuneration to be paid to the auditors;
- (c) elect directors for the coming year;
- (d) consider and, if thought advisable, pass with or without variation, a special resolution, the full text of which is set forth in Appendix “A” to the accompanying management information circular (the “**Circular**”), to approve an amendment to the articles of the Corporation (the “**Articles**”) to change the name of the Corporation to “DATA Communications Management Corp.” or such other name as is determined by the Board of Directors of the Corporation (the “**Board**”) in its sole discretion, subject to regulatory approval;
- (e) consider and, if thought advisable, pass, with or without variation, a special resolution, the full text of which is set forth in Appendix “B” to the Circular, to approve an amendment to the Articles to effect a consolidation of the issued and outstanding common shares of the Corporation (the “**Common Shares**”) on the basis of a ratio of one post-consolidation Common Share for each 100 issued and outstanding pre-consolidation Common Shares, such consolidation to take effect at a time determined by the Board in its sole discretion;
- (f) consider and, if thought advisable, pass, with or without variation, an ordinary resolution, the full text of which is set forth in Appendix “C” to the Circular, approving an investment in the Corporation by way of a non-brokered private placement of Common Shares to KST Industries Inc. (the “**KST Private Placement**”); and
- (g) transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

This notice is accompanied by the Circular, a form of proxy, and a financial statement request form.

Only common shareholders of record at the close of business on May 31, 2016 will be entitled to vote at the Meeting, or any adjournment or postponement thereof.

Registered shareholders who are unable to attend the Meeting in person are encouraged to complete, date and sign the enclosed form of proxy and return it in the enclosed envelope. To be effective, proxies must be sent by mail, facsimile or personal delivery to the attention of DATA Group Ltd. c/o Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, or by facsimile to 1-866-249-7775 or 416-263-9524, no later than 11:00 a.m. (Toronto time) on June 28, 2016 or, if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) before the time set for the adjourned Meeting. The deadline for the deposit of proxies may be waived or extended by the chair of the Meeting at the Chair’s sole discretion without notice.

If you are a non-registered shareholder of the Corporation and received this Notice of Meeting and accompanying materials through an intermediary, such as a broker, a financial institution, a participant, a trustee or administrator of a self-administered retirement savings plan, retirement income fund, education savings plan or other similar self-administered savings or investment plan registered under the *Income Tax Act* (Canada), or a nominee of any of the foregoing that holds your security on your behalf, please read the instructions regarding how to vote at or attend the Meeting under “General Proxy Matters – Non-Registered (Beneficial) Shareholders” in the Circular.

DATED June 1, 2016.

By Order of the Board of Directors

A handwritten signature in black ink, appearing to read "J.R. Kingsley Ward".

J.R. Kingsley Ward

Chair of the Board of Directors

DATA Group Ltd.

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## GENERAL PROXY MATTERS

### General

**This management information circular, or Circular, of DATA Group Ltd. dated June 1, 2016 is furnished in connection with the solicitation of proxies by and on behalf of management of DATA Group Ltd. for use at the annual and special meeting of our shareholders, or the Meeting, to be held on June 30, 2016 and any adjournment or postponement of the Meeting.**

We have not authorized anyone to give any information or make any representation in connection with any matters to be considered at the Meeting other than those contained in this Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

Unless otherwise indicated or the context otherwise requires, in this Circular the terms “**Corporation**”, “**we**”, “**us**” and “**our**” refer to DATA Group Ltd.; “**DATA**” refers to DATA Group Ltd. and its subsidiary, DATA Group (US) Corp.; “**Common Shares**” refers to common shares of DATA Group Ltd.; and “**shareholders**” refers to holders of Common Shares.

Information contained in this Circular is given as of June 1, 2016, unless otherwise specifically stated.

### Solicitation of Proxies

It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone by our regular employees without special compensation, or by our transfer agent, Computershare Investor Services Inc., at nominal cost. We will bear the cost of solicitation. We have also retained Kingsdale Shareholder Services as a proxy solicitation agent in connection with the solicitation of proxies for the Meeting for an agreed fee of \$50,000 plus additional fees relating to governance advisory and out-of-pocket expenses. The cost of this solicitation will be paid by the Corporation.

If you have any questions or need assistance completing your proxy or voting instruction form, please contact Kingsdale Shareholder Services at 1-866-581-1570 toll-free in North America or 1-416-867-2272, outside of North America, or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com).

### Appointment of Proxies

Enclosed with this Circular being sent to our shareholders is a form of proxy. The persons designated in the enclosed form of proxy are James E. Lorimer, the Chief Financial Officer of DATA and Michael G. Sifton, President and Chief Executive Officer of DATA. **Each shareholder has the right to appoint some other person or entity (who need not be a shareholder) to attend, vote and act on their behalf at the Meeting other than the persons named in the enclosed instrument of proxy. This right may be exercised by inserting the person’s name in the blank space provided in the enclosed form of proxy or by completing another proper instrument of proxy naming such other person as proxyholder. The instrument appointing a new proxyholder must be in writing and must be signed by the shareholder or his or her attorney therefor duly authorized in writing.**

Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting. You are a registered shareholder if you have a share certificate for Common Shares and they are registered in your name or if you hold Common Shares through direct registration. Shareholders who hold their Common Shares through a bank, broker or other intermediary should read the instructions under the heading below, “Non-Registered Shareholders”.

In order to be valid, the form of proxy must be delivered:

- by fax to Computershare Investor Services Inc., Attention: Proxy Department at 1-866-249-7775 or 416-263-9524 outside of Canada and the United States;



- by mail to Computershare Investor Services Inc., Attention: Proxy Department, 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1; or
- by personal delivery to Computershare Investor Services Inc. at the address set out above,

in each case so as to be deposited with the Corporation no later than 11:00 a.m. (Toronto time) on June 28, 2016 or, if the Meeting is adjourned, not less than 48 hours (excluding Saturdays, Sundays and statutory holidays in Toronto, Ontario) before the time set for the adjourned Meeting. The deadline for the deposit of proxies may be waived or extended by the Chair of the Meeting at the Chair's discretion without notice.

### **Non-Registered (Beneficial) Shareholders**

The information in this section is of significant importance to shareholders who do not hold their Common Shares in their own name. Only registered shareholders or the persons they appoint as their proxies are permitted to vote at the Meeting.

You are a non-registered shareholder if you hold Common Shares through an intermediary (including, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSP's, RRIF's, RESP's and similar plans) that the non-registered holder deals with in respect of the Common Shares, or a clearing agency (such as the Canadian Depository for Securities Limited) of which the intermediary is a participant. In accordance with the requirements of the Canadian Securities Administrators, we will have distributed copies of the notice of meeting accompanying this Circular, this Circular, the enclosed form of proxy and a financial statement request form to the clearing agencies and intermediaries for onward distribution to non-registered shareholders. Typically, intermediaries will use a service company to forward such materials to non-registered shareholders. The majority of intermediaries now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Corporation in Canada and its counterpart in the United States, or Broadridge.

If you are a non-registered shareholder, you may vote in person, by proxy or by internet only by the following procedures outlined below. If you wish to vote by internet, please see the enclosed voting instruction form for details on protocol.

#### *To Vote in Person*

If you are able to attend the Meeting in person, and wish to vote your Common Shares in person you may do so by either (i) inserting your own name in the space provided on the enclosed voting instruction form or form of proxy provided by your intermediary; or (ii) submitting any other document in writing to your intermediary that requests that the non-registered shareholder or nominees thereof should be appointed as proxy. Then, follow the signing and return instructions provided by your intermediary. If you do not properly follow the return instructions provided by your intermediary, you may not be able to vote such Common Shares. Before the official start of the Meeting on June 30, 2016, please register with the representative(s) from Computershare Investor Services Inc., who will be situated at a welcome table just outside the Meeting room. Once you are registered with Computershare Investor Services Inc., and, provided the instructions you provided to your intermediary have been forwarded by your intermediary to Computershare Investor Services Inc., your vote will be requested and counted at the Meeting.

#### *To Vote by Proxy*

Intermediaries are required to forward the Meeting materials to non-registered shareholders and often use service companies for this purpose. Generally, non-registered shareholders will either:

- be given a voting instruction form which is not signed by the intermediary and which, when properly completed and signed by the non-registered shareholder and returned to the intermediary or its service company, will constitute authority and instructions (often called a proxy authorization form) which the intermediary must follow (and which may, in some cases, permit the completion of the voting instruction form by telephone or internet); or

- less typically, 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 non-registered shareholder, but which is otherwise not completed. This form of proxy need not be signed by the non-registered shareholder. In this case, the non-registered shareholder who wishes to submit a proxy should properly complete the applicable form of proxy and submit it to DATA Group Ltd., c/o Computershare Investor Services Inc., 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department, with respect to the Common Shares beneficially owned by such non-registered shareholder, in accordance with the instructions elsewhere in this Circular.

In either case, the purpose of this procedure is to permit the non-registered shareholder to direct the voting of the Common Shares they beneficially own.

Additionally, there are two kinds of non-registered shareholders: (i) those who object to their name being made known to the issuers of securities which they own, known as objecting beneficial owners or “OBOs”; and (ii) those who do not object to their name being made known to the issuers of securities which they own, known as non-objecting beneficial owners or “NOBOs”. Additionally, the Corporation may use the Broadridge QuickVote™ service to assist Non-Registered Shareholders with voting their Common Shares. Non-Registered Shareholders may be contacted by Kingsdale to conveniently obtain a vote directly over the telephone. Broadridge then tabulates the results of all instructions received and provides the appropriate instructions respecting the voting Common Shares to be represented at the Meeting.

#### Revocation of Proxies

A registered shareholder who has given a proxy may revoke the proxy:

- by completing and signing a proxy bearing a later date and depositing it as previously described;
- by depositing an instrument in writing executed by him or her or by his or her attorney authorized in writing (i) at our registered office at any time up to and including the second last business day (being a day other than a Saturday, Sunday or statutory holiday, when banks are generally open for business in Toronto, Ontario for the transaction of banking business) preceding the day of the Meeting or any adjournment thereof, or (ii) with the chair of the Meeting prior to the commencement of the Meeting on the day of the Meeting or any adjournment thereof; or
- in any other manner permitted by law.

A non-registered shareholder may revoke a voting instruction form or a waiver of the right to receive Meeting materials and to vote given to an intermediary at any time by written notice to the intermediary, except that an intermediary is not required to act on a revocation of proxy instruction form (voting instructions) or of a waiver of the right to receive materials and to vote that is not received by the intermediary at least seven days prior to the Meeting.

#### Voting of Proxies

On any ballot that may be called for, Common Shares represented by properly executed proxies in favour of the persons specified in the enclosed form of proxy will be voted for or against or withheld from voting in accordance with the specifications made therein. **If a specification is not made with respect to any matter to be voted on at the Meeting, Common Shares will be voted in FAVOUR of those matters set out in the enclosed form of proxy.** The enclosed form of proxy confers discretionary authority upon the persons specified therein with respect to amendments or variations to matters identified in the accompanying notice of Meeting, and with respect to other matters which may properly come before the Meeting. As of the date of this Circular, we are not aware of any such amendment, variation or other matter to come before the Meeting.

## Record Date, Voting of Common Shares and Quorum

As at May 31, 2016, we had 1,166,608,744 Common Shares issued and outstanding. Shareholders of record at the close of business on June 1, 2016 are entitled to receive notice of and to attend the Meeting in person or by proxy and are entitled to one vote per Common Share held on all matters to come before the Meeting.

Only those shareholders of record on the record date with the right to vote will be entitled to vote the Common Shares owned by the shareholder at the Meeting or any adjournment(s) or postponement thereof, in person or by proxy.

Two or more persons present in person either holding personally or representing as proxies in the aggregate at least 25% of the votes attached to all of our outstanding Common Shares will constitute a quorum for the transaction of business at the Meeting.

Under normal conditions, confidentiality of voting is maintained by virtue of the fact that proxies and votes are tabulated by our transfer agent. However, such confidentiality may be lost as to any proxy or ballot if a question arises as to its validity or revocation or any other like matter. Loss of confidentiality may also occur if our Board of Directors decides that disclosure is in the interest of the Corporation or its shareholders.

## Principal Shareholders

To the knowledge of our Board of Directors, as at June 1, 2016, the following person beneficially owns, or controls or directs, directly or indirectly, voting securities carrying 10 per cent or more of the voting rights attached to any class of our voting securities.

Name	Number of Common Shares beneficially owned or over which control or direction is exercised	Percentage of Total Common Shares
KST Industries Inc. ("KST")	155,255,183 <sup>(1)</sup>	13.31%

Note:

- (1) This information is based upon the public filings of KST. In addition, KST owns \$1,742,000 aggregate principal amount of our outstanding 6.00% convertible unsecured subordinated debentures. The principal amount of those debentures is convertible, at the option of the holder, into Common Shares at a conversion price of \$12.20 per share (or 81.9672 Common Shares for each \$1,000 principal amount of debentures). KST has entered into a subscription agreement with the Corporation to purchase 30,895,781 Common Shares all as described in more detail under "Matters To Be Acted Upon At The Meeting – KST Private Placement". Upon the closing of the KST Private Placement, and assuming the issuance of no other Common Shares, KST would own 15.54% of the then issued and outstanding Common Shares.

Pursuant to the terms of a settlement, nomination and standstill agreement with the Corporation, KST has agreed, among other things, to vote Common Shares held by it on the record date in favour of the Board of Directors recommendation for each of the items to be acted upon at the meeting, including the slate of nominees proposed by the Corporation for election as directors of DATA at the Meeting.

## FORWARD-LOOKING STATEMENTS

This Circular contains "forward-looking information" within the meaning of applicable Canadian securities legislation. Often, but not always, forward-looking information and statements can be identified by the use of words such as "plans", "expects" or "does not expect", "is expected", "estimates", "intends", "anticipates" or "does not anticipate", or "believes", or variations of such words and phrases or state that certain actions, events or results "may", "could", "would", "might" or "will" be taken, occur or be achieved. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of DATA to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Examples of such statements include the Corporation's ability to close the proposed KST Private Placement and anticipated impact and benefits of the proposals to change our corporate name and consolidate our Common Shares

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*If you have any questions or need assistance completing your proxy or voting instruction form, please contact Kingsdale Shareholder Services at 1-866-581-1570 toll-free in North America or 1-416-867-2272, outside of North America, or by email at [contactus@kingsdaleshareholder.com](mailto:contactus@kingsdaleshareholder.com)*

on a 100-for-1 basis, which are described elsewhere in this Circular. Actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this Circular. The principal factors, assumptions and risks that we made or took into account in the preparation of the forward-looking statements in this Circular include, among other things, our ability to obtain the necessary shareholder and regulatory approvals for those proposals; market acceptance of the proposed name change; the effect of the proposed share consolidation; and the other factors described in this Circular and our annual information form. Should one or more of these risks or uncertainties materialize, or should assumptions underlying the forward-looking statements prove incorrect, actual results may vary materially from those described in this Circular as intended, planned, anticipated, believed estimated or expected. You are cautioned not to place undue reliance on forward-looking information or statements.

## MATTERS TO BE ACTED UPON AT THE MEETING

### Receipt of Financial Statements

Our audited consolidated financial statements for the fiscal year ended December 31, 2015 and the report of the auditor's thereon will be presented at the Meeting.

### Appointment of Auditors

At the Meeting, shareholders will be requested to appoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation, to hold office until the next annual meeting of shareholders or until their successors are appointed and to authorize the directors to fix the auditor's remuneration.

**The Board of Directors unanimously recommends that shareholders vote in favour of the appointment of PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation. In the absence of a contrary instruction, the individuals named as proxyholders in the enclosed proxy intend to vote FOR the appointment of PricewaterhouseCoopers LLP, Chartered Accountants as auditors of the Corporation to hold office until the next annual meeting of shareholders or until their successors are appointed and FOR the resolution authorizing the directors to fix their remuneration unless specifically instructed otherwise on the form of proxy.**

### Election of Directors

The six nominees proposed for election as directors are listed below. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders. Each director elected at the Meeting will hold office until our next annual meeting or until his successor is elected or appointed. Pursuant to the terms of a settlement, nomination and standstill agreement dated as of May 31, 2016 between the Corporation, KST and Harinder Takhar, KST was granted the right to nominate one director nominee and exercised such right to nominate Jim Murray.

**The Board of Directors unanimously recommends that shareholders vote in favour of the election of each of the following as directors of DATA. In the absence of a contrary instruction, the individuals named as proxyholders in the enclosed proxy intend to vote FOR the election as directors of each of the nominees whose names are set forth below, each of whom has been a director of the Corporation since the date indicated below opposite his name. If, for any reason, at the time of the Meeting any of the nominees is unable to serve, and unless otherwise specified, it is intended that the persons named in the enclosed form of proxy reserve the right to vote for another nominee in their discretion.**

The following table sets forth information with respect to each person proposed to be nominated for election as a director, including the number of Common Shares owned beneficially, or over which control or direction was exercised, by such person at the date of this Circular. The information as to Common Shares beneficially owned, directly or indirectly, or over which control or direction is exercised and the biographies of the proposed nominees for election as directors, not being within our knowledge, has been furnished by the respective nominees individually.

<u>Proposed Nominee</u>	<u>Principal Occupation</u>	<u>Director Since</u>	<u>Common Shares</u> <sup>(4)</sup>
William Albino Ontario, Canada	Corporate director	2012 <sup>(1) (2)</sup>	10,000
Gregory J. Cochrane Ontario, Canada	Managing Partner, VRG Capital Corp.	2016	17,932,143
Michael G. Sifton Ontario, Canada	President and Chief Executive Officer of DATA Group Ltd.	2015 <sup>(3)</sup>	104,344,736
J.R. Kingsley Ward Ontario, Canada	Managing Partner, VRG Capital Corp.	2014 <sup>(2)</sup>	647,100
Derek J. Watchorn Ontario, Canada	Consultant	-	7,142,857
Jim Murray Ontario, Canada	Senior Vice President and Director of Business Development, Cushman & Wakefield Ltd.	-	920,400

Notes:

- (1) Member of the Audit Committee<sup>(5)</sup>.
- (2) Member of the Corporate Governance Committee<sup>(5)</sup>.
- (3) Mr. Sifton served as a director for the period from April, 2015 until his resignation in May 2016 and was re-appointed as a director on June 1, 2016.
- (4) As of June 1, 2016.
- (5) Board committees will be reconstituted after the Meeting given that only one director (Mr. William Albino) sits on the Audit Committee, and no directors sit on the Human Resources and Compensation Committee.

The principal occupation of each person proposed to be nominated for election as a director for the past five years preceding the date hereof and additional biographical information is described below:

*William Albino.* Mr. Albino has been a Director of the Corporation since August 8, 2012. He currently chairs the Governance Committee of the Board and is a member of the Audit Committee. Prior to his retirement in 2011, Mr. Albino was Chief Executive Officer of Smart Systems for Health, an Agency of the Ontario Government charged with developing and implementing electronic health records for all Ontarians. Before that assignment, Mr. Albino was an Executive Vice President of EDS Canada, responsible, at various times, for the EDS's business in the Telecommunications, Government, and Manufacturing sectors. He spent two years as head of his own consulting company while acting as an independent investor in start-up technology companies. Mr. Albino's longest employment - 25 years - was with Xerox Corporation where he held numerous positions, in both Canada and the US, culminating in his assignment as Vice-President and General Manager of the company's largest division. Mr. Albino has a Bachelor of Arts degree from the University of Toronto and a Masters of Business Administration from The Richard Ivey School of Business at the University of Western Ontario. He is presently a director of The Aurora Historical Society and the Big Brother and Sisters Council of Champions.

*Gregory J. Cochrane.* Mr. Cochrane is Managing Partner at VRG Capital Corp. and was appointed a director of the Corporation on June 1, 2016. In 1981, Mr. Cochrane acquired a significant partnership interest in Mariposa Communications, which grew to become one of the largest Canadian event and conference companies, and which was subsequently sold in 1997 to Mosaic Group, a publicly traded marketing services business, where he remained in a senior role until 2001. In 2001, he was a lead investor in Pareto Corporation, a start-up marketing services business which became publicly listed in 2004, and where he remained a director until its sale to a private equity firm in 2011. He was also formerly a lead investor in, and a director of, Wheels Group, a publicly listed third party logistics company, until its sale in 2015 to Radiant Logistics. Additionally, Mr. Cochrane is an investor in, and has served as a director of, Jones Brown Inc., a leading private Canadian insurance brokerage business since 2015 and has been involved at operational and board levels in a number of businesses including Future Bright Insurance Corp., Thistle Printing, MPH Printing and

Capri Media Group. He is currently on the advisory boards of Clarus Securities, Kensington Capital Partners, Lumira Capital and the Stephen J.R. Smith School of Business at Queen's University. He is a founding investor of the Centre for Business Venturing at the Smith School of Business. He is also co-chair of Capitalize for Kids Investors Conference and has been a lead investor in establishing the Down Syndrome Clinic at SickKids Hospital in Toronto and has been involved in and led many not-for-profit organizations, including Junior Achievement, the Down Syndrome Association of Toronto and St. Joseph's Hospital. In 1992, Greg received the Commemorative Medal for the 125th Anniversary of the Confederation of Canada, recognizing his significant contribution to the community and Canada. He holds a Master of Business Administration degree from the Smith School of Business and a business degree from Bishop's University.

*Michael G. Sifton.* Mr. Sifton was appointed as President and Chief Executive Officer and a director of the Corporation on April 16, 2015. He announced his resignation as President and Chief Executive Officer of the Corporation effective as of July 3, 2016, and as a director of the Corporation effective as of May 16, 2016. On June 1, 2016, it was announced that Mr. Sifton would continue in his role as President and Chief Executive Officer of the Corporation and that he rejoined our Board of Directors. Mr. Sifton has an extensive career in the media business, including more than 25 years of senior leadership roles in the Canadian newspaper industry. He also has extensive experience on public and private company boards, and as chair and in director roles of several not-for-profit entities. Between 2009 and April 2015, Mr. Sifton was a Managing Partner at Beringer Capital, where he remains a principal and investor. Beringer is a private equity firm focused on marketing services, digital media and specialty media industries and its primary investment is Match Marketing Group, a leading North American shopper marketing agency. Prior to joining Beringer Capital, he was President and Chief Executive Officer of Sun Media, Canada's largest newspaper publisher by household penetration and reach. In 2001, Mr. Sifton led the formation of Osprey Media Group, which was later acquired by Sun Media in 2007. Prior to forming Osprey Media Group, Mr. Sifton was President of Hollinger Canadian Newspapers G.P. and President and Chief Executive Officer of family-owned Armadale Communications. Mr. Sifton is presently an officer and director of various private companies and is a director of publicly traded Yellow Media Ltd. Mr. Sifton is the Chairman of the Board of Governors of St. Andrew's College in Aurora, Ontario and sits on the advisory board of the Stephen J.R. Smith School of Business at Queen's University and the Senate of the 48<sup>th</sup> Highlanders. Mr. Sifton is a former Chairman of The Canadian Press and a former Director of the Canadian Newspaper Association and the Newspaper Audience Databank. Mr. Sifton holds a Bachelor of Commerce (Honours) from the Smith School of Business.

*J.R. Kingsley Ward.* Mr. Ward is currently a Managing Partner of VRG Capital Corp., as well as Chairman of Founders Advantage Capital Corp. (a TSX Venture listed company), the Vimy Ridge Group Ltd., Clarus Securities, Jones Brown Holdings Inc., and Nucro-Technics. Mr. Ward was appointed Chairman of the Board of Directors of the Corporation on June 1, 2016. Mr. Ward was the President of VRG Capital from 1992 to 2011. He has an extensive career as an investor in, and director of, public and private companies, with more than 25 years of experience in initiating, structuring, and monetizing private equity and publicly traded investments. Mr. Ward began his career at the Vimy Ridge Group Ltd., a Toronto based holding company with a portfolio of investments primarily in the healthcare industry. In 1992, VRG Capital, a division of Vimy Ridge Group Ltd., was formed to develop merchant banking initiatives for Vimy Ridge Group Ltd. Mr. Ward's business career includes being a Founder, Director and Chairman of Clarus Securities, an institutional investment dealer, and previously was a lead investor in, and Director of, Wheels Group Inc., a publicly traded North American third party logistics management company, until its sale to Radiant Logistics in 2015. He was a founder and former Director of IPEC (now Flint Energy Services) and was a founder and former Chairman of Pareto Corporation, a publicly traded marketing services company until its sale in 2011. He is a past Director of PLM Group, which grew to become a leading publicly traded commercial printing and direct marketing company, until its acquisition by Transcontinental Inc. in 2007.

*Derek J. Watchorn.* For the past six years, Mr. Watchorn has been acting as a consultant on several projects, notably as a member of the management committee involved with the redevelopment of the Buttonville Airport land and until recently in respect of a joint venture involving a major shopping centre and several other properties in Budapest. Mr. Watchorn, a lawyer by trade, has extensive experience in the real estate industry through a variety of senior management and director positions he has held with both public and private organizations in Ontario and abroad. Mr. Watchorn is a director of Timbercreek Mortgage Investment Corporation and a member of the Audit Committee and Chairman of its Corporate Governance Committee. Mr. Watchorn was the President and CEO of Revera Inc. (formerly Retirement Residences REIT) from October 2004 until June 2009. Prior to that, he served in London, England as Executive Vice

President of Canary Wharf plc from January 2003 until June 2004 and as Executive Director of TrizecHahn plc from January 1999 until June 2001. Mr. Watchorn was a senior partner of the law firm Davies Ward Phillips & Vineberg LLP, which he joined as a solicitor in 1968 and became partner of in 1970. During the period from 1987 to 2004 (excluding his tenure with TrizecHahn), Mr. Watchorn was a senior advisor to the Paul Reichmann family in Toronto and, in that capacity, during a three year period from 1987 until 1990, served on a seconded basis as Executive Director of Olympia & York Canary Wharf plc. Mr. Watchorn was previously a director of Patheon Inc.

*Jim Murray.* Mr. Murray's career spans 45 years in the commercial brokerage industry and he is currently the Senior Vice President and Director of Business Development of Cushman & Wakefield Ltd. Brokerage where his role is that of a team leader on major assignments, including the Sheridan College Mississauga Campus, the TPCL Head Office in Calgary, Alberta, the sale of the Imperial Oil tank farm in Mississauga, the Community Door in Mississauga and Brampton and the sale of Kingsway Financial's primary office building to the Region of Peel. Mr. Murray is a member of the Society of Industrial Realtors and is President and Chair for the Hazel McCallon Foundation for Arts, Heritage and Culture. Prior to joining Cushman & Wakefield, Mr. Murray was the Managing Director and a Partner of J.J. Barnicke and, following the company's sale, for DTZ Barnicke. Mr. Murray has also previously served as a board member and vice chair of the Peel Regional Police Service and on the Board of Governors of the Credit Valley Hospital, each for 12 years. Mr. Murray was named "Business Person of the Year" by the Mississauga Board of Trade in 2009 and was also awarded Queen's Diamond Jubilee medal in 2012 and the Order of Ontario award in 2015.

## **Name Change**

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass, with or without variation, a special resolution, or the Name Change Resolution, approving an amendment to the Articles to change the name of the Corporation to "DATA Communications Management Corp." Pursuant to the OBCA, the Name Change Resolution must be passed by a majority of at least two-thirds of the votes cast by shareholders present in person or represented by proxy at the Meeting. A copy of the Name Change Resolution is attached as Appendix "A" to this Circular.

The Name Change Resolution authorizes our Board of Directors to elect, at any time after the Meeting but before the issuance of a certificate of amendment in respect of the change of the Corporation's name, or the Name Change, to revoke the Name Change Resolution and abandon the Name Change, with prior notice to, or further approval of, the shareholders.

### *Reasons for the Name Change*

In early 2016, the Corporation announced a corporate-wide rebranding as "DATA Communications Management" in order to better describe the value we bring to our customers, to enhance our customer relationships, build our marketplace credibility and to consolidate many different brands we have accumulated through acquisitions over our history into one distinct and fresh brand identity. We also launched a new website, [www.datacm.com](http://www.datacm.com), and initiated the development of new sales strategies and marketing collateral around our new brand. We believe that the change of the Corporation's name to "DATA Communications Management Corp." will better reflect the Corporation's current business and identity and will lead to a better understanding and recognition of the Corporation's business by its customers, suppliers, shareholders, analysts and the public and be consistent with our new trade name of DATA Communications Management.

### *Exchange Approval*

The Name Change is subject to the acceptance of the Toronto Stock Exchange, or the TSX. The Corporation has provided notice of the Name Change to the TSX and expects to receive the TSX's approval upon the satisfaction of the conditions of the TSX. In connection with the Name Change, the Corporation has requested "DATA" and "DATA.DB" as new trading symbols for the Common Shares and the Debentures, respectively, to be effective once TSX allows four letter trading symbols in the fall of 2016.

### *Timing*

Although shareholder approval for the Name Change is being sought at the Meeting, the Name Change would become effective at a date in the future to be determined by the Board of Directors when it is considered to be in the best interests of the Corporation to implement the Name Change.

### *Board Recommendation*

**The Board of Directors unanimously recommends that shareholders vote FOR the Name Change Resolution. The individuals named as proxyholders in the enclosed form of proxy intend to vote FOR the Name Change Resolution unless specifically instructed otherwise on the proxy or voting instructions.**

### **Share Consolidation**

We are seeking shareholder approval of an amendment to our articles, or the Articles, to effect a consolidation, or the Share Consolidation, of the issued and outstanding Common Shares on the basis of a ratio, or the Consolidation Ratio, of one post-consolidation Common Share for each 100 outstanding pre-consolidation Common Shares. If the proposed Share Consolidation is implemented, the number of Common Shares issued and outstanding will be reduced from approximately 1,166,608,744 (as of May 31, 2016) to approximately 11,666,088. Completion of the Share Consolidation is subject to receipt of all required regulatory approvals, including the approval of the TSX.

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass, with or without variation, a special resolution, or the Share Consolidation Resolution, approving an amendment to the Articles to effect the Share Consolidation. Pursuant to the OBCA, the Share Consolidation Resolution must be passed by a majority of at least two-thirds of the votes cast by shareholders present in person or represented by proxy at the Meeting. A copy of the Share Consolidation Resolution is attached as Appendix "B" to this Circular.

### *Background and Reasons for the Share Consolidation*

The Board of Directors believes that the proposed Share Consolidation is in the best interests of the Corporation. In December 2015, we redeemed \$33,530,000 aggregate principal amount (or approximately 75%) of our outstanding 6.00% convertible unsecured subordinated debentures, or the Debentures, and, in accordance with the terms of the Debentures, elected to satisfy the redemption price by issuing Common Shares in lieu of paying cash. As a result, the Corporation was obligated to issue a significant number of Common Shares in connection with the redemption of Debentures and, upon completion of that transaction, the number of outstanding Common Shares increased materially from 23,490,592 to 998,752,732. Our Board of Directors believes that the Corporation's current share capital structure limits our financial flexibility and that the Share Consolidation will provide the Corporation with a share capital structure that will better attract equity financing and enhance future growth opportunities. Our Board of Directors believes that our Common Shares will be more attractive to new investors if they are priced considerably above their current level and that the Share Consolidation is the most efficient means of achieving an increase in share price. The Share Consolidation could also help to attract certain institutional investors and investment funds that are currently restricted under their investing guidelines from purchasing the Common Shares due to current price levels.

If the necessary shareholder and regulatory approvals are obtained, the Share Consolidation will only be implemented if our Board of Directors determines that it is in the best interests of the Corporation at that time. In connection with any decision to implement the Share Consolidation, the Board of Directors will establish the timing and other procedural aspects of the transaction and no further action on the part of the shareholders will be required in order to effect the Share Consolidation. The Share Consolidation Resolution authorizes the Board of Directors to elect, at any time after the Meeting but before the issuance of a certificate of amendment in respect of the Share Consolidation, not to implement the Share Consolidation, without prior notice to, or further approval of, our shareholders.



### *Percentage Shareholdings*

If approved and implemented, the Share Consolidation will occur simultaneously for all the Common Shares and the Consolidation Ratio would be the same for all Common Shares. As a result, the implementation of the Share Consolidation would affect all shareholders equally. Except for any variances attributable to fractional Common Shares, the change in the number of issued and outstanding Common Shares that would result from the Share Consolidation would not materially affect any shareholder's percentage ownership of the Corporation and would cause no change in the capital attributable to the Common Shares, even though such ownership would be represented by a smaller number of Common Shares.

Additionally, proportionate voting rights and other rights of the shareholders will not be affected by the Share Consolidation. However, if the Share Consolidation is implemented, the total number of votes that a shareholder may cast at any future general meeting of the Corporation will be reduced proportionately based upon the Consolidation Ratio.

### *Shareholders' Equity*

The implementation of the Share Consolidation would not affect the total shareholders' equity of the Corporation or any element of shareholders' equity as reflected on the Corporation's financial statements except: (i) to change the number of issued and outstanding Common Shares; and (ii) to change the number of Common Shares issuable upon the exercise of outstanding stock options of the Corporation, as well as the applicable exercise or conversion prices of outstanding stock options and the Debentures, to reflect the Share Consolidation.

### *No Fractional Shares*

No fractional Common Shares will be issued in connection with the Share Consolidation and, in the event that a shareholder would otherwise be entitled to receive a fractional share upon the implementation of the Share Consolidation, the number of Common Shares to be received by such shareholder will be rounded up to the nearest whole Common Share.

### *Certain Risks of the Share Consolidation*

There can be no assurance that the Corporation's total market capitalization immediately after the proposed Share Consolidation would be equal to or greater than the Corporation's total market capitalization before the proposed Share Consolidation.

The impact the Share Consolidation would have on the market price of the Common Shares cannot be predicted with any certainty. There are a number of factors and contingencies that could affect the market price of the Common Shares following the Share Consolidation, including but not limited to, the status of the market for the Common Shares at the time, the Corporation's financial and operational results, the Corporation's financial position, including its liquidity and capital resources, the Corporation's prospects, and general economic, stock market and industry conditions. Accordingly, there can be no assurance whatsoever that any increase in the market price per Common Share will result from the proposed Share Consolidation.

The trading liquidity of the Common Shares may be affected by the Share Consolidation. While the Board of Directors believes that a higher share price may help generate investor interest in the Common Shares, the trading liquidity of the Common Shares may not necessarily improve and may get worse following the implementation of the Share Consolidation. Additionally, we cannot assure you that a higher share price, if achieved following the implementation of the Share Consolidation, will generate increased investor interest.

If the Share Consolidation is implemented and the market price of the Common Share falls, the percentage decline may be larger than would occur if the Share Consolidation had not been implemented.

We cannot assure you that the Share Consolidation will enhance our capacity to attract equity financing or enable future growth opportunities.

The Share Consolidation may lead to an increase in the number of shareholders who own “odd lots” of less than 100 Common Shares. Odd lots may be more difficult to sell, or require greater transaction costs per Common Share to sell, than Common Shares held in “board lots” of even multiples of 100 shares.

#### *Effect on Convertible Securities*

The LTIP provides that our Board of Directors must, in the event of a consolidation of our outstanding Common Shares, adjust the number of Common Shares underlying outstanding stock options of the Corporation as well as the applicable exercise price.

The amended and restated trust indenture dated January 1, 2012 between the Corporation and Computershare Trust Company of Canada, or the Debenture Trustee, as supplemented, provides that, in the event of a consolidation of our outstanding Common Shares, the applicable conversion price of the outstanding Debentures will be increased in proportion to the outstanding number of Common Shares resulting from such share consolidation.

Under the terms of the shareholder rights plan agreement dated as of January 1, 2012 between the Corporation and Computershare Investor Services Inc., or the Rights Plan, our Board of Directors may determine to reduce the exercise price of rights issued pursuant to the Rights Plan in order that the Share Consolidation will not be taxable to shareholders.

Shareholder approval is not required in order for our Board of Directors to make the foregoing adjustments in respect of our outstanding stock options, Debentures and rights should the proposed Share Consolidation become effective.

#### *Exchange Approval*

The Share Consolidation is subject to the approval of the TSX. As a condition to the approval of the consolidation of shares listed for trading on the TSX, the TSX requires, among other things, confirmation that the Corporation would meet all applicable TSX listing requirements after the Share Consolidation has been implemented. If the TSX does not consent to the Share Consolidation, the Corporation will not proceed with it.

#### *Effect on Beneficial Shareholders*

Non-registered shareholders holding their Common Shares through a bank, broker or other intermediary should note that such banks, brokers or other intermediaries may have different procedures for processing the Share Consolidation than those customarily put in place for the registered shareholders. If you hold your Common Shares with such a bank, broker or other intermediary and if you have any questions in this regard, you are encouraged to contact your intermediary.

#### *No Dissent Rights*

Under the OBCA, shareholders do not have any dissent and appraisal rights with respect to the proposed Share Consolidation.

#### *Board Recommendation*

**Our Board of Directors believes that the proposed Share Consolidation is in the best interests of the Corporation and unanimously recommends that shareholders vote FOR the Share Consolidation Resolution. The individuals named as proxyholders in the enclosed form of proxy intend to vote FOR the Share Consolidation Resolution unless specifically instructed otherwise on the proxy or voting instructions.**

## **KST Private Placement**

At the Meeting, shareholders will be asked to consider and, if thought advisable, pass, with or without variation, an ordinary resolution, or the KST Private Placement Resolution, authorizing and approving an investment in the Corporation by way of a non-brokered private placement of 30,895,781 Common Shares to KST at a price of \$0.014 per share, or the KST Private Placement. A copy of the KST Private Placement Resolution is attached as Appendix "C" to this Circular.

### *Background*

On May 27, 2016, the Corporation announced that it intended to complete a non-brokered private placement offering, or the Offering, of up to 198,751,793 Common Shares (or approximately 19.9% of the then-current number of outstanding Common Shares) on a pre-Share Consolidation basis and at a price of \$0.014 per share for gross proceeds to the Corporation of approximately \$2.8 million.

On May 31, 2016, the Corporation closed subscriptions for 167,856,012 Common Shares under the Offering. Mr. Michael G. Sifton, the Corporation's Chief Executive Officer, subscribed for 98,876,520 Common Shares (or approximately 9.9% of the outstanding Common Shares), or the Sifton Placement, and a group of third party investors subscribed for 68,979,492 Common Shares (or approximately 6.9% of the issued and outstanding Common Shares), all on a pre-Share Consolidation basis.

On May 31, 2016, KST exercised certain anti-dilution rights granted to KST by the Corporation pursuant to a settlement, nomination and standstill agreement dated as of May 31, 2016 between the Corporation, KST and Harinder Takhar, or the KST Standstill Agreement, and entered into a subscription agreement with the Corporation in respect of the KST Private Placement. The 30,895,781 Common Shares for which KST has subscribed under the KST Private Placement represent approximately 3.1% of the issued and outstanding Common Shares, on a pre-Share Consolidation basis, allowing KST to maintain its percentage ownership of the issued and outstanding Common Shares prior to the Offering.

KST is an insider of the Corporation (within the meaning of the TSX Company Manual) and, based upon publicly available information, beneficially owns an aggregate of 155,255,183 Common Shares (representing approximately 15.54% of the issued and outstanding Common Shares prior to giving effect to the Offering) and an aggregate of \$1,742,000 principal amount of Debentures (the principal amount of the Debentures is convertible, at the option of the holder, into Common Shares at a conversion price of \$12.20 per share, or 81.967 Common Shares for each \$1,000 principal amount of Debentures, prior to giving effect to the Offering).

### *Details of the Private Placement*

The subscription price under the KST Private Placement is \$0.014 per share for aggregate gross proceeds to the Corporation of \$432,541. The Common Shares issuable under the KST Private Placement would represent 2.6% of the Corporation's issued and outstanding Common Shares prior to the closing of the KST Private Placement (assuming the issuance of no additional Common Shares subsequent to the Offering).

Upon closing the KST Private Placement, KST will own 186,150,964 Common Shares (representing 15.54% of the issued and outstanding Common Shares immediately following the KST Private Placement (assuming the issuance of no of no additional Common Shares subsequent to the Offering) and an aggregate of \$1,742,000 principal amount of Debentures.

Completion of the KST Private Placement is conditional upon receipt of the approval of the TSX and the shareholder approval described below under the headings "Exchange Approval" and "Disinterested Shareholder Approval".

### *Exchange Approval*

The Corporation has received conditional listing approval of the TSX in connection with the KST Private Placement. In addition to the customary conditions of the TSX, the KST Private Placement must be approved by a majority of the

disinterested shareholders of the Corporation voting in person or represented by proxy at the meeting, as described in greater detail under the heading below, “*Disinterested Shareholder Approval*”.

#### *Disinterested Shareholder Approval*

The rules of the TSX provide that if, during any six month period, the number of Common Shares issued, or made issuable, to insiders on a private placement basis is greater than 10% of the number of Common Shares which are outstanding, on a non-diluted basis, at the commencement of the six month period, then the Corporation must obtain the approval of its shareholders to the issuance of Common Shares in excess of 10% of the outstanding number of Common Shares, with the votes attached to the Common Shares held by such insiders excluded from the vote, or Disinterested Shareholder Approval.

The Corporation proposes to complete the KST Private Placement within six months of the Sifton Placement, engaging the rules of the TSX. The Common Shares issued and issuable under the Sifton Placement and the Private Placement represent an aggregate of approximately 13% of the number of Common Shares outstanding immediately before the completion of the Sifton Placement. As such, the TSX requires Disinterested Shareholder Approval of the KST Private Placement.

Accordingly, the votes attaching to the Common Shares beneficially owned or controlled by Mr. Michael G. Sifton and KST, respectively, will be excluded from voting to approve the Private Placement. Mr. Sifton owned an aggregate of 104,344,736 Common Shares at the date of this Circular (which includes 98,876,520 Common Shares issued pursuant to the Sifton Placement on May 31, 2016) and, based upon publicly available information, KST owned an aggregate of 155,255,183 Common Shares at the date of this Circular, which together represent approximately 22.3% of the issued and outstanding Common Shares.

#### *Reasons for Board Recommendation*

The Board of Directors has unanimously approved the KST Private Placement, as more particularly described in this Circular. The Board’s approval of the KST Private Placement and its recommendation to shareholders was based upon careful consideration of, among other things:

- the Corporation’s obligations under the KST Standstill Agreement;
- the dilution to existing shareholders as a result of the issuance of Common Shares to KST;
- the financial needs of the Corporation; and
- all other matters deemed relevant by the Board.

#### *Board Recommendation*

**Our Board of Directors unanimously recommends that the shareholders vote FOR the KST Private Placement Resolution. The individuals named as proxyholders in the enclosed form of proxy intend to vote FOR the KST Private Placement Resolution unless specifically instructed otherwise on the proxy or voting instructions.**

#### **INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON AT THE MEETING**

KST has a material interest in the KST Private Placement, a matter for which the Corporation is seeking shareholder approval, all as described in more detail under “Matters To Be Acted Upon At The Meeting – KST Private Placement”. According to the public filings of KST, Mr. Harinder Takhar, a previous director of the Corporation, is a director and the chief executive officer of KST.

## STATEMENT OF CORPORATE GOVERNANCE PRACTICES

### Overview

We are committed to a high standard of corporate governance practices. Our Board of Directors is committed to aligning corporate governance practices with the recommendations currently in effect and contained in National Policy 58-201 – *Corporate Governance Guidelines*, or NP 58-201, which are addressed below. The Canadian securities regulatory authorities have adopted National Instrument 58-101 – *Disclosure of Corporate Governance Practices*, or NI 58-101, and NP 58-201 with the objective of providing greater transparency to Canadian capital markets regarding public entity corporate governance practices. The Board of Directors will continue to monitor developments in this area carefully and will respond appropriately to any future changes.

Over the past several years there have been various initiatives by securities regulatory authorities, institutional investors and stock exchanges to enhance the standards of corporate governance within public companies. These initiatives have addressed corporate governance issues generally and, in particular, issues related to accounting controls, disclosure standards, board oversight, appropriate management incentives, board independence and other matters.

### Board of Directors

#### *Board Mandate*

Our Board of Directors assumes stewardship of, and recognizes that it is ultimately responsible for, ensuring that our affairs are managed properly to protect and enhance shareholder value. Among its duties and responsibilities, the Board of Directors:

- oversees the formulation of our long-term strategic, financial and organizational plans and monitors performance in accordance with those plans;
- assesses the principal risks of our businesses and ensures appropriate systems are in place to manage those risks;
- oversees succession planning, including appointing, training and monitoring senior management;
- oversees the integrity of internal controls and management information systems;
- approves dividends on the Common Shares; and
- oversees our communications policy and reviews and, where necessary, approves (directly or through one of the Board of Directors committees) our material disclosure documents, such as annual and quarterly financial statements, management’s discussion and analysis, management information circulars for annual meetings and annual information forms.

In addition, our Board has adopted a written Charter, a copy of which is attached as Appendix “D” to this Circular.

For the year ended December 31, 2015, our Board of Directors discharged its responsibilities directly and through the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance Committee. In 2016, the Board will discharge its responsibilities directly and through those committees.

#### *Board of Directors Composition and Independence*

##### Prior to the Annual Meeting held on June 4, 2015

Between January 1, 2015 and the Corporation's annual meeting held on June 4, 2015, or the 2015 Meeting, our Board of Directors was composed of seven directors. Six (or approximately 86%) of those directors were considered independent under NI 58-101, namely Messrs. Albino, Blair, Phillips, Spencer, Takhar and Ward.

The remaining director, Michael Suksi, was not independent under NI 58-101 by virtue of his relationship with the Corporation as its President and Chief Executive Officer. Neither Mr. Suksi nor Mr. Spencer were nominees for election as a director at the 2015 Meeting.

#### After the Annual Meeting held on June 4, 2015

Following the 2015 Meeting, our Board of Directors was composed of six directors. Five (or approximately 83%) of those directors were considered independent under NI 58-101, namely Messrs. Albino, Blair, Phillips, Takhar and Ward.

The remaining director, Michael G. Sifton, who was elected as a director at the 2015 Meeting, was not independent under NI 58-101 by virtue of his relationship with the Corporation as its President and Chief Executive Officer.

#### Chair of the Board of Directors

Our Board of Directors elects from its ranks a chairperson to preside at all meetings of the Board of Directors. Thomas R. Spencer, an independent director, was appointed as Chair of the Board of Directors in June 2014. Mr. Spencer served in that position until the conclusion of the 2015 Meeting. Mr. Spencer did not stand for re-election as a director at that meeting. Michael Blair, an independent director, was appointed as Chair of the Board of Directors in June 2015 and served as the Chair of our Board of Directors until his resignation from our Board of Directors in May 2016. Since Mr. Blair's resignation, J.R. Kingsley Ward, an independent director, who was appointed as Vice-Chair of the Board of Directors in June 2015, has chaired subsequent meetings of the Board of Directors. J.R. Kingsley Ward, an independent director, was appointed as Chair of the Board of Directors on June 1, 2016.

#### *Outside Directorships*

The following proposed nominees for election as directors of the Corporation also hold other reporting issuer trusteeships or directorships as set out below:

<b><u>Director</u></b>	<b><u>Reporting Issuer</u></b> <sup>(1)</sup>
Michael G. Sifton	Yellow Media Ltd.
J. R. Kingsley Ward	Founders Advantage Capital Corp.
Derek J. Watchorn	Timbercreek Mortgage Investment Corporation

Note:

(1) The common shares of Yellow Media Ltd. are listed on the TSX. The common shares of Founders Advantage Capital Corp. are listed on the TSX Venture Exchange. The common shares of Timbercreek Mortgage Investment Corporation are listed on the TSX.

Our Board of Directors has established procedures to enable it to facilitate open and candid discussion among the independent directors and is satisfied that it can exercise independent judgment in carrying out its responsibilities. These include:

- the Chair of our Board of Directors, and in his absence the Vice-Chair of our Board of Directors is an independent director and has, as a primary function, the facilitation of the operations and deliberations of the Board and the satisfaction of the Board's responsibilities under its Charter; and

- our Board of Directors meets on a regular basis with the Chief Executive Officer and without other management of the Corporation present, and it also meets from time to time without our Chief Executive Officer. At each meeting of the Board held in 2015, the independent members of the Board met without our management present.

#### *Board Meeting Attendance*

During 2015, our directors attended meetings of the Board of Directors and meetings of committees of the Board as set out below:

<b><u>Director</u></b>	<b><u>Board Meetings Attended</u><sup>(1)</sup></b>	<b><u>Committee Meetings Attended</u><sup>(2)</sup></b>
William Albino	9	6
Michael Blair	9	4
Rod Phillips	9	6
Michael G. Sifton <sup>(3)</sup>	7	-
Thomas R. Spencer <sup>(4)</sup>	4	-
Michael Suksi <sup>(5)</sup>	2	-
Harinder S. Takhar	9	6
J.R. Kingsley Ward	9	2

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Notes:

- (1) In 2015, prior to the 2015 Meeting, the Board of Directors held a total of four meetings and, after the 2015 Meeting, the Board of Directors held a total of five meetings.
- (2) In 2015, each director that was a member of a committee of the Board of Directors attended 100% of the committee meetings that such director was eligible to attend based on the person's committee membership and tenure as a director.
- (3) Mr. Sifton was elected as a director at the 2015 Meeting.
- (4) Mr. Spencer did not stand for re-election at the 2015 Meeting.
- (5) Mr. Suksi did not stand for re-election at the 2015 Meeting.

#### **Committees of our Board of Directors**

Our Board of Directors discharges its responsibilities directly, on the advice and recommendations of its committees. The Board has established three standing committees and delegates certain of its responsibilities to those committees. In each case, the committee is mandated to report to the Board of Directors and to carry out certain responsibilities. However, all decisions, recommendations and proposals require full board acceptance. Our Board of Directors has approved charters that govern the respective committees of the Board.

The three standing committees of our Board of Directors are the Audit Committee, the Human Resources and Compensation Committee and the Corporate Governance Committee. A brief summary of each committee's mandate is set out below.

#### *Audit Committee*

The member of the Audit Committee is William Albino and previously included Harinder S. Takhar and Rod Phillips until their resignations from our Board of Directors in May 2016. The current member (and the previous members) of the Audit Committee is independent within the meaning of Multilateral Instrument 52-110 - *Audit Committees*. The Audit Committee is responsible for monitoring our financial reporting, accounting systems, internal controls and liaising with external auditors.

The Audit Committee's responsibilities include:

- reviewing and discussing with our management and our external auditors where appropriate, the annual and interim financial statements and management's discussion and analysis and earnings press releases with respect to our annual and interim financial results;
- considering the scope and extent of the annual audit and evaluating the external auditor's performance for the preceding fiscal year, reviewing their fees and making recommendations to the Board of Directors;
- reviewing the independence and performance of our external auditors and annually recommending to the Board of Directors the independent external auditors to be proposed for appointment at the next annual meeting of shareholders;
- examining the presentation and impact of significant risks and key management estimates and judgements which may have a material impact on our financial reporting; and
- examining the adequacy of internal accounting and control procedures and systems.

During 2015, the Audit Committee met two times prior to the 2015 Meeting and, after the 2015 Meeting, the Audit Committee met two times.

For additional information concerning the Audit Committee, see the section entitled "Management of DATA-Committees of the Board of Directors of the DATA Audit Committee" contained in our annual information form dated March 30, 2016.

#### *Corporate Governance Committee*

The members of the Corporate Governance Committee are William Albino (Chair), and J.R. Kingsley Ward. All of the members of the Corporate Governance Committee are independent within the meaning of NI 58-101. The Corporate Governance Committee is responsible for, among other things:

- developing our approach to corporate governance issues and compliance with applicable laws, regulations, rules, policies and orders with respect to such issues;
- reviewing our annual report on corporate governance for inclusion in our public disclosure documents;
- advising the directors in filling vacancies on the Board of Directors;
- periodically reviewing the composition and effectiveness of the Board of Directors and committees of the Board of Directors and the contribution of individual directors; and
- reviewing director compensation and our director's and officer's liability insurance and indemnification procedures.

The process the Corporate Governance Committee undergoes to fill any vacancies on the Board of Directors includes identifying new nominees who have expertise in an area of strategic importance to us, a willingness to serve on our Board of Directors and any of its committees, and the ability to devote sufficient time to Board of Directors service.

In determining director compensation, the Corporate Governance Committee takes into account directors' time commitment, director compensation offered by other corporations of similar size, operations and market capitalization, and the risks and responsibilities that the directors assume in fulfilling their duties on the Board of Directors and any committee of our Board of Directors.



The Corporate Governance Committee is also responsible for adopting and periodically reviewing and updating our written disclosure policy. This policy, among other things:

- articulates our legal obligations and those of our directors, with respect to confidential corporate information;
- identifies spokespersons who are the only persons authorized to communicate on our behalf with third parties such as analysts, media and investors;
- provides guidelines regarding the disclosure of forward-looking information;
- requires advance review by the directors (or, where considered appropriate, the Audit Committee) of any disclosure of financial information, and ensures that selective disclosure of material information is not permitted and that, if it occurs, a news release is issued immediately; and
- establishes “black-out” periods, immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which we, our affiliated entities and our respective directors, officers, employees and consultants may not purchase or sell Common Shares.

Each year, the Corporate Governance Committee recommends to our Board of Directors the compensation to be paid to the directors for the year. Our Board of Directors, based on this recommendation, then establishes the annual compensation for the directors. In making its recommendation, the Corporate Governance Committee reviews each element of director compensation, including the annual retainer, the committee chair retainer, meeting fees and equity awards, to determine whether the amounts are reasonable for the services provided by the directors.

During 2015, the Corporate Governance Committee met two times prior to the 2015 Meeting and, after the 2015 Meeting, the Corporate Governance Committee did not formally meet for the remainder of 2015.

#### *Human Resources and Compensation Committee*

Prior to the resignations of Michael Blair and Rod Phillips as directors of the Corporation on May 11, 2016 and the subsequent resignation of Harinder Takhar as a director of the Corporation on May 31, 2016, the Human Resources and Compensation Committee was composed of those three individuals and was responsible for making recommendations to our Board of Directors as to the executive compensation of those of our officers described under the heading “Executive Compensation”. While serving on the Human Resources and Compensation Committee each of those individuals were independent directors within the meaning of NI 58-101. The Corporation understands that, throughout their careers, each of Mr. Phillips, Mr. Blair, and Mr. Takhar held senior leadership roles in complex business organizations through which they gained experience that was relevant to their respective responsibilities as members of the Human Resources and Compensation Committee and, in particular, reviewing the components of our compensation programs. The Corporation understands that the background of each of those individuals is summarized under the heading “Matters to be Acted Upon at the Meeting – Election of Directors” in the Corporation’s management information circular dated May 1, 2015, which information is incorporated by reference in this Circular. The Corporation understands that none of the members of those former Human Resources and Compensation Committee was an active chief executive officer of any publicly-traded entity during the period in which they served as a member of the Committee.

The Human Resources and Compensation Committee establishes the compensation levels for our Chief Executive Officer, or CEO, and our Chief Financial Officer, or CFO. This includes setting, in consultation with the CEO and CFO on an annual basis, corporate goals and objectives relevant to the compensation of the CEO and CFO, and reviewing and assessing their performance against those goals and objectives. In addition, this Committee is responsible for administering our equity compensation plans.

The Human Resources and Compensation Committee’s responsibilities also include:

- overseeing succession planning and making recommendations to the Board of Directors regarding the appointment of our officers and executive compensation;
- reviewing with the CEO our salary scales and general salary structure, overall compensation strategy, objectives and policies;
- reviewing and approving any compensation report required by applicable securities regulatory authorities for disclosure in annual proxy materials;
- reviewing a code of ethics for our directors, officers and employees and submitting the same to the Board of Directors for its consideration and approval; and
- assisting the Board of Directors in fulfilling its responsibilities relating to our retirement pension plans.

During 2015, the Human Resources and Compensation Committee met two times prior to the 2015 Meeting and, after the 2015 Meeting, the Human Resources and Compensation Committee did not formally meet for the remainder of 2015.

### **Position Descriptions**

Our Board of Directors has developed written position descriptions for the Chair of the Board of Directors and for the Chair of each committee of the Board of Directors.

#### *Chair of the Board of Directors*

The Chair of our Board of Directors is responsible for the efficient organization and operation of the Board of Directors and its committees in order to facilitate the operations and deliberations of the Board of Directors and the satisfaction of the Board of Directors' responsibilities under its charter; ensuring the effective communication between the Board of Directors and management and that the Board of Directors effectively carries out its mandate; and reviewing the agenda for each meeting of the Board of Directors and for all meetings of the committees of the Board of Directors.

#### *Chief Executive Officer*

Our Board of Directors and our CEO have a written position description for the CEO. The objectives of the CEO include the general mandate to manage DATA and its businesses, including financial and human resources, and to maximize shareholder value. The CEO's objectives are discussed annually with the Human Resources and Compensation Committee.

### **Orientation and Continuing Education**

We provide new directors with access to our CEO and all other senior management to provide each director with an understanding of DATA. The Chair of our Board of Directors reviews with new directors the role of the Board of Directors, its committees and its directors and the expectations of each member, including the rules and regulations with regard to the trading of our securities. Updates on our businesses and activities are provided to directors on a regular basis to ensure that directors have the necessary knowledge concerning DATA to meet their obligations as directors. All directors are also encouraged to visit our facilities with a view to enabling them to better understand our businesses.

### **Ethical Business Conduct**

As part of our commitment to effective corporate governance, all directors, officers and employees of DATA must act in accordance with our Business Conduct Guidelines, or the Guidelines. The Guidelines, which have been adopted by our Board of Directors, require every director, officer, and employee of DATA to observe high standards of business and personal ethics as they carry out their duties and responsibilities. The Guidelines set forth policies and procedures which

comprise the core principles applicable to all, and address ethical conduct, conflicts of interest and compliance with the law. The Guidelines are administered by the Human Resources and Compensation Committee. The Human Resources and Compensation Committee oversees and monitors the Guidelines and reports to the Board of Directors on the implementation and monitoring of the Guidelines and all matters that arise related to their provisions, including any departures or waivers that are granted. Any person may obtain a copy of the Guidelines by written request to the Secretary of the Corporation, 9195 Torbram Road, Brampton, Ontario, Canada, L6S 6H2, or by calling (905) 791-3151. Our Board of Directors also ensures that directors exercise independent judgment in consideration of transactions in respect of which a director or executive officer, as applicable, has a material interest by requiring all directors and executive officers to adhere to the declaration of conflict of interest requirements mandated by applicable law.

### **Board and Committee Assessments**

The Chair of our Board of Directors is responsible for the effective operation of the Board of Directors and its committees. These duties include ensuring that issues regarding quality of information and the performance of our Board of Directors have been reviewed at meetings of the Board of Directors and that the Chair has made himself or herself available at all times for discussions with individual members of the Board of Directors regarding the Board of Directors' performance. In carrying out his or her responsibilities, the Chair also reviews the contributions of individual directors and considers whether the current composition of the Board of Directors promotes effectiveness and efficiency in its decision-making. The Audit Committee, Human Resources and Compensation Committee and Corporate Governance Committee each regularly assesses its effectiveness by requesting and collecting information from respective members of each committee in connection with formal and informal assessments of the Board of Directors. As a result of this process, our Board of Directors believes that the Board of Directors and each of its committees are operating effectively, with highly capable, informed individuals carrying out their responsibilities in a professional manner. Our Board of Directors and the Audit Committee, Human Resources and Compensation Committee and Corporate Governance Committee typically each conduct self-assessments on a bi-annual basis. The Board of Directors did not complete self-assessments in 2015.

### **Majority Voting Policy**

Our Board of Directors has adopted a majority voting policy in director elections that will apply at any meeting of our shareholders where an uncontested election of directors is held. For the purposes of this policy, an "uncontested election" of directors of the Corporation means an election where the number of nominees for directors is equal to the number of directors to be elected. Pursuant to this policy, if the number of proxy votes withheld for a particular director nominee is greater than the votes in favour of such director, the director nominee must submit his or her resignation to the Board of Directors forthwith following the applicable shareholders' meeting, effective on acceptance by the Board of Directors. Following receipt of the resignation, the Board of Directors will refer the resignation to the Corporate Governance Committee for consideration. The Committee will consider whether or not to accept the offer of resignation and make a recommendation to the Board of Directors as to whether to accept or reject the resignation. Except in special circumstances that would warrant the continued service of the applicable director on our Board of Directors, the Committee will be expected to accept, and recommend that the Board accept, the resignation. In considering whether or not to accept the resignation of that director, the Committee will consider all factors deemed relevant by members of the Committee, including the stated reasons why shareholders withheld votes from the election of that director, the composition of our Board of Directors, the length of service and the qualifications of that director, that director's contributions to the Corporation and our governance guidelines.

Within 90 days following the applicable shareholders' meeting, the Board of Directors will determine whether to accept or reject the director's resignation offer that has been submitted, on the recommendation of the Committee. In considering the Committee's recommendation, the Board of Directors will consider the factors considered by the Committee and such additional information and factors as the Board of Directors considers to be relevant. Following the Board of Directors' decision on the resignation, the Board will publicly disclose its decision whether to accept the applicable director's resignation, and fully state the reasons for rejecting the resignation. If a resignation is accepted, the Board may, subject to any applicable corporate law restrictions, leave a vacancy on the Board unfilled until the next annual general meeting of shareholders, fill the vacancy by appointing a new director whom the Board considers to merit

the confidence of the shareholders, or call a special meeting of shareholders to consider a new nominee to fill the vacant position.

A director who tenders his or her resignation pursuant to this policy will not be permitted to participate in any meeting of the Board of Directors or of the Corporate Governance Committee at which the resignation is considered, subject to certain exceptions in the event of a lack of quorum. A copy of the majority voting policy may be found on our website at [www.datacm.com](http://www.datacm.com).

### **Advance Notice By-Law**

On January 20, 2014, our Board of Directors passed a resolution approving the adoption of By-Law No. 2 of the Corporation, or the Advance Notice By-law. The Advance Notice By-Law, which was approved by shareholders at the annual and special meeting of our shareholders held on June 17, 2014, will apply to nominations of directors at the Meeting. Among other things, the Advance Notice By-Law fixes a deadline by which shareholders must submit a notice of director nominations to the Corporation prior to any annual or special meeting of shareholders where directors are to be elected and sets forth the information that a shareholder must include in the notice for it to be valid. The Advance Notice By-law requires advance notice to the Corporation in circumstances where nominations of persons for election as a director of the Corporation are made by shareholders other than pursuant to (i) a requisition of a meeting of shareholders made pursuant to the provisions of the *Business Corporations Act* (Ontario), or the OBCA, or (ii) a shareholder proposal made in accordance with the provisions of the OBCA.

The Advance Notice By-Law enables the Corporation to receive adequate prior notice of director nominations as well as sufficient information on the nominees. Consequently, the Corporation will be able to evaluate the proposed nominees' qualifications to act as directors of the Corporation. No person will be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of the Advance Notice By-Law. In the case of an annual meeting of shareholders, notice to the Secretary of the Corporation must be given not less than 30 nor more than 65 days prior to the date of the annual meeting; provided, however, that in the event that the annual meeting is to be held on a date that is less than 50 days after the date on which the first public announcement of the date of the annual meeting was made, notice by the nominating shareholder may be given not later than the close of business on the tenth day following the notice date. In a special meeting of shareholders (which is not also an annual meeting) called for the purpose of electing directors (whether or not called for other purposes), notice to the Secretary of the Corporation must be given not later than the close of business on the fifteenth day following the day on which the first public announcement of the date of the special meeting was made. In no event will any adjournment or postponement of a meeting of shareholders or the announcement thereof commence a new time period for the giving of a nominating shareholder's notice.

The Board may, in its sole discretion, waive any requirement of the Advance Notice By-Law. A copy of the Advance Notice By-Law may be found on our website at [www.datacm.com](http://www.datacm.com).

### **Tenure Policies**

Our Board of Directors has adopted tenure policies that are intended to achieve ongoing Board renewal in a manner that balances the benefits of experience with the need for new perspectives and expertise. Directors will not be re-nominated for election at an annual meeting of our shareholders after reaching 10 years of service on the Board. In exceptional circumstances, the Board may recommend any director for re-election for additional terms beyond these tenure limits in order to further the best interests of the Corporation.

A director of the Corporation is expected to submit their resignation to the Chair of the Board for consideration by the Board upon a recommendation of the Corporate Governance Committee in the following circumstances:

- the credentials underlying the director's appointment have changed;
- the director fails to receive a majority of votes for election at a shareholders' meeting; or

- the director is no longer qualified under the *Business Corporations Act* (Ontario), or applicable laws to serve as a director of the Corporation.

### **Board and Senior Management Diversity**

Diversity is an important factor considered by the Corporate Governance Committee in assessing candidates and nominees for the Board of Directors. The Board is considering the establishment of a Board and senior management diversity policy to facilitate effective governance through the promotion of diverse perspectives and backgrounds. That policy is expected to set, as an objective, the identification and nomination or promotion of women directors and executive officers, and related goals as to percentage of the independent directors and executive officers of the Corporation that each gender comprises. Currently, none of the Board members are women.

We consider different aspects of diversity, including gender, when making executive officer appointments. The representation of women in those roles is an important element of our desire to build a diverse leadership team. As of May 31, 2016, 14.3% (or one of seven) of our senior executives were women.

## **COMPENSATION DISCUSSION AND ANALYSIS**

The following section of this Circular and the section below entitled “Executive Compensation” discuss our executive compensation policies and practices, including information regarding all significant elements of compensation awarded to, earned by, paid to, or payable to each of our executive officers named in the Summary Compensation Table below (our CEO, Michael G. Sifton; our CFO, James E. Lorimer; our former CEO, Michael Suksi; our former CFO, Paul O’Shea; and our four other most highly compensated executive officers in 2015). We refer to these individuals in this Circular as the Named Executive Officers. On April 16, 2015, we announced that Mr. Suksi had stepped down as President and CEO of the Corporation and that Michael G. Sifton had been appointed to those positions. On May 12, 2015, we announced that Mr. O’Shea was retiring from his position as CFO of the Corporation, effective June 19, 2015, and that James E. Lorimer had been appointed as the Interim Chief Financial Officer of the Corporation. On August 17, 2015, Mr. Lorimer was appointed as Chief Financial Officer and Corporate Secretary of the Corporation.

As described elsewhere in this Circular, each of the members of the Human Resources and Compensation Committee resigned as directors of the Corporation prior to the date of this Circular but after considering the compensation of the Named Executive Officers for the year ended December 31, 2015 and making related recommendations to the Board of Directors. As a result, the discussion in this section is based, in part, on the Corporation’s understanding of the deliberations of that Committee in relation to such compensation analysis and recommendations.

### **Compensation Philosophy and Objectives**

Our executive officer compensation program is designed to:

- provide motivation and incentives to our executives with a view to enhancing shareholder value and successfully implementing our business plans;
- attract and retain key employees;
- recognize the scope and level of responsibility of each position;
- provide a competitive level of total compensation to all of our executives; and
- reward superior performance and achievement.

We evaluate both performance and compensation to ensure that our compensation philosophy and objectives are met. We periodically review our executive officer compensation philosophy and program to ensure that they are consistent with

our goal of attracting, retaining and motivating executive officers to enhance shareholder value. In 2015, those responsibilities were discharged by the Human Resources and Compensation Committee.

In 2013, we introduced important changes to our compensation practices, which we believe further aligns our approach to executive compensation with the interests of our shareholders by rewarding our executive officers when DATA succeeds as a whole. These changes, which were phased in over 2013 and 2014, and were in place in 2015, are summarized below:

- a greater portion of our executive officers' annual compensation is now tied to the overall financial performance of our business, rather than divisional results or personal objectives. As a result, annual cash bonuses are awarded to our executive officers primarily on the basis of the consolidated financial objectives base on target financial results of the Corporation for the relevant year, as established by the Board of Directors, with the recommendation of the Human Resources and Compensation Committee. Executive officers are also awarded annual cash bonuses based on the executive's achievement of established personal performance objectives. Prior to 2013, our executive officers (other than our CEO and CFO) had the opportunity to earn annual cash bonuses based on the annual financial performance of the division in which the individual was employed (which we referred to as our "variable compensation program"); and
- payment of performance-based annual cash bonuses to all of our executive officers is now contingent upon the Corporation achieving a threshold amount of "Adjusted EBITDA" (being earnings before interest, taxes, depreciation and amortization, as adjusted for extraordinary or unusual items, including restructuring costs and goodwill impairment) rather than the executive earning variable compensation upon the first dollar of operating profit of the relevant division (as was previously the case for our executive officers other than the CEO and CFO). In addition, failure to achieve the target Adjusted EBITDA in the relevant year will result in a greater decline in the executive's cash bonus for that year, while exceeding the target will generate a greater increase in the amount of the bonus. Accordingly, the incidence and amount of annual cash bonuses paid to our executive officers varies more significantly than in the past as a greater portion of the executive's annual cash bonus (and therefore his or her total annual compensation) is at risk. In 2016, the Human Resources and Compensation Committee considered the financial performance metrics used to determine performance-based annual cash bonuses and agreed to recommend to the Board of Directors that a Net Income threshold replace the Adjusted EBITDA threshold previously used. The Board of Directors had not considered this recommendation as of June 1, 2016.

For fiscal 2015, the Human Resources and Compensation Committee determined that, since the current CEO and CFO joined the Corporation in April 2015 and May 2015, respectively, the Adjusted EBITDA threshold objective established for the other executives by the Board of Directors in February 2015 was not an appropriate measure for the CEO and CFO given the decline in financial performance that the Corporation experienced in the first half of 2015 relative to the threshold amount of Adjusted EBITDA that had previously been approved by the Board of Directors. Accordingly, the performance-based cash bonuses for the CEO and CFO were instead determined on a discretionary basis (see "Executive Compensation Process and Components – Process") with regards to the contributions of the CEO and CFO to the Corporation in 2015. However, in 2016, it is expected that the performance-based annual cash bonuses for the CEO and CFO will be heavily weighted towards a Net Income financial objectives. The weighting of financial objectives to personal objectives for both of the CEO and the CFO is 70% and 30%.

## **Executive Compensation Process and Components**

### ***Process***

In establishing the compensation of our CEO and CFO, the Human Resources and Compensation Committee takes the following approach:

- identify on a frequent basis the competitive market values of total compensation and the separate components of pay (including base salary, annual cash incentive awards and long-term compensation awards) for the CEO and CFO using benchmarking data;
- consider the strategic value of the role of the CEO and CFO to our company and retention risk to determine the target positioning of the respective roles of the CEO and CFO relative to competitive market value; and
- perform an evaluation of the performance of the CEO and CFO.

In evaluating the performance of the CEO and CFO, the Human Resources and Compensation Committee takes into account the following factors:

- performance relative to job responsibilities, which, in the case of the CEO, include contributions to strategic planning and execution, financial acumen in running the business, board relations, management development, and management of operations;
- key financial and non-financial achievements based on our annual financial results and the executive officer's personal performance objectives; and
- self-evaluations of the performance of the CEO and CFO with respect to achieving non-financial objectives, contributions to the leadership team and overall leadership.

Decisions regarding the compensation of our other executive officers are made by the CEO, who annually reviews the performance of each member of our executive team during the year against our annual financial results as well as achievements of personal performance objectives detailing accomplishments, areas of strength and areas of development. The CEO bases his evaluation on his knowledge of each executive officer's individual performance and achievements relative to their job responsibilities. The weight ascribed to any one of the components of executive compensation varies from individual to individual. The CEO determines the total compensation for each of the executive officers and those decisions are then implemented. The Human Resources and Compensation Committee reviews and approves the CEO's determination as to the total compensation for each of the executive officers.

In determining the compensation of the CEO and CFO, the Board of Directors may exercise its discretion to award compensation absent attainment of the relevant performance goal or similar condition or to reduce or increase the size of any award or payout. The CEO may exercise similar discretion in determining the compensation of the other executive officers.

In 2013, the Human Resources and Compensation Committee requested that Mercer (Canada) Limited, or Mercer, the Human Resources and Compensation Committee's independent compensation consultant originally retained in 2011, conduct a benchmarking study to compare each element of total compensation for eleven executive and senior officers of the Corporation, including the CEO and CFO, against peer group survey data. The Committee considered the peer group executive and senior officers' compensation information provided and evaluated compensation strategies and structures. The Human Resources and Compensation Committee used the information in establishing salary, short-term incentive compensation, total target cash compensation (base salary and short-term incentive compensation), long-term incentive compensation, total direct compensation and pension plan design for the CEO and CFO. The former CEO took that information into account in establishing those amounts for the balance of the executive and senior officers with

consideration by the Human Resources and Compensation Committee. For 2013, the primary peer group consisted of Mitel Networks Corp., Sierra Wireless Inc., Horizon North Logistics Inc., Ritchie Bros Auctioneers Inc., Morneau Shepell Inc., Boyd Group Inc., IBI Group Inc., Fortress Paper Ltd., Evertz Technologies Ltd., Exfo Electro Optical Engr., Black Diamond Group Ltd., Calian Technology Ltd., Com Dev International Ltd. and Miranda Technologies Inc. For the primary peer group used, the Human Resources and Compensation Committee's intent was to select a broad group of Canadian companies that had annual revenues between \$175 million and \$700 million and operated in the same customer markets (similar sector or industry), labour markets (those markets in which the Corporation competes for executive talent) and capital markets (those markets in which the Corporation competes for equity and other capital). In addition, the primary peer group included several larger and smaller companies in order to align the median size of the peer group more closely to the Corporation's size as top executive pay is often somewhat correlated to company size. The primary group was used for market positioning and plan design comparison. Due to limited direct competitors in Canada, a secondary peer group consisting of larger U.S. and Canadian companies in a comparable industry was selected for plan design comparison only. The secondary peer group consisted of Xerox Corp., RR Donnelley & Sons Co., Quad/Graphics Inc., Adobe Systems Inc., Cenvo, Inc., Deluxe Corp., Consolidated Graphics, Standard Register Co., Innerworkings Inc., Ennis, Multi Color Corp., Courier Corp., Champion Industries and Tufco Technologies Inc. The benchmarking data compiled in 2013 was used as a reference for our 2015 compensation guidelines with respect to our executive officers, including the CEO and CFO.

At its March 2015 meeting, the Human Resources and Compensation Committee evaluated our expected performance for 2015 and established performance metrics for the then-current CEO and CFO. Mr. Sifton joined the Corporation as President and CEO in April 2015 and Mr. Lorimer joined the Corporation as Interim CFO in May 2015 and was appointed CFO in August 2015 and entered into an employment agreement at that time. The terms of Mr. Sifton's and Mr. Lorimer's employment agreements, together with Mr. Sifton's performance-based RSU award agreement and Mr. Sifton's performance-based stock option award, provided for performance metrics for the balance of 2015 to be established by the Board of Directors or the Human Resources and Compensation Committee (after consultation with each executive) for each of the individuals under each of their respective employment agreements within ninety and thirty days, respectively, following their employment commencement dates.

Given the Corporation's focus on considering a range of alternatives to improve DATA's financial flexibility and its capital structure, which was first announced in May 2015, and the significant strategic initiatives implemented to improve the Corporation's financial performance, which were announced in August 2015, the redemption of approximately 75% of its Debentures announced in November 2015, and completed in December 2015, and the Corporation's efforts to refinance its senior credit facilities, which was completed in early March, 2016, these performance metrics were never formally established.

The Human Resources and Compensation Committee next met in February and March 2016 to review the financial results for 2015 and determine the basis on which to evaluate the performance in 2015 of the CEO and CFO. The Human Resources and Compensation Committee engaged Hugessen Consulting Inc. ("**Hugessen**") in February 2016 to advise it on matters relating to 2015 incentive plan adjudication for our CEO and CFO and related contractual matters, to advise on the Corporation's fiscal 2016 long-term incentive plan for senior executives, and to advise on fiscal 2017 incentive plan design. It is expected that, following the meeting, the Human Resources and Compensation Committee will be re-constituted and will further develop the 2017 incentive plan.

### **Role of the Compensation Consultant**

The Human Resources and Compensation Committee may engage compensation consultants or other advisors to provide information and advice to the Human Resources and Compensation Committee. We pay for the costs of those engagements.

Decisions made by the Human Resources and Compensation Committee are the responsibility of the Human Resources and Compensation Committee and may reflect factors and considerations other than the information and recommendations provided by third party, independent compensation consultants as required.



### ***Executive Compensation-Related Fees***

In 2013, we engaged Mercer to make recommendations with respect to executive compensation for executive officers and paid related fees of \$58,079 to Mercer. Mercer was not engaged in 2014 or 2015. Mercer also provides consulting, actuarial, and defined benefit pension administration services to us in respect of our employee benefits plans. The Human Resources and Compensation Committee must pre-approve other services that Mercer or any of its affiliates provides to our company at the request of management, other than pension administration services provided in the ordinary course of our business. We did not engage a compensation consultant in 2015.

In 2016, the Human Resources and Compensation Committee engaged Hugessen to make recommendations with respect to executive compensation for executive officers and paid related fees of \$80,109 through May 31, 2016.

### ***All Other Fees***

We paid \$362,682 and \$319,406 to Mercer and its affiliates for consulting, actuarial, and defined benefit pension administration services in respect of our employee benefits plans in 2014 and 2015, respectively.

### **Components of Executive Compensation**

During the year ended December 31, 2015, the components of compensation for our executive officers were:

- base salary;
- performance-based annual cash bonuses;
- performance-based grants under our long-term incentive plan in the form of stock options and restricted share units;
- non-performance-based restricted share units granted under our long-term incentive plan;
- pension plans; and
- personal benefits and perquisites such as car allowances and healthcare insurance.

The mix of these components in any given year is primarily influenced by the individual performance of the executive officer, the financial performance of DATA and competitive market levels of compensation.

### **Base Salary**

We provide our executive officers with base salary to compensate them for services rendered during the fiscal year and to aid in attracting and retaining quality employees. The base salary for each of our executive officers is reviewed annually or upon a promotion or other change in job responsibility, based on the individual's level of responsibility, the importance of the position to us and the individual's contribution to our performance.

### **Performance-Based Incentive Compensation**

The objective of including performance-based incentive compensation as part of the total compensation paid to our executive officers is to encourage and reward those individuals' contributions in producing strong financial and operational results and to focus our senior management to work as a team on our overall corporate results and strategic initiatives.

Our executive officers each have the opportunity to earn annual performance-based cash bonuses which are awarded primarily on the basis of our annual financial results as well as achievement of personal performance objectives.

Under the terms of their employment agreements, in 2015 Mr. Sifton and Mr. Lorimer were eligible to receive an annual performance bonus in an amount of up to 112.5% and 60%, respectively, of their base salary upon the achievement of performance metrics established by the Human Resources and Compensation Committee. In 2015, Mr. Wittal, Mr. Roberts, Mr. Gladwish, and Ms. Holcomb-Williams were eligible to receive an annual performance bonus in an amount of up to 60%, 58%, 36%, and 26%, respectively, of their base salary upon the achievement of corporate and individual objectives established by the CEO.

In 2015, between 50% and 70% (depending on the individual) of the total potential annual performance bonus that our executive officers (other than the CEO and CFO) could earn was determined by the amount of “Adjusted EBITDA” generated by our company on a consolidated basis in 2015 in excess of an incentive Adjusted EBITDA threshold for each of the executive officers, with the amount of the bonus payable to the executive officer increasing or decreasing by a ratio to the amount by which Adjusted EBITDA exceeded or fell short of those targets above or below the threshold, and with 100% of target performance bonus paid at 100% achievement of the Adjusted EBITDA objective, up to the maximum amount payable to the applicable executive officer of up to 150% of target performance bonus payable at 110% or greater achievement of the Adjusted EBITDA objective, or down to 0% of target performance bonus payable at less than 85% of achievement of the Adjusted EBITDA objective. In 2015, the Adjusted EBITDA threshold and related targets for the Named Executive Officers (other than the CEO and CFO) were established by our former CEO with consideration by the Human Resources and Compensation Committee, in each case at levels determined by reference to our confidential annual operating budget for 2015 approved by the Board of Directors in February 2016. We believe that disclosure of the threshold and those targets would seriously prejudice DATA because those figures are based upon our confidential business plan, which contains competitively sensitive information concerning our company. Accordingly, we have relied upon an exemption available to us under applicable securities laws in our decision to maintain the confidentiality of the threshold and those targets. We believe that the 2015 Adjusted EBITDA threshold and targets were a practical and realistic estimate of our financial performance for the upcoming year based upon the data, projections and analyses that we used to develop our annual operating budget but that achievement of the targets was nevertheless difficult. Nonetheless, in 2015, no cash bonuses were awarded to Mr. Wittal, Mr. Roberts, Mr. Gladwish or Ms. Holcomb-Williams under this portion of the bonus program.

For a discussion of our Adjusted EBITDA in 2015 and a reconciliation of Adjusted EBITDA to net income, refer to our management discussion and analysis for the year ended December 31, 2015.

In 2015, the remaining 30% to 50% of the remaining portion of the potential performance bonus awarded to our other executive officers was based upon achievement of certain personal performance objectives which are determined on an annual basis by those individuals and the CEO with consideration by the Human Resources and Compensation Committee.

In 2015, Mr. Sifton and Mr. Lorimer were each awarded discretionary performance-based bonuses based on the determination by the Human Resources and Compensation Committee of the appropriate cash bonus amounts available to them under this portion of the bonus program.

Under the terms of his employment agreement, Mr. Sifton is entitled to receive an annual non-performance-based grant of restricted share units, or RSUs, equal to 12.5% of his annual base salary at the time of the grant (pro-rated for any partial calendar year of employment, including 2016). Those RSUs were (and will be) granted under our long-term incentive plan, or LTIP.

In 2015, (i) Mr. Wittal’s personal performance objectives consisted of achieving budgeted revenue targets; nationalizing and harmonizing the sales function across Canada; achieving budgeted targets for new business opportunities and contract renewals; and achieving budgeted expense amounts for sales; (ii) Mr. Roberts’ personal performance objectives consisted of achieving budgeted gross margins for all key DATA plants; achieving working capital reduction targets, achieving cost saving targets in accordance with the cost savings plan while maintaining service level requirements; and establishing a centralized estimating and scheduling process; (iii) Mr. Gladwish’s personal performance objectives consisted of developing value propositions for key product offerings and targeting strategies for specific vertical markets; analyzing customer and prospect data to identify best opportunities and develop appropriate marketing strategies; and initiating targeted outbound direct marketing programs; and (iv) Ms. Holcomb-Williams’ personal performance

objectives consisted of leading and allocating the necessary human resources capabilities to support business units in cost saving and restructuring initiatives; assisting senior sales leadership in the achievement of improved sales force effectiveness goals and strategies; and development of a re-invigorated recruitment and talent strategy for the Corporation. Mr. Wittal, Mr. Roberts, Mr. Gladwish, and Ms. Holcomb-Williams earned 150%, 150%, 150% and 150%, respectively, of the target bonus available to them under this portion of the bonus program in 2015 on the basis of the achievement of their personal performance targets. Mr. Roberts received an additional one-time discretionary bonus in contribution of the significant operational changes implemented in 2015.

### Long-Term Incentive Compensation

We maintain for our directors, officers and other employees a LTIP, as well as a long-term incentive plan, or Legacy LTIP, that was established previously by The DATA Group Income Fund, or the Fund.

In April 2015, we awarded to Mr. Sifton a one-time grant of options to acquire up to 1,174,500 Common Shares at a price of \$0.75 per share. These options will vest over a three year period commencing in 2016 only upon the achievement, over and above a specified threshold, of annual performance metrics established by the Board or the Committee on the basis of the annual business plan for the relevant year. Once vested, these options will be exercisable for a period of seven years following the grant date of April 16, 2015. Those performance metrics are tied to the earnings per share and ROCE of DATA for each year of that three year period. As the annual performance metrics for these options were not established in 2015 and have not been established for 2016, and due to the significant decline in the share price of the Corporation's Common Shares experienced in 2015, these options have been valued on a cash settled basis rather than equity settled basis as at December 31, 2015 and were carried at a nominal value.

In March 2016, given the significant restructuring and recapitalization changes that the Corporation underwent in 2016, we re-evaluated our LTIP performance metrics and payout structure, in order to (i) provide an incentive to senior executives of the Corporation to grow the value of DATA and better align management with shareholders, given the absence of meaningful outstanding equity awards held by management, (ii) enhance retention, and (iii) bridge the gap between the current LTIP design and the implementation of a new LTIP framework and metrics which are being contemplated for 2017. In March 2016 the Human Resources and Compensation Committee presented what we have called a "2016 interim value creation LTIP" award, which was subsequently approved by the Board. Eligible participants will receive a number of performance RSUs based on a percentage of their base salaries at a price of \$0.0175 per share, being the volume-weighted average share price between December 23, 2015 and December 31, 2015, which will cliff vest on December 31, 2018, based on certain net income and share price performance hurdles being met by the end of December 31, 2016 and December 31, 2018, respectively.

### LTIP

The following information is intended as a summary of the LTIP.

#### *Purpose*

The purpose of the LTIP is to provide eligible participants with compensation opportunities that will encourage ownership of Common Shares, enhance our ability to attract, retain and motivate key personnel, reward key senior management for strong financial performance and align executive officers' incentives with the interests of shareholders.

#### *Eligibility*

The composition of eligible participants in the LTIP from time to time is determined by the Human Resources and Compensation Committee, taking into account the recommendations of the CEO and is limited to directors, officers (including officers of our affiliates), employees (including employees of our affiliates), and consultants of our affiliates, as well as consultant companies providing management or administrative services to DATA and employees of such consultant companies.

### *Administration*

The LTIP is administered by our Board of Directors or the Human Resources and Compensation Committee.

### *Awards*

Awards granted under the LTIP may consist of stock options, stock appreciation rights (SARs), restricted Common Shares (Restricted Shares), RSUs, and deferred share units (DSUs). Each award will be subject to the terms and conditions set forth in the LTIP and to those other terms and conditions specified by the Human Resources and Compensation Committee. Previous awards will be taken into account when considering new awards.

### *Shares Subject to the LTIP*

Subject to adjustment in certain circumstances as discussed below, the LTIP will authorize the issuance of up to 10% of the issued and outstanding Common Shares from time to time pursuant to the terms of the plan. The maximum number of Common Shares that: (i) are issuable to insiders; and (ii) may be issued to insiders within a one-year period pursuant to awards under the LTIP and any other share-based compensation arrangement we adopt is 10% of the Common Shares outstanding from time to time. For these purposes, the term “insider” has the same meaning as “reporting insider” in National Instrument 55-104 – *Insider Reporting Requirements and Exemptions*. The number of shares subject to each award, the exercise price, the expiry time, the extent to which such award is exercisable and other terms and conditions relating to such awards will be determined by the Board of Directors or the Human Resources and Compensation Committee. No participant will be granted awards in any single calendar year with respect to more than 5% of the issued and outstanding Common Shares. If, and to the extent, awards granted under the plan terminate, expire, cancel, or are forfeited without being exercised and/or delivered, Common Shares subject to such awards will again be available for grant under the LTIP. Additionally, to the extent any Common Shares subject to an award are tendered and/or withheld in settlement of any exercise price and/or any tax withholding obligation associated with that award, those Common Shares will again be available for grant under the LTIP.

In the event of any recapitalization, reorganization, amalgamation, stock split or combination, stock dividend or other similar event or transaction, substitutions or adjustments will be made by the Board of Directors or the Human Resources and Compensation Committee to: (i) the aggregate number, class and/or issuer of the securities reserved for issuance under the LTIP; (ii) the number, class and/or issuer of securities subject to outstanding awards; and (iii) the exercise price of outstanding options or SARs, in each case in a manner that reflects equitably the effects of such event or transaction.

Awards under the LTIP will be non-assignable and non-transferable although they are assignable to and may be exercisable by a participant’s legal heirs or personal representatives in certain cases.

### *Amendments*

Shareholder approval will be required for amendments to the LTIP to: (i) reduce the exercise price or purchase price of awards under the LTIP benefiting an insider of the Corporation; (ii) extend the term under an award benefiting an insider of the Corporation (iii) remove or exceed the insider participation limit; (iv) increase the maximum number of securities issuable, either as a fixed number or a fixed percentage of our outstanding capital represented by such securities; and (v) amend an amending provision within the LTIP.

Our Board of Directors or the Human Resources and Compensation Committee may, without shareholder approval, amend the LTIP with respect to (i) amendments of a “housekeeping nature”; (ii) changes to the vesting provisions of the LTIP or any award; (iii) changes to the provisions of the LTIP relating to the expiration of awards prior to their respective expiration dates upon the occurrence of certain specified events; (iv) changes in the exercise price of an award granted to a participant who is not an insider; (v) the cancellation of an award; or (vi) any other amendment to the LTIP or an award which is approved by any applicable stock exchange on a basis which does not require shareholder approval to be obtained.

### *Termination of Service*

Unless provided otherwise in the award agreement, the right to exercise any option or SAR will terminate 90 days following termination of the participant's relationship with us or any of our affiliates, as applicable, for reasons other than death, disability or termination for cause (as defined in the LTIP). If the participant's service with us or any of our affiliates terminates due to death or disability, unless provided otherwise in the award agreement or individual employment agreement, the right to exercise an option or SAR will terminate on the earlier of one year following such termination and the award's original expiration date. If the participant's relationship with us is terminated for cause, any option or SAR not already exercised will be automatically forfeited as of the date of such termination and any unvested RSUs will immediately expire on the date of such termination.

Unless provided otherwise in the award agreement, if a participant's service with us or any of our affiliates terminates for any reason other than the death or disability of the participant during the period that restrictions on Restricted Shares granted to the participant remain unfulfilled or uncompleted, those Restricted Shares in respect of which restrictions remain uncompleted or unfulfilled will be forfeited to us. In the event of the death or disability of a participant, we will cause the trustee to distribute to the participant or their legal representative any Restricted Shares held by the participant subject to any restrictions specified by the Board of Directors or the Human Resources and Compensation Committee.

### *Change of Control*

In the event of a change of control of the Corporation, the Board of Directors or the Human Resources and Compensation Committee will have discretion to, among other things, accelerate the vesting of outstanding awards, settle outstanding awards in cash or exchange outstanding awards for similar awards of a successor company. A change of control will be deemed to have taken place upon the occurrence of any of the following, in one transaction or a series of related transactions:

- the acquisition by any person or persons acting jointly or in concert, whether directly or indirectly, of beneficial ownership of voting securities of the Corporation that, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 50% of all of the then outstanding voting securities of the Corporation;
- an amalgamation, arrangement, consolidation, share exchange, take-over bid or other form of business combination of the Corporation with another person that results in the holders of voting securities of that other person holding, in the aggregate, more than 50% of all outstanding voting securities of the person resulting from the business combination;
- the sale, lease, exchange or other disposition of all or substantially all of the property of the Corporation or any of its affiliates to another person, other than in the ordinary course of business of the Corporation or of an affiliate of the Corporation or to the Corporation or any one or more of its affiliates;
- the adoption of a resolution to wind-up, dissolve or liquidate the Corporation;
- as a result of, or in connection with, a contested election of directors of the Corporation, or an amalgamation, arrangement, reorganization, consolidation, share exchange, take-over bid or other form of business combination involving the Corporation or any of its affiliates and another person, the nominees named in the most recent management information circular of the Corporation for election to our Board of Directors do not constitute a majority of the board; or
- any other transaction that is deemed to be a "Change in Control" for the purposes of the LTIP by our Board of Directors in its sole and absolute discretion.

### *Stock Options*

The exercise price of any stock option granted under the LTIP will be the market price of the Common Shares, being the closing price of the Common Shares on the TSX on the date immediately before the date on which the option is granted or such other minimum price as is permitted by the TSX in accordance with its policies from time to time. Our Board of

Directors or the Human Resources and Compensation Committee will be entitled to determine the option term for each option; provided, however, that the exercise period of any option may not exceed 10 years from the date of grant. It is currently anticipated that stock options granted under the LTIP will expire five years after the date of grant, with the exception of stock options granted to Michael G. Sifton in April 2015 which expire after seven years. Vesting for each option will also be determined by our Board of Directors or the Human Resources and Compensation Committee.

#### *SARs*

Our Board of Directors or the Human Resources and Compensation Committee will be authorized to grant SARs pursuant to the terms of the LTIP. Upon exercise of a SAR, the participant will be entitled to receive an amount equal to the difference between the closing price of the Common Shares underlying the SAR on the TSX on the date immediately before the date of grant and the closing price of the Common Shares underlying the SAR on the TSX on the date immediately before the date of exercise. Such amount is payable in cash or Common Shares as determined by the Board of Directors or the Human Resources and Compensation Committee.

#### *Restricted Shares*

Our Board of Directors or the Human Resources and Compensation Committee will be authorized to grant Restricted Shares pursuant to the terms of the LTIP. Restricted Shares may consist of either treasury Common Shares or outstanding Common Shares purchased for purposes of the LTIP. Restricted Shares will be granted subject to restrictions which will be determined by, and may be varied by, our Board of Directors or the Human Resources and Compensation Committee. Restricted Shares will generally vest over a five year period. All Restricted Shares will be held for the benefit of participants in the name of a trustee appointed for purposes of the LTIP or, in the case of non-treasury Restricted Shares, by a custodian with whom shares are deposited by the trustee. Participants will have no custody or control of the Restricted Shares granted to them while they are held by the trustee or the custodian. Restricted Shares will only be released to the participant after the shares become free of all restrictions.

#### *RSUs*

Our Board of Directors or the Human Resources and Compensation Committee will be authorized to issue RSUs subject to such terms and conditions, not inconsistent with the terms of the LTIP, as our Board of Directors may impose in its sole and absolute discretion. A RSU is a contractual promise to issue shares and/or cash in an amount equal to the fair market value (determined at the time of distribution) of the Common Shares subject to the award, at a specified future date, subject to the fulfillment of vesting conditions specified by our Board of Directors or the Human Resources and Compensation Committee. Prior to settlement, an RSU will carry no voting or dividend rights or other rights associated with share ownership. An RSU award may be settled in Common Shares, cash or in any combination of both. However, a determination to settle an RSU in whole or in part in cash may be made by our Board of Directors or the Human Resources and Compensation Committee, in its sole discretion.

#### *DSUs*

Our Board of Directors or the Human Resources and Compensation Committee will be authorized to issue DSUs, subject to such vesting and other terms and conditions, not inconsistent with the terms of the LTIP, as our Board of Directors may propose in its sole and absolute discretion. A DSU is a right to receive, on a deferred payment basis, a Common Share or the cash equivalent of a Common Share on the terms contained in the LTIP. The amount will not be paid out until such time as the recipient leaves us, thereby providing an ongoing equity stake throughout the recipient's period of service. A DSU award may be settled in Common Shares, cash, or in any combination of both. However, a determination to settle a DSU in whole or in part in cash may be made by our Board of Directors or the Human Resources and Compensation Committee, in its sole discretion.

#### Pension Plans

Our executive officers participate in the same defined contribution pension plan as our other employees. Mr. O'Shea also participated in the defined benefit provision of one of our pension plans. However, effective January 1, 2008, no further

service credits will accrue under that provision of the plan, although pensionable earnings on and after January 1, 2008 will be factored into the determination of a participant's final average earnings.

The objective of including pension plans as part of our executive compensation program is to provide retirement benefits and additional retirement income security for officers who remain with us for an extended period of time.

#### Personal Benefits and Perquisites

We provide our employees, including the Named Executive Officers, with other personal benefits and perquisites that we believe are reasonable and consistent with our overall compensation program to better enable us to attract and retain quality employees for key positions. We periodically review the levels of other personal benefits and perquisites provided to the Named Executive Officers to ensure competitiveness and value to employees. The Named Executive Officers are given a car allowance and are entitled to reimbursement of a portion of certain related operating expenses, and participate in the pension plans described above.

Our executive officers participate in healthcare and other benefit programs on the same terms as our other employees.

#### Claw-Backs

We have not implemented any claw-back policy that would adjust or attempt to recover incentive compensation payable or paid to any executive officers if the performance objectives upon which the compensation was based were to be restated or otherwise adjusted in a manner that would have the effect of reducing the amount payable or paid.

#### **Assessment of Risks Associated with Our Compensation Policies and Practices**

We have assessed our compensation plans and programs for all our employees, including our executives, to ensure alignment of the various plans and programs with our business plan and to evaluate the potential risks associated with those plans and programs. We have concluded that, although we maintain performance-based incentive plans, our compensation policies and practices do not create any risks that are reasonably likely to have a material adverse effect on us.

The Human Resources and Compensation Committee considers the risks associated with executive compensation and corporate incentive plans when designing such plans and the elements described below with respect to such plans and programs have generally been implemented by or at the direction of the Human Resources and Compensation Committee.

In undertaking the assessment, the assessment team and the Human Resources and Compensation Committee considered the following features of our executive compensation plans and programs:

- a detailed planning process with executive or Human Resources and Compensation Committee oversight exists for all compensation programs;
- the proportion of an employee's performance-based pay increases as the responsibility and potential impact of the employee's position increases;
- all short-term incentive plans and commission plans are cash-based plans, which results in less total compensation being tied solely to the performance of the Common Shares;
- we set performance goals that we believe are reasonable in light of past performance and market conditions;
- we have used a consistent corporate performance metric, Adjusted EBITDA from year to year, rather than changing the metric to take advantage of changing market conditions, however we are

considering introducing other corporate performance metrics to use in 2017 to better align management and shareholder objectives;

- we have historically used time-based vesting after three years for our long-term equity awards to ensure our employees' interests are aligned with those of our shareholders for our long-term performance, however our 2016 long-term incentive plan introduced a three year cliff-vesting in order to enhance retention of our key employees and we will likely continue with cliff-vesting incentive plans going forward;
- assuming achievement of at least a threshold level of performance, payouts under our performance-based plans result in some compensation at levels below full target achievement, rather than an "all-or-nothing" approach; and
- through their participation in the LTIP, all members of our senior management have a component of their leadership incentive plans tied to our overall performance to ensure cross-functional alignment with our business plan.

None of our executive officers or directors is permitted to purchase financial instruments, including prepaid variable forward contracts, equity swaps, collars, or units of exchange funds, that are designed to hedge or offset a decrease in market value of our equity securities granted as compensation or held, directly or indirectly, by the executive officer or director



## EXECUTIVE COMPENSATION

### Summary Compensation Table

The following table sets forth information concerning the compensation earned by the Named Executive Officers for the period from January 1, 2013 to December 31, 2015. Compensation is presented for the fiscal year ended December 31, 2015 to the extent that the Named Executive Officer was an employee during that period.

<u>Name and principal position</u>	<u>Year</u>	<u>Salary</u>	<u>Share-based awards<sup>(3)</sup></u>	<u>Option-based awards</u>	<u>Non-equity incentive plan compensation</u>		<u>Pension value<sup>(4)</sup></u>	<u>All other compensation</u>	<u>Total Compensation</u>
		(\$)	(\$)	(\$)	(\$)	Annual incentive plans	Long-term incentive plans <sup>(3)</sup>	(\$)	(\$)
Michael G. Sifton, Chief Executive Officer <sup>(5)</sup>	2015	287,513	269,103 <sup>(11)</sup>	387,585 <sup>(12)</sup>	225,000 <sup>(1)</sup>	-	-	9,748	1,178,949
	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
Michael Suksi, former Chief Executive Officer <sup>(6)</sup>	2015	135,947	-	-	-	-	6,343	1,114,868 <sup>(9)</sup>	1,257,158
	2014	420,240	32,609 <sup>(6)</sup>	-	94,554 <sup>(1)</sup>	-	6,233	-	553,636
	2013	420,240	-	-	-	-	6,068	-	426,308
James E. Lorimer, Chief Financial Officer <sup>(7)</sup>	2015	100,385	-	-	100,000 <sup>(1)</sup>	-	-	64,154 <sup>(7)</sup>	264,539
	2014	-	-	-	-	-	-	-	-
	2013	-	-	-	-	-	-	-	-
Paul O'Shea, former Chief Financial Officer <sup>(8)</sup>	2015	145,350	-	-	-	10,166 <sup>(8)</sup>	7,835	140,782 <sup>(10)</sup>	304,133
	2014	290,700	15,790 <sup>(8)</sup>	-	43,605 <sup>(1)</sup>	-	7,699	-	357,794
	2013	290,700	-	-	-	-	7,495	-	298,195
Alan Roberts, Senior Vice-President, Operations	2015	255,000	-	-	134,100 <sup>(1)(13)</sup>	-	5,101	7,380	401,581
	2014	246,432	7,139	-	103,531 <sup>(2)</sup>	-	4,259	-	361,361
	2013	204,884	-	-	35,972 <sup>(2)</sup>	-	3,423	-	244,279
Jeff Gladwish, Vice-President, Marketing and Corporate Development	2015	200,000	-	-	43,620 <sup>(1)</sup>	-	115	7,800	251,535
	2014	15,385	-	-	15,000 <sup>(1)</sup>	-	-	600	30,985
	2013	-	-	-	-	-	-	-	-
Judy Holcomb-Williams, Vice President, Human Resources	2015	205,000	-	-	32,288 <sup>(1)</sup>	-	3,046	12,000	252,334
	2014	197,115	-	-	32,383 <sup>(2)</sup>	-	-	11,539	241,037
	2013	-	-	-	-	-	-	-	-
Steve Wittal, Senior Vice-President, Sales	2015	250,000	-	-	112,500 <sup>(1)</sup>	-	6,096	6,000	374,596
	2014	219,542	8,535	-	109,608 <sup>(2)</sup>	-	6,232	-	343,917
	2013	202,931	-	-	65,215 <sup>(2)</sup>	-	6,068	-	274,214

Notes:

- (1) Represents annual cash bonuses earned during the year. These amounts are paid in the subsequent year.
- (2) Represents annual cash variable compensation earned during the year. These amounts are paid on a quarterly basis during the year in which they are earned, except for the fourth quarter which is paid in the subsequent year subject to any required reconciliation in respect of the first three quarters of the applicable year.
- (3) Represents the fair market value of RSU awards granted to the Named Executive Officers determined using the market value of the Common Shares on the date of issuance.
- (4) Represents the sum of the compensatory amounts related to the Corporation's defined benefit and defined contribution pension plans.
- (5) On April 16, 2015, Mr. Sifton was appointed as the President and CEO of the Corporation.
- (6) Mr. Suksi stepped down as the President and CEO of the Corporation on April 16, 2015. RSU awards granted to Mr. Suksi on March 9, 2015 (a grant value of \$32,609) in connection with 2014 performance did not vest and were forfeited on April 16, 2015.
- (7) Mr. Lorimer was appointed as the Interim Chief Financial Officer of the Corporation on May 12, 2015. On August 17, 2015, Mr. Lorimer was appointed as CFO and Corporate Secretary of the Corporation. For the period May 12, 2015 through August 16, 2015, Mr. Lorimer earned consulting fees, rather than a salary, in the amount of \$60,000, which is included under "All other compensation". Mr. Lorimer's salary is shown for the period of August 17, 2015 through December 31, 2015.
- (8) Mr. O'Shea retired from his position as CFO of the Corporation on June 19, 2015. RSU awards granted to Mr. O'Shea on March 9, 2015 (a grant value of \$15,790) in connection with 2014 performance vested and were paid in cash in the amount of \$10,166 upon his retirement on June 19, 2015.
- (9) Represents incremental payments, payables and benefits to Mr. Suksi as a result of the termination of his employment with the Corporation on April 16, 2015.
- (10) Represents incremental payments, payables and benefits to Mr. O'Shea as a result of his retirement from the Corporation effective on June 19, 2015.
- (11) RSUs awarded to Mr. Sifton had a value of approximately \$4,037 as of December 31, 2015.
- (12) Consists of a one-time grant of performance based options to acquire up to 1,174,500 Common Shares at an exercise price of \$0.75 per share. Options were valued using the Black-Scholes-Merton model. As of December 31, 2015, these options had a value of nil.
- (13) Includes a one-time discretionary bonus in contribution of the significant operational changes implemented in 2015.

## Pension Plans

We maintain a defined benefit and defined contribution pension plan, or the DGL Plan, for certain of our employees. We also contribute to the Graphics Communications Supplemental Retirement and Disability Fund of Canada pension plan for certain employees at our Drummondville and Granby plants in Québec. Effective January 1, 2008, the DGL Plan was amended such that no further service credits will accrue under the defined benefit provision of the DGL Plan, after December 31, 2007, although pensionable earnings on and after January 1, 2008 will be factored into the determination of a participant's final average earnings. We used to maintain a defined benefit and defined contribution pension plan for certain of our employees of Relizon Canada Inc., a predecessor of the Corporation. Substantially all of the outstanding pension obligations under that plan were settled in 2010 through the purchase of annuity contracts or lump-sum payments pursuant to participant elections and the wind up of the plan was completed during the year ended December 31, 2012. For more information regarding our pension plans, please refer to our management's discussion and analysis for the year ended December 31, 2015.

## Defined Benefit Plans

The following table sets forth information regarding the present value of accumulated benefits for the Named Executive Officer who participated under the defined benefit provision of the DGL Plan, as of December 31, 2015.

Name	Number of years credited service	Annual benefits payable		Accrued obligation at start of year	Compensatory change	Non-compensatory change <sup>(1)</sup>	Closing present value of defined benefit obligation
	(#)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
		<u>At year end<sup>(2)</sup></u>	<u>At age 65<sup>(3)</sup></u>				
Steve Wittal	9	N/A	16,074	136,682	Nil	1,787	138,469

Notes:

- (1) Assumptions regarding valuation of the plans are described in our consolidated financial statements for the year ended December 31, 2015.

- (2) Annual pension under the plan payable if the participant retires at year end.  
(3) Annual pension under the plan payable if the participant retires at age 65.

The above Named Executive Officer participates in the defined benefit provision of the DGL Plan, together with certain other employees of the Corporation.

Annual pensions under the defined benefit provision of the DGL Plan are based on 1% of the employee's best five year average pensionable earnings (not to exceed the final five year average Year's Maximum Pensionable Earnings, or YMPE, set each year by the Canada Pension Plan)) plus 1.75% of the employee's best five year average pensionable earnings in excess of the five year average YMPE, times the number of years of service. For pension benefit purposes, pensionable earnings include base pay, commissions and management variable compensation. The maximum annual pension benefit under the defined benefit provision of the DGL Plan is \$1,722.22 times the number of years of credited service. The above Named Executive Officer's pensionable earnings, as at December 31, 2015, were such that it is expected that he will receive an annual pension under the defined benefit provision of the DGL Plan equal to the maximum annual pension benefit under the defined benefit provision of the DGL Plan times years of credit service for purposes of the defined benefit provision of the DGL Plan, which was 9 years and four months as at December 31, 2015.

Pension payments are not subject to any deduction for social security or other offset amounts such as Canada Pension Plan.

### Defined Contribution Plans

The following table sets forth information regarding the present value of accumulated benefits for each of the Named Executive Officers under the defined contribution provision of the DGL Plan as of December 31, 2015.<sup>(1)</sup>

<u>Name</u>	<u>Accumulated value at start of year</u>	<u>Compensatory</u>	<u>Non-compensatory<sup>(2)</sup></u>	<u>Accumulated value at year end</u>
	(\$)	(\$)	(\$)	(\$)
Michael Suksi <sup>(3)</sup>	170,366	6,343	-	-
Paul O'Shea <sup>(3)</sup>	175,713	7,835	-	-
Alan Roberts	25,683	5,101	12,832	43,616
Steve Wittal	174,069	6,096	26,241	206,405
Jeff Gladwish	-	115	228	344
Judy Holcomb-Williams	-	3,046	12,182	15,228

Notes:

- (1) The table includes an additional matching contribution by the Corporation.  
(2) Assumptions regarding pension plans are described in our consolidated financial statements for the year ended December 31, 2015.  
(3) Mr. Suksi and Mr. O'Shea withdrew from the DGL Plan during the year ended December 31, 2015.

The Corporation allows all eligible employees, including the Named Executive Officers, to participate in the defined contribution provision of the DGL Plan after one year of service on an optional basis, and on a mandatory basis after three years of service. The defined contribution provision of the DGL Plan is based on a contribution by the employee of a percentage of his or her earnings, which is matched by the Corporation. Earnings include base pay, commissions, bonuses and variable compensation. The contribution rate for the plan is based on the employee's years of service with the Corporation and its predecessors at the beginning of each fiscal year, as outlined below. Rate changes take effect as of January 1 of each year.

The following table sets forth information regarding the respective levels of contribution by the Corporation and its employees under the defined contribution provision of the DGL Plan, based upon the employee's years of service with the Corporation and its predecessors.

<u>Years of Service as at January 1</u>	<u>Contribution of Named Executive Officer</u>	<u>Contribution of the Corporation<sup>(1)</sup></u>	<u>Total Contribution</u>
Fewer than 5 years (with a minimum of 1 year)	1% - 3%	0.5% - 1.5%	1.5% - 4.5%
5 years or more, but fewer than 15 years	1% - 4%	0.5% - 2%	1.5% - 6%
15 years or more	1% - 5%	0.5% - 2.5%	1.5% - 7.5%

Note:

(1) Except for those persons who participate in the defined benefit provision of the DGL Plan, who receive an additional one percent.

Pursuant to the defined contribution provision of the DGL Plan, and subject to the exception noted in the above table, the Corporation makes annual contributions up to a maximum of 2.5% of the employee's earnings. Employees are permitted to make additional voluntary contributions to the plan, but the Corporation will not match those additional contributions. The total mandatory and voluntary employee contributions and the Corporation's matching contributions are subject to limits under the *Income Tax Act* (Canada). These limits are updated annually and, in 2015, the annual contribution limit was the lesser of 18% of the employee's earned income, and \$25,370 for 2015, rising to \$26,010 in 2016. Funds are accumulated in the employee's account, following which the employee determines how the contributions will be invested by selecting from a group of funds available for the plan and administered by a Canadian financial services company as chosen by the Corporation. If the employee does not make an investment selection or makes an incomplete selection, the contributions will be invested in a default fund. Contributions on behalf of the Named Executive Officers are included in the "Non-Equity Incentive Plan Compensation – Long-term Incentive Plans" column in the Summary Compensation Table in this "Executive Compensation" section of this Circular. Upon retiring or leaving the Corporation, the Named Executive Officer will have choices in arranging for the transfer of his pension account pursuant to the defined contribution pension plan.

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

### *Termination of Employment of Named Executive Officers*

In 2015, Mr. Suksi, our former CEO; Mr. O'Shea, our former CFO; Mr. Sifton, our CEO; and Mr. Lorimer, our CFO, were the only Named Executive Officers with written severance arrangements. In each case, those arrangements are contained in the executive's employment agreement with the Corporation.

#### Mr. Suksi and Mr. O'Shea

On April 16, 2015, we announced that Mr. Suksi had stepped down as the President and CEO of the Corporation. As a result of the termination of his employment with the Corporation, Mr. Suksi became entitled under the terms of his employment agreement to the following amounts:

- a lump sum payment equal to two times Mr. Suksi's then current annual base salary, payable on the last day of his employment (or \$840,480), less applicable deductions; and
- a lump sum payment equal to two times Mr. Suksi's annualized performance bonus and LTIP payments over his last three years of employment, payable on the last day of his employment (or \$198,208), less applicable deductions.

On May 12, 2015, we announced that Mr. O'Shea was retiring from his position as CFO of the Corporation, effective June 19, 2015. As a result of the termination of his employment with the Corporation, Mr. O'Shea became entitled under the terms of his employment agreement to the following amounts:

- a retiring allowance equal to equal to three months of his then current base salary, payable on the last day of his employment (or \$72,675), less applicable deductions; and
- vesting of all outstanding and unvested awards held by Mr. O’Shea under the LTIP, effective and payable on the last day of his employment, which totalled \$10,166.

Mr. Sifton and Mr. Lorimer

Mr. Sifton, as our CEO, and Mr. Lorimer, as our CFO, are each entitled to the provision of benefits upon (i) the involuntary termination of his employment without cause; and (ii) the voluntary termination of his employment for good reason upon, or within six months immediately following, a change of control. For purposes of Mr. Sifton’s and Mr. Lorimer’s employment agreements with the Corporation, a “change of control” is defined as the occurrence of any of the following events: (i) the acquisition by any person or persons acting jointly or in concert (as determined by the *Securities Act* (Ontario), whether directly or indirectly, of beneficial ownership of voting securities of the Corporation that, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 50% of all of the then outstanding voting securities of the Corporation; (ii) an amalgamation, arrangement, consolidation, share exchange, take-over bid or other form of business combination of the Corporation with another person that results in the holders of voting securities of that other person holding, in the aggregate, more than 50% of all outstanding voting securities of the person resulting from the business combination; (iii) the sale, lease, exchange or other disposition of all or substantially all of the property of the Corporation or any of its affiliates to another person, other than in the ordinary course of business of the Corporation or of an affiliate of the Corporation or to the Corporation or any one or more of its affiliates; (iv) the adoption of a resolution to wind-up, dissolve or liquidate the Corporation; or (v) as a result of, or in connection with, a contested election of directors of the Corporation or an amalgamation, arrangement, reorganization, consolidation, share exchange, take-over bid or other form of business combination involving the Corporation or any of its affiliates and another person, the nominees named in the most recent management information circular of the Corporation for election to our Board of Directors do not constitute a majority of the Board. For the purposes of the aforementioned employment agreements, “good reason” means the occurrence of any of the following events without the executive’s consent: (i) the assignment to the executive of any duties which are materially inconsistent with his position under his employment agreement; (ii) a material change in the executive’s duties or reporting relationships from those set out in his employment agreement; (iii) a material reduction in the executive’s annual salary, benefits, performance bonus, LTIP awards or entitlements under any other plans in which he participates while employed by the Corporation (other than as a result of the failure to achieve any performance metric or other vesting or distribution condition); or (iv) any other act, event or omission that would constitute constructive dismissal at common law. Notwithstanding the foregoing, an act, event or omission that may otherwise constitute good reason will be deemed not to be good reason for the purposes of those employment agreements if (i) the executive does not deliver to the Corporation a notice of termination within 30 days of learning of the act, event or omission, or (ii) where the relevant act, event or omission is curable, the Corporation cures the event, act or omission within 30 days of receiving a notice of termination from the executive.

Under the terms of their respective employment agreements, Mr. Sifton and Mr. Lorimer (referred to below as the executive), are entitled to the following amounts in the event of the termination of their employment with the Corporation in the circumstances described below under the heading “Event”:

**Event**

Voluntary Termination for Good Reason following a Change of Control or Involuntary Termination without Cause

**Payment**

A lump sum payment equal to:

- The executive’s annual base salary, plus annual bonus (calculated based on the average annual bonus paid to the executive in the last two fiscal years ended immediately preceding the date of termination of his employment with the Corporation), plus any cash payments made in the applicable year to settle outstanding LTIP awards that are, by their terms, cash settled and that would

otherwise have been paid to the executive had his employment with the Corporation continued for: (A) a period of twelve months following the date of termination if the date of termination occurs up to one year following the commencement of his employment with the Corporation; or (B) twelve months following the date of termination plus an additional three months for each year of employment with the Corporation completed by the executive as of the date of termination, up to a maximum of 24 months, if the date of termination occurs more than one year following the commencement of his employment with the Corporation (we refer to the period in clause (A) or (B) above, as applicable, as the Severance Period)

- accrued and unpaid annual base salary and vacation pay earned up to the date of termination
- continued participation for the Severance Period in those benefit plans generally available to the employees of the Corporation immediately prior to the termination of his employment. Those plans and programs currently consist of health care insurance and the Corporation's defined contribution pension plan. If the terms and conditions of those benefits plans or the pension plan do not permit the continued participation of the executive or his dependents, as applicable, for any period between the date of termination and the expiry of the Severance Period, the Corporation will pay to the executive a lump sum payment equal to the premiums that the Corporation would have otherwise paid to maintain the participation of the executive or his dependents, as applicable, in such benefits plans or the pension plan during such period.

#### Confidentiality, Non-competition and Non-solicitation Covenants

The respective employment agreements between the Corporation and Mr. Sifton, Mr. Lorimer, Mr. Suksi and Mr. O'Shea each also provide for confidentiality, non-solicitation and non-competition covenants in favour of the Corporation. The non-solicitation and non-competition covenants in Mr. Suksi's and Mr. O'Shea's employment agreements apply for two years following their resignation or the termination of employment by the Corporation for any reason. The non-solicitation and non-competition covenants in Mr. Sifton's and Mr. Lorimer's employment agreements apply during the term of their employment and, in the case of the non-competition and client non-solicitation covenants, for one year following their resignation or the termination of employment by the Corporation for any reason and, in the case of the employee and consultant non-solicitation covenant, for two years following either such event. In each case, those agreements also provide for a waiver by the executive of all defences related to the non-solicitation and non-competition covenants, and entitle the Corporation to monetary damages that flow from breach of said covenants and injunctive relief in the event of such breach.

#### Other Executive Officers

We have generally provided separation benefits to executive officers who are asked to leave us for reasons other than cause. Those benefits are not contractual and are subject to approval by our Board of Directors. In determining the amount and extent of any separation benefits, we typically take into account factors such as length of service, individual accomplishments and performance, and the value of benefits forfeited through termination. Generally, separation benefits are not available for executive officers who voluntarily resign or retire. Our Board of Directors has not adopted

any policy with respect to executive officer separation benefits, and there is no guarantee that any executive officer termination in the future will be handled in the same way as past terminations.

In the event of termination of employment, all of the Named Executive Officers are entitled to receive any benefits that they would otherwise be entitled to receive under any provision of our pension plan. Benefits under that plan are generally not affected by whether a participant’s employment terminates with or without cause.

#### LTIP Payments Upon a Change of Control

Under the LTIP, in the event of a change of control of the Corporation, our Board of Directors or the Human Resources and Compensation Committee will have discretion to, among other things, accelerate the vesting of outstanding awards, settle outstanding awards in cash or exchange outstanding awards for similar awards of a successor company. A change of control will generally be deemed to have taken place for purposes of the LTIP upon the occurrence of any of the following, in one transaction or a series of related transactions:

- the acquisition by any person or persons acting jointly or in concert, whether directly or indirectly, of beneficial ownership of voting securities of the Corporation that, together with all other voting securities of the Corporation held by such persons, constitute in the aggregate more than 50% of all of the then outstanding voting securities of the Corporation;
- an amalgamation, arrangement, consolidation, share exchange, take-over bid or other form of business combination of the Corporation with another person that results in the holders of voting securities of that other person holding, in the aggregate, more than 50% of all outstanding voting securities of the person resulting from the business combination;
- the sale, lease, exchange or other disposition of all or substantially all of the property of the Corporation or any of its affiliates to another person, other than in the ordinary course of business of the Corporation or of an affiliate of the Corporation or to the Corporation or any one or more of its affiliates;
- the adoption of a resolution to wind-up, dissolve or liquidate the Corporation;
- as a result of, or in connection with, a contested election of directors of the Corporation, or an amalgamation, arrangement, reorganization, consolidation, share exchange, take-over bid or other form of business combination involving the Corporation or any of its affiliates and another person, the nominees named in the most recent management information circular of the Corporation for election to our Board of Directors do not constitute a majority of the board; or
- any other transaction that is deemed to be a “Change in Control” for the purposes of the LTIP by our Board of Directors in its sole and absolute discretion.

#### **Summary of Incremental Termination and Change of Control Payments**

The following table describes the estimated incremental payments, payables and other benefits that would have been received by Mr. Sifton or Mr. Lorimer if there had been a change of control of the Corporation or Mr. Sifton’s or Mr. Lorimer’s employment had been involuntarily terminated as of December 31, 2015.

<u>Name</u>	<u>Voluntary Termination Following a Change of Control or Involuntary Termination of Employment</u> <sup>(1)</sup>	<u>Voluntary Termination of Employment</u> <sup>(1)</sup>
	(\$)	(\$)
Michael G. Sifton	485,847	20,433
James E. Lorimer	415,161	11,154

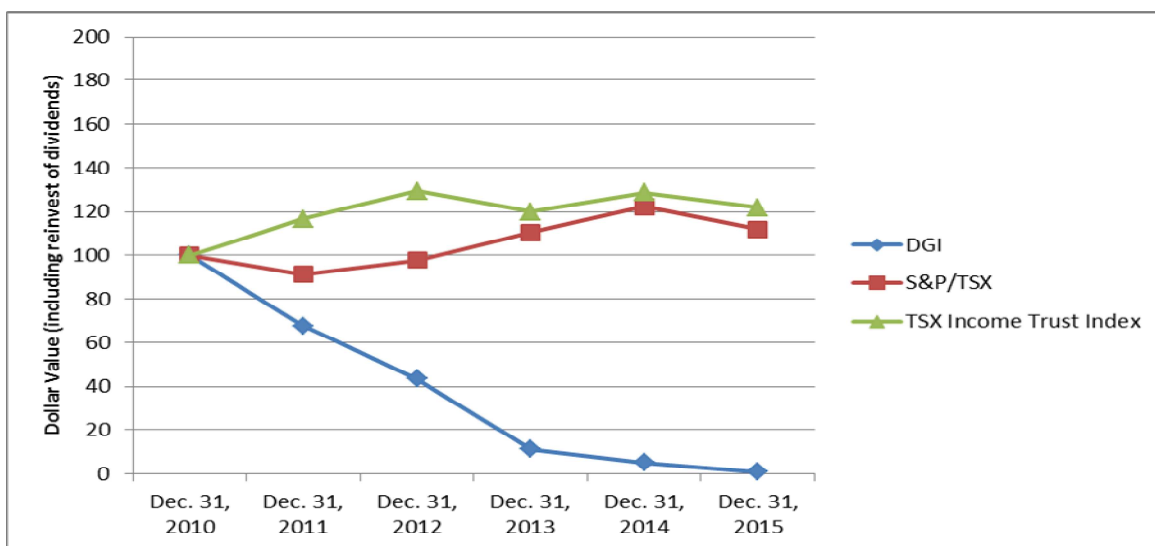
Note:

- (1) Includes lump sum payment or continuance of salary, performance bonus, LTIP payments, perquisites, and provision of benefits. Amounts calculated with respect to performance bonuses and LTIP payments include actual bonuses.

## Performance Graph

The following graph compares the percentage change in the cumulative unitholder or shareholder return on the units of the Corporation predecessor, The Data Group Income Fund, or Common Shares, as applicable, compared to the cumulative total return of the S&P/TSX Composite Index and the cumulative total return of the S&P/TSX Income Trust Index, respectively, for the period commencing December 31, 2010 to December 31, 2015 based on the price of the units or Common Shares, as applicable, assuming a \$100 investment on December 31, 2010 and reinvestment of distributions or dividends, as applicable.

During 2010, the performance of the units continued to improve, and we lifted the salary freeze imposed in 2009. Effective January 1, 2011, we became subject to taxation, which reduced our cash available for distribution to unitholders and, as a result, we reduced our annual cash distributions to unitholders by 44%. During 2011, the performance of the units declined. Compensation paid to our executive officers in 2011 increased over 2010 based upon our financial results in 2011 and, in part, to reflect the promotion of certain executive officers to more senior positions. During 2012, we believe that the performance of the Common Shares declined primarily as a result of the decrease in the dividend payable on the shares announced in November 2012. Compensation paid to our executive officers in 2012 decreased compared to 2011. During 2013, we believe the performance of the Common Shares declined primarily as the result of the suspension of the dividend on the Common Shares. The base salary paid to our Named Executive Officers in 2013 increased on average by 2% to reflect the rate of inflation and maintain competitive salary levels, while the total compensation paid to those executives as a group decreased by 11.8% since 2012. During 2014, the performance of the Common Shares was flat primarily as the result of the continued suspension of the dividend. During 2015, the performance of the Common Shares declined primarily due to the poor financial results of the Corporation in the first half of the year, concerns about the Corporation's financial viability, and the significant dilution associated with the Corporation's redemption of approximately 75% of the Debentures in December 2015. As of December 31, 2015, base salary paid to our Named Executive Officers increased on average by 4.4% to reflect the rate of inflation and maintain competitive salary levels, while total compensation (excluding severance and retirement related payments) paid to the top four Named Executive Officers had increased by 90.5% since 2013 and had increased by 65.8% since 2012, which included bonuses and one-time discretionary bonuses paid in 2015 (see "Compensation Discussion and Analysis – Executive Compensation Process and Components – Components of Executive Compensation") and increases in compensation due to expanded roles and responsibilities of such Named Executive Officers over the respective time period.





**Cumulative Value of \$100 Investment in the Units/Common Shares<sup>(1)</sup>, the S&P/TSX Composite Index and the S&P/TSX Income Trust Index**

	<u>Dec. 31/10</u>	<u>Dec. 30/11</u>	<u>Dec. 31/12</u>	<u>Dec. 31/13</u>	<u>Dec. 31/14</u>	<u>Dec. 31/15</u>
<b>Nominal Data:</b>						
Units/Common Shares	\$100	\$67.59	\$43.55	\$11.21	\$5.16	\$0.10
S&P/TSX Composite Index	\$100	\$91.29	\$97.85	\$110.56	\$122.23	\$112.06
S&P/TSX Income Trust Index	\$100	\$116.71	\$129.31	\$119.98	\$128.51	\$121.87

Note:

(1) The Corporation is the successor to the Fund, which was an income trust. On January 1, 2012, the outstanding units of the Fund were exchanged for common shares of the Corporation on a one-for-one basis.

**DIRECTOR COMPENSATION**

The Corporate Governance Committee, which consists solely of independent directors, has the primary responsibility for reviewing and considering any revisions to director compensation.

Director compensation consists of the following elements:

- annual cash retainer of \$30,000 (other than the Chair of the Board of Directors);
- \$1,500 for each Board of Director meeting attended;
- annual retainer fee for the Chair of the Board of Directors of \$65,000;
- Audit Committee chair annual fee of \$10,000;
- Corporate Governance Committee chair annual fee of \$3,000;
- Human Resources and Compensation Committee chair annual fee of \$7,000; and
- individual committee meeting fee of \$500.

The directors are entitled to receive reimbursement of reasonable out-of-pocket expenses incurred by them to attend Board of Directors meetings.

## Summary Director Compensation

The following table below sets forth information concerning compensation paid to our directors in the fiscal year ended December 31, 2015.

<u>Name</u> <sup>(1)</sup>	<u>Fees earned</u>	<u>Share-based awards</u>	<u>Option-based awards</u>	<u>Non-equity incentive plan compensation</u>	<u>Pension value</u>	<u>All other compensation</u>	<u>Total</u>
	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
William Albino	53,500	-	-	-	-	-	53,500
Michael Blair	64,000	-	-	-	-	-	64,000
Rod Phillips	52,000	-	-	-	-	-	52,000
Thomas R. Spencer <sup>(2)</sup>	53,000	-	-	-	-	-	53,000
Harinder S. Takhar	53,500	-	-	-	-	-	53,500
J.R. Kingsley Ward	46,500	-	-	-	-	-	46,500

Notes:

- (1) Messrs. Suksi and Sifton did not receive any compensation for acting as a director.
- (2) Mr. Spencer did not stand for re-election at the 2015 Meeting and his annual fees have been pro-rated accordingly. During his term as a director in 2015, Mr. Spencer was chair of the Board of Directors.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Plan Information<sup>(2)</sup>

<u>Plan Category</u>	<u>Number of securities to be issued upon exercise of outstanding options, warrants and rights</u> (a)	<u>Weighted-average exercise price of outstanding options, warrants and rights</u> (b)	<u>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u> (c)
Equity compensation plans approved by securityholders <sup>(1)</sup>	1,174,500	\$0.75	98,700,773
Equity compensation plans not approved by securityholders	Nil	Nil	Nil

Notes:

- (1) Under the terms of the LTIP, the number of Common Shares available for issuance under the LTIP is equal to 10% of the Common Shares outstanding from time to time. See “Long-Term Incentive Compensation - LTIP”. If the proposed consolidation of the Common Shares is completed on the date of this Circular in the manner described under the heading “Matters to be Acted Upon at the Meeting – Share Consolidation”, the figures in columns (a), (b) and (c) would be 11,745, \$75.00 and 987,007, respectively.
- (2) The information in this table is given as at December 31, 2015.

## INDEBTEDNESS OF DIRECTORS AND OFFICERS

None of our directors, officers or employees of DATA, any proposed nominee for election as a director of the Corporation, nor any associate of any such person, is indebted to the Corporation or any of its subsidiaries.

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

Other than with respect to the potential KST Placement, no proposed director of the Corporation, or any associate or affiliate of any such person, nor any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or a combination of both carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation (other than voting securities held by such person or company as underwriter in the course of a distribution) or any associate or affiliate of any such person, has any material interest, direct or indirect, in any transaction or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its subsidiaries.

## **DIRECTORS' AND OFFICERS' LIABILITY INSURANCE**

The Corporation maintains a policy of insurance for the directors and officers of DATA. The aggregate limit of liability applicable to all insureds under the policy is \$25 million, inclusive of defence costs. The aggregate limit of liability insures the directors and officers, the corporation and any subsidiaries. The policy also includes securities claims coverage for DATA, insuring against any legal obligation to pay on account of any securities claims brought against DATA. Coverage under the policy is subject to a deductible of \$100,000 for each loss where the Corporation provides indemnification.

## **ADDITIONAL INFORMATION**

Copies of the following documents are available upon written request to the Secretary of the Corporation, 9195 Torbram Road, Brampton, Ontario, Canada L6S 6H2 or by calling 905-791-3151 or by emailing [ir@datacm.com](mailto:ir@datacm.com).

- (i) the annual report to shareholders containing the audited consolidated financial statements for the year ended December 31, 2015, together with the accompanying auditor's report;
- (ii) our interim consolidated financial statements for periods subsequent to December 31, 2015;
- (iii) our management's discussion and analysis for the year ended December 31, 2015;
- (iv) this Circular; and
- (v) our annual information form.

Additional information relating to the Corporation can be found at [www.sedar.com](http://www.sedar.com). Financial information of the Corporation is provided in our comparative financial statements and management's discussion and analysis of financial conditions and results of operations for the financial year ended December 31, 2015.

Our auditors are PricewaterhouseCoopers LLP. Our annual consolidated financial statements for the year ended December 31, 2015 have been filed under National Instrument 51-102 – *Continuous Disclosure Obligations* in reliance on the report of PricewaterhouseCoopers LLP, given on their authority as experts in auditing and accounting. PricewaterhouseCoopers LLP has confirmed to us that it is independent within the meaning of the rules of professional conduct of the Institute of Chartered Accountants of Ontario.

## DIRECTORS' APPROVAL

The contents and the sending of this management information circular dated June 1, 2016 have been approved by our board of directors.

Dated as of June 1, 2016.



J.R. Kingsley Ward  
Chair of the Board of Directors  
DATA Group Ltd.

## APPENDIX "A"

### NAME CHANGE RESOLUTION

Capitalized terms used, but not otherwise defined, herein have the meanings given to them in the management information circular of DATA Group Ltd. (the "**Corporation**") dated June 1, 2016.

"BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS THAT:

1. Pursuant to the *Business Corporations Act* (Ontario) (the "**OBCA**"), the articles of the Corporation be amended to provide that the name of the Corporation be changed to "DATA Communications Management Corp." or such other name that is determined by the Board of Directors of the Corporation (the "**Board**"), in its sole discretion, subject to regulatory approval;
2. Any one director or officer of the Corporation is hereby authorized, for and on behalf of the Corporation, to execute and deliver all such further documents and instruments and to do all such other acts and things as such director or officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the OBCA), the execution and delivery by such director or officer of any such document or instrument or the doing of any such act or thing being conclusive evidence of such determination; and
3. Notwithstanding the foregoing, the Board is hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation, to revoke this special resolution at any time and, without limiting the generality of the foregoing, this ordinary resolution will be revoked if the Corporation does not obtain the approval of the Toronto Stock Exchange to the proposed change to the name of the Corporation, before a certificate of amendment in respect thereof is endorsed by the Director appointed under the OBCA."

## APPENDIX “B”

### SHARE CONSOLIDATION RESOLUTION

Capitalized terms used, but not otherwise defined, herein have the meanings given to them in the management information circular of DATA Group Ltd. (the “**Corporation**”) dated June 1, 2016.

“BE IT RESOLVED AS A SPECIAL RESOLUTION OF THE SHAREHOLDERS THAT:

1. Pursuant to the *Business Corporations Act* (Ontario) (the “**OBCA**”), the articles of the Corporation be amended to consolidate (the “**Consolidation**”) all of the issued and outstanding common shares of the Corporation (the “**Common Shares**”) on the basis of a ratio of one post-consolidation Common Share for each 100 outstanding pre-consolidation Common Shares;
2. No fractional Common Shares shall be issued upon the Consolidation and, in the case where the Consolidation results in a shareholder otherwise becoming entitled to a fractional Common Share, an upward adjustment will be made to the next whole Common Share;
3. The effective date of the Consolidation will be the date shown in the certificate of amendment issued by the Director appointed under the OBCA or such other date indicated in the articles of amendment;
4. Any one director or officer of the Corporation is hereby authorized, for an on behalf of the Corporation, to execute and deliver all such further documents and instruments and to do all such other acts and things as such director or officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution (including, without limitation, the delivery of articles of amendment in the prescribed form to the Director appointed under the OBCA), the execution and delivery by such director or officer of any such document or instrument or the doing of any such act or thing being conclusive evidence of such determination; and
5. Notwithstanding the foregoing, the Board of Directors of the Corporation is hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation, to revoke this special resolution at any time before a certificate of amendment in respect thereof is endorsed by the Director appointed under the OBCA and, without limiting the generality of the foregoing, this special resolution will be revoked if the Corporation does not obtain the approval of the Toronto Stock Exchange to the proposed Consolidation.”

## APPENDIX “C”

### PRIVATE PLACEMENT RESOLUTION

Capitalized terms used, but not otherwise defined, herein have the meanings given to them in the management information circular of DATA Group Ltd. (the “**Corporation**”) dated June 1, 2016.

“BE IT RESOLVED AS AN ORDINARY RESOLUTION OF THE SHAREHOLDERS THAT:

1. The issuance by the Corporation of up to 30,895,781 common shares of the Corporation to KST Industries Inc. by way of a private placement, on such terms as are more particularly described in the management information circular of the Corporation dated June 1, 2016, be and is hereby authorized and approved;
2. Any one director or officer of the Corporation is hereby authorized, for an on behalf of the Corporation, to execute and deliver all such further agreements, documents and instruments and to do all such other acts and things as such director or officer may determine to be necessary or advisable for the purpose of giving full force and effect to the provisions of this resolution, the execution and delivery by such director or officer of any such agreement, document or instrument or the doing of any such act or thing being conclusive evidence of such determination; and
3. Notwithstanding the foregoing, the Board of Directors of the Corporation is hereby authorized and empowered, without further notice to, or approval of, the shareholders of the Corporation, to revoke this ordinary resolution at any time before completing such issuance and, without limiting the generality of the foregoing, this ordinary resolution will be revoked if the Corporation does not obtain the approval of the Toronto Stock Exchange to the proposed private placement.”

## APPENDIX “D”

### DATA GROUP LTD.

### BOARD OF DIRECTORS

### CHARTER

WHEREAS the board of directors (the “**Board**”) of DATA Group Ltd. (the “**Corporation**”) has determined that it would be appropriate for the Board to adopt a written mandate in the form of a charter (“**Charter**”) describing its responsibilities and duties in relation to oversight of the business and affairs of the Corporation and committees of the Board;

AND WHEREAS the Board is appointed by and represents the shareholders of the Corporation and is obligated to act in the best interests of the Corporation;

#### A. PROCEDURAL MATTERS

1. Members of the Board will serve at the pleasure of the shareholders of the Corporation and the shareholders of the Corporation will elect the Board annually.
2. The Board may appoint such committees from time to time as it considers appropriate in compliance with applicable laws to act on behalf of the Board or make recommendations to the Board with respect to matters to be decided by the Board. If such committees are intended as permanent committees, they will have a charter that defines their responsibilities in relation to the Board and the extent of delegated powers to such committees. The functions of the Board, subject to applicable laws, may be delegated to its committees except where provided otherwise herein.
3. At least a majority in number of the directors will be independent. The Corporate Governance and Human Resources and Compensation Committees of the Board will make recommendations from time to time to the Board as to an appropriate determination of what constitutes an independent director and the Board will annually determine the independent status of each director.
4. The Board will choose a director annually to act as Chair of the Board (the “**Chair**”) who will qualify as an independent director. The Board will provide the Chair with a written mandate.
5. Members of the Board will be entitled to receive such remuneration for acting as members of the Board as may be determined from time to time by the Board on the recommendations of the Corporate Governance Committee of the Board.
6. The Board will, from time to time, evaluate its effectiveness and the effectiveness of its committees with respect to its (and their) contribution to the Corporation and the Board’s representation of the Corporation’s shareholders. The Board will meet *in camera* at each regularly scheduled meeting of the Board and at such other times as the Board may determine for such purpose and for such other purposes as the Board may determine.
7. The Board will consider from time to time its resources, including the adequacy of the information provided to it with respect to oversight of the management of the Corporation and will confer with management with respect to its findings.
8. The functions referred to in sections B1(a), (b), (d), (e), (g), (i), 2 and 3(a) and (b) below will not be delegated.



## B. FUNCTIONS

### 1. General Responsibilities

- (a) The Board will exercise general stewardship responsibilities with respect to the Corporation. Without limitation, stewardship will include the specific responsibilities and duties outlined in this Charter.
- (b) The Board will oversee the management of the Corporation. In doing so, the Board will establish a productive working relationship with the Chief Executive Officer and other officers of the Corporation. On advice from the Corporate Governance Committee, the Board will approve appointment of any person who is to hold an officer position of the Corporation. The Board will receive regular reports from the Chief Executive Officer and Chief Financial Officer of the Corporation on the Corporation's financial performance.
- (c) The officers of the Corporation, headed by the Chief Executive Officer, will be responsible for general day to day management of the Corporation and for making recommendations to the Board with respect to long term strategic, financial, organizational and related objectives.
- (d) The roles and responsibilities of the Board are intended to primarily focus on the formulation of long term strategic, financial and organizational goals for the Corporation. Without limitation, the Board will (i) review and approve the Corporation's financial objectives, short and long-term investment plans for the Corporation and monitor performance in accordance with such plans, (ii) assess the principal risks of the Corporation's investments and ensure appropriate systems are in place to manage such risks, (iii) oversee the communications policies of the Corporation and (iv) monitor the effectiveness of the Corporation's internal control and management information systems to safeguard the Corporation's assets.
- (e) The Board will also approve:
  - (i) dividends for each dividend period in accordance with applicable laws;
  - (ii) significant capital allocations and expenditures;
  - (iii) review and approve all material transactions; and
  - (iv) all matters that would reasonably be expected to have a material impact on shareholders, creditors or employees.
- (f) The Board will oversee ethical behaviour and compliance with laws and regulations (which includes overseeing the choice of critical accounting principles on recommendations from the Audit Committee of the Board).
- (g) With respect to significant risks and opportunities affecting the Corporation, the Board may impose such limits on the investment activity of the Corporation as may be in the interests of the Corporation and its shareholders.
- (h) The Board will annually consider what additional skills and competencies would be helpful to the Board. The identification of specific candidates for consideration will be the responsibility of the Corporate Governance Committee which will be guided by the findings of the Board in relation to competencies and skills. The Board will approve any proposed changes in compensation to be paid to members of the Board on the recommendation of the Corporate Governance Committee.
- (i) The Board will perform such other functions as are prescribed by law and as it may from time to time determine in accordance with the plenary powers of the Board.

2. Relationship with Committees

- (a) The Board will annually assess the charters of its committees.
- (b) The Board will annually appoint a member of each committee to act as Chair of the committee on the advice of the Chair and the Corporate Governance Committee.
- (c) The Board will receive periodic reports from its committees following committee meetings and, annually, a report from each committee as to the work undertaken by the committee and the committee's recommendations, if any, for change with respect to its responsibilities and effectiveness.

3. Financial Reporting and Significant Disclosure Documents

- (a) The Board will review on an ongoing basis the financial and underlying operational performance of the Corporation.
- (b) The Board will review and approve the Corporation's annual information form as well as its annual report and related financial statements and annual management discussion and analysis disclosure. In doing so, the Board will consider the quality and usefulness of the information from the perspective of its shareholders.
- (c) The Board has responsibility for reviewing and approving for release quarterly financial statements and related disclosure.
- (d) The Board will periodically review the means by which shareholders can communicate with the Corporation including the opportunity to do so at the annual meeting, communications interfaces through the Corporation's website and the adequacy of resources available within the Corporation to respond to shareholders.

C. RESOURCES, MEETINGS AND REPORTS

- 1. The Board will have adequate resources to discharge its responsibilities. The Chair will be empowered to engage advisers as may be appropriate from time to time to advise the Chair or the Board with respect to duties and responsibilities.
- 2. The Board will meet not less than four times per year.
- 3. The meetings of the Board will ordinarily include the Chief Executive Officer (if not a director) and the Secretary and will periodically include other senior officers as may be appropriate and as may be desirable to enable the Board to become familiar with the Corporation's management team.
- 4. The Secretary will keep minutes of its meetings in which will be recorded all actions taken by the Board. Such minutes will be made available to Board members at their request and all such minutes will be approved by the Board for entry in the records of the Corporation.
- 5. Members of the Board will have the right, for the purposes of discharging their respective powers and responsibilities, to inspect any relevant records of the Corporation and its subsidiaries.
- 6. Members of the Board, subject to approval of the chair of the Corporate Governance Committee, may retain separate counsel to deal with issues relating to their responsibilities as members of the Board.

Any questions and requests for assistance may be directed to the  
Proxy Solicitation Agent:



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