



**CERF INCORPORATED**

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

**TO BE HELD ON**

**JUNE 25, 2013**

**MANAGEMENT INFORMATION CIRCULAR**

**MAY 25, 2013**

# CERF INCORPORATED

8430 – 24<sup>th</sup> Street  
Edmonton, AB  
T6P 1X8

## NOTICE OF ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS

**NOTICE IS HEREBY GIVEN THAT** the annual and special meeting (the “**Meeting**”) of holders of common shares of CERF Incorporated (the “**Corporation**”) will be held at the offices of Borden Ladner Gervais LLP, at 1900, 520 – 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0R3, at 3:00 p.m. (Calgary time) on June 25, 2013, for the following purposes:

1. to receive the audited financial statements of the Corporation for the year ended December 31, 2012 and the report of the auditors thereon;
2. to fix the number of directors to be elected at the Meeting at five (5);
3. to elect the board of directors of the Corporation for the ensuing year;
4. to appoint KMPG LLP, Chartered Accountants, of Calgary, Alberta, as auditors of the Corporation, at a remuneration to be fixed by the board of directors;
5. to consider, and if thought advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying management information circular prepared for the purposes of the Meeting, to confirm the Corporation’s stock option plan;
6. to consider, and if thought advisable, to approve, with or without variation, an ordinary resolution, the full text of which is set forth in the accompanying management information circular prepared for the purposes of the Meeting, the Amended and Restated By-Law No. 1 of the Corporation; and
7. to transact such other business as may be properly brought before the Meeting.

**DATED** this 25<sup>th</sup> day of May, 2013.

### BY ORDER OF THE BOARD OF DIRECTORS

(Signed) “*Wayne S. Wadley*”  
Wayne S. Wadley  
President and Chief Executive Officer

### IMPORTANT

**Only shareholders of record as of May 24, 2013, the record date, are entitled to receive notice of and to attend and vote at the Meeting or any adjournment or postponement thereof.** It is desirable that as many shares as possible be represented at the Meeting. If you do not expect to attend and would like your shares represented, please complete the enclosed instrument of proxy and return it as soon as possible in the envelope provided for that purpose. In accordance with the By-laws of the Corporation, all proxies, to be valid, must be deposited at the office of the Registrar and Transfer Agent of the Corporation, Valiant Trust Company, Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2G 1T1, or faxed to (403) 233-2857 not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays in the Province of Alberta) prior to the Meeting or any adjournment or postponement thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any late proxy.

**CERF INCORPORATED**  
**ANNUAL AND SPECIAL MEETING OF SHAREHOLDERS**  
**TO BE HELD ON JUNE 25, 2013**

**MANAGEMENT INFORMATION CIRCULAR**

This management information circular (the “**Circular**”) is furnished in connection with the solicitation of proxies by the management of CERF Incorporated (the “**Corporation**”) for use at the Annual and Special Meeting of the holders of common shares (the “**Shares**”) of the Corporation to be held at the offices of Borden Ladner Gervais LLP at 1900, 520 - 3<sup>rd</sup> Avenue S.W., Calgary, Alberta T2P 0R3, on the 25<sup>th</sup> day of June, 2013 at 3:00 p.m. (Calgary time), or at any adjournment thereof (the “**Meeting**”), for the purposes set forth in the Notice of Meeting. The information contained herein is given as of May 25, 2013, except where otherwise indicated. Enclosed herewith is a form of proxy for use at the Meeting. Each shareholder who is entitled to attend at meetings of shareholders is encouraged to participate in the Meeting and shareholders are urged to vote on matters to be considered in person or by proxy.

**APPOINTMENT AND REVOCATION OF PROXIES**

Those shareholders desiring to be represented by proxy must deposit their respective forms of proxy with Valiant Trust Company (“**Valiant Trust**”), at Suite 310, 606 – 4<sup>th</sup> Street S.W., Calgary, Alberta, T2G 1T1, or faxed to (403) 233-2857 not later than forty-eight (48) hours (excluding Saturdays, Sundays and holidays in the Province of Alberta) prior to the Meeting or any adjournment thereof. Late proxies may be accepted or rejected by the Chairman of the Meeting in his discretion, and the Chairman is under no obligation to accept or reject any late proxy. A proxy must be executed by the shareholder or by his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized. A proxy is valid only at the Meeting in respect of which it is given or any adjournment of the Meeting.

**Each shareholder submitting the proxy has the right to appoint a person to represent him or it at the Meeting other than the person designated in the form of proxy furnished by the Corporation. The shareholder may exercise this right by striking out the names of the persons so designated and inserting the name of the desired representative in the blank space provided, or by completing another form of proxy and in either case depositing the proxy with Valiant Trust, at the place and within the time specified above for the deposit of proxies.**

An instrument of proxy may be revoked by the person giving it at any time prior to the exercise thereof. **If a person who has given a proxy attends personally at the Meeting at which such proxy is to be voted, such person may revoke the proxy and vote in person.** In addition to revocation in any other manner permitted by law, a proxy may be revoked by instrument in writing executed by the shareholder or his attorney authorized in writing, or if the shareholder is a corporation, under its seal or by an officer or attorney thereof duly authorized, and deposited either with Valiant Trust, at the place and within the time specified above for the deposit of proxies.

Shareholders who do not hold their Shares in their own name (referred to herein as “**Beneficial Shareholders**”) are advised that only proxies from shareholders of record can be recognized and voted upon at the Meeting. If Shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those Shares will not be registered in the shareholder’s name on the records of the Corporation. Such Shares will more likely be registered under the name of the shareholder’s broker or an agent of that broker. In Canada, the vast majority of such Shares are registered under the name of CDS & Co. (the registration name for CDS Clearing & Depository Services Inc., which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the beneficial shareholder. Without specific instructions,

brokers/nominees are prohibited from voting Shares for their clients. The directors and officers of the Corporation do not know for whose benefit the Shares registered in the name of CDS & Co. are held, and directors and officers of the Corporation do not necessarily know for whose benefit the Shares registered in the name of any broker or agent are held. Beneficial Shareholders who complete and return a form of proxy must indicate thereon the person (usually a brokerage house) who holds their Shares as a registered shareholder.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from beneficial shareholders in advance of shareholders' meetings. Every intermediary (broker) has its own mailing procedure, and provides its own return instructions, which should be carefully followed. The form of proxy supplied to Beneficial Shareholders is identical to that provided to registered shareholders. However, its purpose is limited to instructing the registered shareholder how to vote on behalf of the Beneficial Shareholder. The vast majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Financial Solutions, Inc. ("**Broadridge**") in Canada. Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote Shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of Shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the Shares voted. If you have any questions respecting the voting of Shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

Although a Beneficial Shareholder may not be recognized directly at the Meeting for the purposes of voting Shares registered in the name of his broker, a Beneficial Shareholder may attend the Meeting as proxyholder for the registered shareholder and vote the Shares in that capacity. **Beneficial Shareholders who wish to attend the Meeting and indirectly vote their Shares as proxyholder for the registered shareholder, should enter their own names in the blank space on the form of proxy provided to them and return the same to their broker (or the broker's agent) in accordance with the instructions provided by such broker.**

All references to shareholders in this Circular and the accompanying instrument of proxy and Notice of Meeting are to shareholders of record, unless specifically stated otherwise.

### **EXERCISE OF DISCRETION**

**The Shares represented by the enclosed form of proxy will be voted or withheld from voting in accordance with the instructions of the shareholder where voting is by way of a show of hands or by ballot. The persons appointed under the enclosed form of proxy are conferred with discretionary authority with respect to amendments or variations of those matters specified in the proxy and Notice of Meeting and with respect to any other matters which may properly be brought before the Meeting or any adjournment thereof in accordance with their best judgement unless the shareholder has specified to the contrary or that Shares are to be withheld from voting. At the time of printing this Circular, the management of the Corporation knew of no such amendment, variation or other matter.**

**Unless otherwise specified, proxies in the accompanying form will be voted in favour of the matters set forth herein.**

## PERSONS MAKING THE SOLICITATION

This solicitation is made on behalf of the management of the Corporation. This Management Information Circular and forms of proxy are not being sent to registered or beneficial owners using the Notice and Access procedures contained in National Instrument 54-101 *Communications with Beneficial Owners of Securities of a Reporting Issuer*. The costs incurred in the preparation and mailing of both the form of proxy and this Management Information Circular will be borne by the Corporation.

The Corporation is not sending this Management Information Circular and forms of proxy directly to non-objecting Beneficial Shareholders. The Corporation will be sending these materials directly to its registered shareholders and indirectly to all non-registered shareholders through their intermediaries. The Corporation will pay for an intermediary to deliver these materials and a voting instruction form to objecting Beneficial shareholders.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

As at May 24, 2013, being the record date for the determination of holders of Shares who are entitled to notice of, and to attend and vote at the Meeting (the “**Record Date**”), the Corporation had outstanding 11,671,096 Shares. Each Share confers upon the holder thereof the right to one vote.

Any transferee or person acquiring Shares after the Record Date may, on proof of ownership of Shares, demand not later than 10 days before the Meeting that his or her name be included in the list of persons entitled to attend and vote at the Meeting.

The By-laws of the Corporation provide that at least two persons present in person, being shareholders entitled to vote thereat and holding or representing by proxy not less than 5% of the outstanding Shares of the Corporation entitled to vote at the Meeting, constitute quorum for the Meeting in respect of holders of Shares.

To the knowledge of the directors and executive officers of the Corporation, as of the date hereof, no person or company beneficially owns or exercises control or direction, directly or indirectly, over more than 10% of the voting rights attached to all of the outstanding Shares, other than as set out below:

Name of Shareholder	Number of Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly	Percentage of Shares Beneficially Owned, or over which Control or Direction is Exercised, Directly or Indirectly
Wayne S. Wadley.	2,990,433	25.62%

**Note:**

- (1) Mr. Wadley, the President and Chief Executive Officer of the Corporation, owns 347,833 Shares directly and has control or direction over 125,032 Shares held by Timberwolf Resources Ltd. and 2,517,568 Shares held by Timberwolf Technologies Inc., both of which are private Alberta corporations controlled by Mr. Wadley.

Until October 1, 2011, the business of the Corporation was carried on by Canadian Equipment Rental Limited Partnership (the “**Partnership**”) which was formed as a limited partnership by the filing of a certificate under the *Partnership Act* (Alberta) on January 21, 2005. On October 1, 2011, pursuant to a plan of arrangement under Section 193 of the *Business Corporations Act* (Alberta) (the “**Arrangement**”), involving the Partnership, CERF GP Corp. (which was the general partner of the Partnership) (the “**General Partner**”), the Corporation and the holders of limited partnership units (“**Units**”) of the Partnership (“**Unitholders**”), the Partnership converted from a limited partnership to a corporation, namely, the Corporation, effective October 1, 2011. Pursuant to the Arrangement, Unitholders received one Share in exchange for each Unit held as of October 1, 2011. Upon completion of the Arrangement, the former Unitholders owned all of the issued and outstanding Shares and the Corporation owned all of the Units and carried on the business previously carried out by the Partnership. The Arrangement did not

result in any benefits for, or change of control, termination or other payments being made to, any officers, directors or employees of the Partnership or any of its subsidiaries or of the General Partner.

## **CORPORATE GOVERNANCE**

National Instrument 58-101 Disclosure of Corporate Governance Practices (“**NI 58-101**”), sets out a series of guidelines for effective corporate governance. The guidelines address matters such as the composition and independence of corporate boards, the functions to be performed by boards and their committees, and the effectiveness and education of board members. Each reporting issuer, such as the Corporation, must disclose on an annual basis and in prescribed form, the corporate governance practices that it has adopted. The following is the Corporation’s required annual disclosure of its corporate governance practices in accordance with Form 58-101F2 Corporate Governance Disclosure (Venture Issuers).

### **1. Board of Directors**

The board of directors of the Corporation (the “**Board**”) is currently made up of five members, all of whom will be nominees for election as a director at the Meeting. The Board considers that William C. Guinan and John Koop are independent directors according to the definition of “independence” as set out in National Instrument 52-110 – *Audit Committees* (“**NI 52-110**”) as it applies to the Board. The Board considers that neither Ken Stephens or Wayne S. Wadley are independent as they are both executive officers of the Corporation. Further, the Board does not consider David Maplethorpe to be independent as he has been an executive officer of the Corporation within the last three years.

The Board facilitates its exercise of independent supervision over management by having two-fifths of the Board members consist of individuals who are independent of the Corporation, as defined in NI 58-101.

### **2. Directorships**

Certain of the Corporation’s directors or nominee directors are also directors of other reporting issuers (or equivalent) in a jurisdiction or a foreign jurisdiction as follows:

<b>Name</b>	<b>Reporting issuers (or equivalent in a foreign jurisdiction)</b>
William C. Guinan	Amarok Energy Inc. Black Sparrow Capital Corp. Kelt Exploration Ltd.

### **3. Orientation and Continuing Education**

The Corporation has not developed an orientation program for new directors. However, the Corporation provides each new director with mandates for the Board, each committee of the Board, the Chair of the Board, the Chair of each committee of the Board and the Chief Executive Officer as well as the Corporation’s Whistleblower Policy and the Corporation’s code of business conduct and ethics, which is available on the System for Electronic Dissemination and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com). In addition, in order to provide continuing education to the directors, the Board has instructed the Corporate Secretary of the Corporation to supply the directors with updates from time to time, with respect to new legal and regulatory developments which may be of interest to the Board.

### **4. Ethical Business Conduct**

The Corporation has adopted a written code of business conduct and ethics (the “**Code**”). Reasonable steps are taken to monitor compliance with the Code by requiring directors and officers to sign a written acknowledgment that they have read the Code. The Code applies to the Corporation’s directors, officers and employees, each of whom is expected to ensure that his or her behaviour accords with the letter and

the spirit of the Code. The Audit Committee is responsible for reviewing departures from the Code by executive officers, management, employees and consultants, reviewing and either providing or denying waivers from the Code, and disclosing any waivers that are granted in accordance with applicable law. The Chair of the Audit Committee is responsible for investigating complaints, presenting complaints to such committee and any other applicable committee of the Board or the Board as a whole, and developing a plan for promptly and fairly resolving complaints. Upon conclusion of the investigation and resolution of a complaint, the Chair of the Audit Committee will advise the complainant of the corrective action measures that have been taken or advise the complainant that the complaint has not been substantiated. The Code prohibits retaliation by the Corporation, its directors, executive officers and management, against complainants who raise concerns in good faith and requires the Corporation to maintain the confidentiality of complainants to the greatest extent practicable. Complainants may also submit their concerns anonymously in writing.

In addition to the Code, the Corporation has an Audit Committee Charter regarding the collection and dissemination of accounting information, and a Whistleblower Policy with respect to reporting accounting and auditing irregularities.

Since the beginning of the Corporation's most recently completed financial year, no material change reports have been filed that pertain to any conduct of a director or executive officer that constitutes a departure from the Code.

## **5. Nomination of Directors**

The Board as a whole remains responsible for nominating new members of the Board and assessing members of the Board on an on-going basis. If it becomes necessary, a nomination committee will be created which in turn will develop relevant criteria for suitable candidates including the independence of the individual, financial acumen and availability to devote sufficient time to the duties of the Board.

## **6. Compensation**

The Compensation Committee annually recommends the compensation to be received by the Corporation's directors and officers. The Compensation Committee is comprised of two independent (being Messrs. Guinan and Koop) and one non-independent director (being Messrs. Stephens). The skills and experience of each Committee member in executive compensation that is relevant to his responsibilities and the making of decisions on the suitability of the Corporation's compensation policies and practices is as follows:

William C. Guinan	Mr. Guinan has a breadth of experience acquired throughout his business career in which he addressed compensation matters for such companies' executive officers.
John Koop	Mr. Koop has a breadth of experience acquired throughout his business career in which he addressed compensation matters for such companies' executive officers.
Ken Stephens	Mr. Stephens has a breadth of experience as a chartered accountant in which capacities he has addressed compensation matters for companies' executive officers.

Compensation is determined in the context of the Corporation's goals, shareholder returns and other achievements, and considered in the context of position descriptions, goals and the performance of each individual director and officer. The Compensation Committee tasks include: (i) annually recommending objectives and performance criteria applicable to the Board, each director, the Chair of the Board, the

Chair of each committee of the Board and the Chief Executive Officer; (b) annually arranging for an evaluation of the performance, contribution and effectiveness of the Board, each committee of the Board, the directors, the Chair of each committee of the Board and the Chief Executive Officer; (c) preparing and distributing a report to the Board regarding annual evaluations; (d) making recommendations to the Board regarding the amount and form of compensation to award the directors, the Chair of the Board and the Chair of each committee of the Board; (e) making recommendations to the independent members of the Board regarding the amount and form of compensation to award the Chief Executive Officer; (f) reviewing and making recommendations to the Board regarding proposals for the compensation of executive officers and management; (g) reviewing and making recommendations regarding all incentive and equity-based compensation plans and all proposed grants of securities under such plans; and (h) reviewing and making recommendations regarding employee benefit and retirement plans. The compensation of directors and officers of competitors are considered, to the extent publicly available, in determining compensation.

For a detailed discussion of the compensation of the directors of the Corporation, see the discussion under “*Statement of Executive Compensation – Compensation Discussion and Analysis*”.

## **7. Other Board Committees**

In addition to the Audit Committee and the Compensation Committee, the Board has a Disclosure Committee. The function of the Disclosure Committee is to ensure that written and oral communications about the Corporation to the public and to legal and regulatory authorities and applicable exchanges are disseminated in a timely and factually accurate manner and to assist the Corporation in maintaining and complying with its disclosure policy.

## **8. Assessments**

The Board has no formal process in place to assess the effectiveness of the Board, its committees and individual members. However, through the regular interaction between Board members, the Board satisfies itself that the Board, its committees and individual members are performing effectively.

## **AUDIT COMMITTEE**

Under NI 51-102, the Corporation is required to include in its information circular the disclosure required under Form 52-110F2 with respect to its audit committee, including the composition of the audit committee, the text of its audit committee charter and the fees paid to the external auditor all of which is attached hereto as Schedule “A”.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **1. Compensation Discussion and Analysis**

The Compensation Committee of the Board makes recommendations to the Board regarding compensation to be provided to the executive officers and directors of the Corporation and the executive officers of its subsidiaries and, in doing so, receives input from the President and the Chief Executive Officer of the Corporation (the “**CEO**”) in respect of all executive officers other than the CEO. Compensation of all executive officers, including the CEO, is based on the underlying philosophy that such compensation should be competitive with other business operations of similar size and should be reflective of the experience, performance and contribution of the individuals involved and the overall performance of the Corporation.

The Corporation’s executive compensation program is available to the Named Executive Officers of the Corporation’s which is defined by the securities legislation to mean each of the following individuals,

namely: (i) the CEO of the Corporation; (ii) the Chief Financial Officer of the Corporation; (iii) each of the Corporation's three most highly compensated executive officers, or the three most highly compensated individuals acting in a similar capacity, other than the President and CEO, at the end of the most recently completed financial year whose total compensation was, individually, more than \$150,000 for that financial year; and (iv) each individual who would be a "Named Executive Officer" under (iii) above but for the fact that the individual was neither an executive officer of the Corporation, nor acting in a similar capacity, at the end of the most recently completed financial year-end (the "**Named Executive Officer**"). For purposes of this Circular, the five executive officers of Corporation, as listed in the table under the heading "*Summary Compensation Table*", are the Named Executive Officers.

### ***Objectives of the Compensation Program***

The objectives of the Corporation's executive compensation program are twofold, namely: (i) to enable the Corporation to attract and retain highly qualified and experienced individuals to serve as Named Executive Officers; and (ii) to align the compensation levels available to the Named Executive Officers to the successful implementation of the Corporation's strategic plans. The Corporation's executive compensation program is designed to reward the Named Executive Officers where they have contributed to the prosperity and growth of the Corporation.

### ***Elements of the Compensation Program***

The Corporation's executive compensation program consists of a combination of the following significant elements, namely: base salary, or, in respect of the Vice President, Finance and Chief Financial Officer of the Corporation, consulting fees in lieu of a base salary, and participation in the Stock Option Plan and in the Stock Savings Plan (both as hereinafter defined). These elements contain both short-term incentives, comprised of cash payments, being those provided by way of base salaries, or consulting fees in lieu of base salaries, as well as long-term incentives, comprised of equity based incentives, being those provided under the Stock Option Plan and the Stock Savings Plan. The process for determining perquisites and approval of benefits for the Named Executive Officers is, firstly, to implement perquisites and benefits which are comparable to those usually offered by other business entities of a similar size to the Corporation and secondly, to make those perquisites and benefits available to each Named Executive Officer, equally. The Corporation chooses to pay each element of its executive compensation program in order to maintain its competitive position in the marketplace. The amount for each element of the Corporation's executive compensation program is determined based upon compensation levels provided by the Corporation's competitors as well as upon the discretion of the Board, where applicable, as described below. Each element of the Corporation's executive compensation program is intended to contribute to an overall total compensation package which is designed to provide both short-term and long-term financial incentives to the Named Executive Officers and to thereby assist the Corporation to successfully implement its strategic plans. The Compensation Committee annually assesses how each element fits into the overall total compensation package and makes recommendations to the Board relating thereto from time to time.

### ***Base Salaries / Consulting Fees***

Base salaries for the Named Executive Officer, or, in respect of the Vice President, Finance and Chief Financial Officer of the Corporation, consulting fees in lieu of a base salary, are reviewed annually and are set to be competitive with industry levels. In addition, in its annual review of base salaries, or consulting fees in lieu of base salaries, the Compensation Committee has regard to the contributions made by the Named Executive Officers, how their compensation levels relate to compensation packages that would be available to such officers from other employment opportunities and commercially available salary survey data and information publicly disclosed by some of the Corporation's competitors and peers. This enables the Corporation to establish base salaries, or consulting fees in lieu of base salaries, which attract and retain highly qualified and experienced individuals. Other than as set out immediately

above, the base salaries, or consulting fees in lieu of base salaries, of the Named Executive Officers are not determined based on benchmarks, performance goals or a specific formula.

#### *Stock Option Plan*

The Corporation established a stock option plan for its directors, officers, employees and consultants effective October 1, 2011, which was initially approved by the shareholders of the Corporation on September 29, 2011 (the “**Stock Option Plan**”). The process that the Board uses to grant option-based awards to executive officers, including the Named Executive Officers, and the factors that are taken into account when considering new grants under the Stock Option Plan, are based upon a number of criteria, including the performance of the executive officers, the number of options available for grant under the Stock Option Plan, the number of options anticipated to be required to meet the future needs of the Corporation, as well as the number of options previously granted to each of the Named Executive Officers. It is the full Board, as opposed to the Compensation Committee, which determines the need for any amendments to the Stock Option Plan and it is the full Board which determines the number of option grants to be made under the Stock Option Plan. The CEO frequently provides input and recommendations to the Board regarding the granting of options, from time to time. The CEO, in turn, and where appropriate, also obtains input from other executive officers of the Corporation when providing his input and recommendations. Other than as set out immediately above, the grant of option-based awards is not determined based on benchmarks, performance goals or a specific formula.

#### *Stock Savings Plan*

The Corporation has an employee stock savings plan (the “**Stock Savings Plan**”) under which all employees of the Corporation, including the Named Executive Officers, may participate. The purpose of the Stock Savings Plan is to make available to the Corporation’s employees, commencing three (3) months after the commencement of their employment with the Corporation, a means of acquiring, through regular payroll deductions and the Corporation’s matching contribution, Shares so that participating employees can have the opportunity to benefit from the growth in the value of the Corporation. All employees who become participants contribute, including the Named Executive Officers, by way of bi-weekly payroll deductions for investment under the Stock Savings Plan, an amount of their regular salary ranging from a minimum of 0% to 8% (based on 1% increments). The Corporation contributes an amount of funds equal to one-half times the employee’s contribution during each month to a maximum of 4% of the employee’s base salary.

#### *Risks Associated with Compensation Policies and Practices*

The Corporation’s compensation program is designed to provide executive officers incentives for the achievement of near-term and long-term objectives, without motivating them to take unnecessary risk. As part of its review and discussion of executive compensation, the Compensation Committee assesses facts that discourage the Corporation’s executives from taking unnecessary or excessive risk including: (i) the Corporation’s operating strategy and related compensation philosophy; (ii) the effective balance, in each case, between cash and equity mix, near-term, and long-term focus, corporate and individual performance, and financial and non-financial performance; and (iii) the Corporation’s approach to performance evaluation and compensation provides greater rewards to an executive officer achieving both short-term and long-term agreed upon objectives. Based on this review, the Compensation Committee believes that the Corporation’s total executive compensation program does not encourage executive officers to take unnecessary or excessive risk.

#### *Financial Instruments*

The Corporation has not implemented any policies which restrict the Named Executive Officers or directors of the Corporation from purchasing financial instruments, including, for greater certainty,

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 equity securities granted as compensation or held, directly or indirectly, by the Named Executive Officers or directors of the Corporation.

## 2. Compensation Governance

The Compensation Committee makes recommendations to the Board regarding the compensation to be provided to the executive officers and directors of the Corporation and, in doing so, receives input from the President and CEO of the Corporation (in respect of all executive officers other than the CEO). With respect to directors' compensation, the Compensation Committee reviews the level and form of compensation received by the directors, the Chair of the Board and the Chair of each committee, considering the duties and responsibilities of each director, his or her past service and continuing duties in service to the Corporation. The compensation of directors, the CEO and executive officers of competitors are considered, to the extent publicly available, in determining compensation and the Compensation Committee has the power to engage a compensation consultant or advisor to assist in determining appropriate compensation

The following table sets forth the name of each member of the Compensation Committee, whether they are independent and the relevant skills and experience of each member:

<b>Member</b>	<b>Independent<sup>(1)</sup></b>	<b>Relevant Skills and Experience</b>
William C. Guinan	Independent	Mr. Guinan has a breadth of experience acquired throughout his business career in which he addressed compensation matters for such companies' executive officers.
John Koop	Independent	Mr. Koop has a breadth of experience acquired throughout his business career in which he addressed compensation matters for such companies' executive officers.
Ken Stephens	Not Independent	Mr. Stephens has a breadth of experience as a chartered accountant in which capacities he has addressed compensation matters for such companies' executive officers.

**Note:**

(1) A member of the Compensation Committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member's independent judgment.

During the financial year ended December 31, 2012, the Compensation Committee did not retain an independent compensation consultant or advisor to assist in determining the compensation for the Corporation's directors and executive officers.

## 3. Option-Based Awards

The process the Corporation follows in respect of the grant of option-based awards is set out under "*Compensation Discussion and Analysis – Elements of the Compensation Program*" above.

## 4. Summary Compensation Table

Securities legislation requires the disclosure of the compensation received by each Named Executive Officer of the Corporation for the most recently completed financial year. The following table sets forth, for each Named Executive Officer (as a Named Executive Officer of the Corporation from October 1, 2011 and as a Named Executive Officer for the General Partner or a subsidiary of the Partnership prior to October 1, 2011), for each of the financial years ended on or after December 31, 2009, a summary of total compensation:

Name and principal position	Year	Salary (\$)	Option- based awards <sup>(1)</sup> (\$)	Non-equity Incentive plans (\$)	All other compensation (\$) <sup>(2)</sup>	Total compensation (\$)
<b>Wayne Wadley</b> <sup>(3)</sup> President and Chief Executive Officer	2012	85,100	nil	nil	8,021	93,121
	2011	47,250	nil	nil	9,673	56,923
	2010	nil	nil	nil	12,475	12,475
<b>Ken Stephens</b> <sup>(4)</sup> Vice President, Finance and Chief Financial Officer	2012	nil	nil	nil	211,483 <sup>(7)</sup>	211,483
	2011	nil	nil	nil	172,443 <sup>(7)</sup>	172,443
	2010	nil	nil	nil	nil	nil
<b>Marc Mandin</b> Vice President, Equipment Operations	2012	203,186	nil	nil	12,206	215,392
	2011	170,016	nil	nil	7,579	177,595
	2010	135,334	nil	nil	nil	135,334
<b>David Maplethorpe</b> <sup>(5)(6)</sup> Vice President, Waste and Environmental Operations	2012	150,750	nil	nil	nil	150,750
	2011	100,000	nil	nil	nil	100,000
<b>David (Skip) Kerr</b> <sup>(8)</sup> Vice President, Business Development	2012	75,106	nil	nil	nil	75,106

**Notes:**

- (1) The aggregate number of options held by each of the Named Executive Officers is set out in the table under the heading entitled “*Incentive Plan Awards*” below.
- (2) Unless otherwise noted, the value of perquisites and benefits for each Named Executive Officer is less than \$50,000 and less than 10% of each Named Executive Officer’s total salary for the financial year ended December 31, 2012.
- (3) Mr. Wadley also serves as a director of the Corporation. All of the compensation paid, if any, to Mr. Wadley relates to his position as a Named Executive Officer and none of the compensation paid to Mr. Wadley relates to his role as a director.
- (4) Mr. Stephens also serves as a director of the Corporation. All of the compensation paid, if any, to Mr. Stephens relates to his position as a Named Executive Officer and none of the compensation paid to Mr. Stephens relates to his role as a director.
- (5) Mr. Maplethorpe also serves as a director of the Corporation. All of the compensation paid to Mr. Maplethorpe relates to his position as a Named Executive Officer and none of the compensation paid to Mr. Maplethorpe relates to his role as a director.
- (6) Mr. Maplethorpe was appointed Chief Executive Officer of MCL Waste Systems & Environmental Inc. (“MCL”) on April, 2011 and Vice President, Waste and Environmental Operations of the Corporation on June 27, 2012.
- (7) Represents consulting fees paid in lieu of a base salary.
- (8) Mr. Kerr was appointed Vice President, Business Development of the Corporation on June 27, 2012.

**5. Incentive Plan Awards***Outstanding Option-Based Awards*

The following table sets forth information in respect of all option-based awards outstanding at the end of the financial year ended December 31, 2012 to the Named Executive Officers of the Corporation.

Name	Number of Securities Underlying unexercised Options (#)	Option exercise price (\$)	Option Expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
<b>Wayne Wadley</b> President and Chief Executive Officer	nil	n/a	n/a	nil
<b>Ken Stephens</b> Vice President, Finance and Chief Financial Officer	nil	n/a	n/a	nil
<b>Marc Mandin</b> Vice President, Equipment Operations	nil	n/a	n/a	nil

Name	Number of Securities Underlying unexercised Options (#)	Option exercise price (\$)	Option Expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
<b>David Maplethorpe</b> Vice President, Waste and Environmental Operations	nil	n/a	n/a	nil
<b>David (Skip) Kerr</b> Vice President, Business Development	nil	n/a	n/a	nil

**Note:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Shares on the TSXV (as defined below) on December 31, 2012 of \$3.20.

*Value Vested or Earned During the Year*

During the Corporation's financial year ended December 31, 2012 there was no vesting of option-based awards held by the Named Executive Officers.

**6. Pension Plan Benefits**

The Corporation does not have a pension plan or any other plan that provides for payments or benefits at, following or in connection with retirement. The Corporation does not have a deferred compensation plan.

**7. Termination and Change of Control Benefits**

The Corporation does not have any contract, agreement, plan or arrangement that provides for payments to the Named Executive Officers at, following or in connection with any termination (whether voluntary, involuntary or constructive), resignation, a change in control of the Corporation or a change in the Named Executive Officers' responsibilities.

**8. Director Compensation***Summary Compensation*

The following table sets forth information in respect of all amounts of compensation provided to the directors of the Corporation's financial year ended December 31, 2012.

Name	Fees Earned (\$)	Option-based awards <sup>(1)</sup> (\$)	All other compensation (\$)	Total (\$)
William C. Guinan <sup>(5)</sup>	nil	nil	nil	nil
John Koop	nil	nil	nil	nil
Gary Layden <sup>(6)</sup>	nil	nil	nil	nil

**Notes:**

- (1) The aggregate number of Options held by each of the directors of the Corporation is set out in the table under the heading entitled "Outstanding Option – Based Awards" below.
- (2) Compensation information for Wayne Wadley, President and Chief Executive Officer of the Corporation and a director of the Corporation, has been previously provided herein under the heading "Summary Compensation Table" above.
- (3) Compensation information for Ken Stephens, Vice President, Finance and Chief Financial Officer of the Corporation, has been previously provided herein under the heading "Summary Compensation Table" above.
- (4) Compensation information for David Maplethorpe, Chief Executive Officer of MCL and Vice President, Waste and Environmental Operations of the Corporation, has been previously provided herein under the heading "Summary Compensation Table" above.
- (5) Mr. Guinan was appointed as a director on June 27, 2012.
- (6) Mr. Layden ceased to act as a director on June 27, 2012.

### Outstanding Option-Based Awards

The following table sets forth information in respect of all option based awards outstanding at the end of the Corporation's financial year ended December 31, 2012 to the directors of the Corporation.

Name	Number of securities underlying unexercised Options (#)	Exercise price of Options (\$)	Option expiration date	Value of unexercised in-the-money options <sup>(1)</sup> (\$)
William C. Guinan <sup>(5)</sup>	nil	n/a	n/a	nil
John Koop	nil	n/a	n/a	nil
Gary Layden <sup>(6)</sup>	nil	n/a	n/a	nil

**Notes:**

- (1) Value is calculated based on the difference between the exercise price of the options and the closing price of the Shares on the TSXV (as defined below) on December 31, 2012 of \$3.20.
- (2) Compensation information for Wayne Wadley, President and Chief Executive Officer of the Corporation and a director of the Corporation has been previously provided herein under the heading "Incentive Plan Awards" above.
- (3) Compensation information for Ken Stephens, Vice President, Finance and Chief Financial Officer of the Corporation, has been previously provided herein under the heading "Incentive Plan Awards" above.
- (4) Compensation information for David Maplethorpe, Chief Executive Officer of MCL and Vice President, Waste and Environmental Operations of the Corporation, has been previously provided herein under the heading "Incentive Plan Awards" above.
- (5) Mr. Guinan was appointed as a director on June 27, 2012.
- (6) Mr. Layden ceased to act as a director on June 27, 2012.

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

During the Corporation's financial year ended December 31, 2012 there was no vesting of option-based awards held by the directors of the Corporation.

## 9. Equity Compensation Plan Information

The following table provides details as at the end of the year ended December 31, 2012 with respect to all compensation plans of the Corporation under which equity securities of the Corporation are authorized for issuance.

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected herein)
Equity compensation plans approved by securityholders	nil	n/a	1,167,109 <sup>(1)</sup>
Equity compensation plans not approved by securityholders	n/a	n/a	n/a
<b>Total</b>	nil	n/a	1,167,109 <sup>(1)</sup>

**Note:**

- (1) The Stock Option Plan reserves 10% of the 11,671,096 Shares outstanding at December 31, 2012 for issuance pursuant to options.

## MATTERS TO BE CONSIDERED AT THE MEETING

To the knowledge of the Board, the only matters to be brought before the Meeting are those matters set forth in the accompanying Notice of Meeting.

## 1. Financial Statements

At the Meeting, shareholders will receive and consider the financial statements of the Corporation for the year ended December 31, 2012 and the auditors' report thereon, but no vote by the shareholders with respect thereto is required or proposed to be taken.

## 2. Fixing Number of Directors to be Elected at the Meeting

At the Meeting, shareholders will be asked to consider and, if thought fit, approve an ordinary resolution fixing the number of directors to be elected at the Meeting at five (5).

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the ordinary resolution fixing the number of directors to be elected at the Meeting at five (5).** In order to be effective, the ordinary resolution in respect of fixing the number of directors to be elected at the Meeting at five (5) must be passed by a majority of the votes cast by shareholders who vote in respect of this ordinary resolution.

## 3. Election of Directors

At the Meeting it is proposed that five (5) directors be elected to hold office until the next annual meeting or until their successors are elected or appointed. There are presently five (5) directors of the Corporation, the term of each of which expires at the Meeting.

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the election as directors of the five (5) nominees hereinafter set forth.** Management has no reason to believe that any of the nominees will be unable to serve as a director, but if that should occur for any reason prior to the Meeting, the persons designated in the accompanying form of proxy reserve the right to vote for other nominees in their discretion unless the shareholder has specified in the accompanying form of proxy that such shareholder's Shares are to be withheld from voting on the election of directors.

The following table sets forth the name of each of the persons proposed to be nominated for election as a director, their province and country of residence, their principal occupation, the period served as a director and the number of voting Shares that each proposed nominee beneficially owns, or exercises control or direction over, directly or indirectly, as of the Record Date. The information as to Shares owned beneficially, not being within the knowledge of the Corporation, has been provided by each nominee.

<b>Name and Province and Country Residence</b>	<b>Principal Occupation</b>	<b>Year First Elected to Board</b>	<b>Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>
Wayne Wadley <sup>(3)</sup> Alberta, Canada	President and Chief Executive Officer of the Corporation since October 1, 2011; prior thereto, President and Chief Executive Officer of the General Partner since 2005; Prior thereto President and Chief Executive Officer of GEOCAN Energy Inc., a public oil and gas exploration company from 1998 to 2008.	2011	2,990,433 <sup>(4)</sup>

<b>Name and Province and Country Residence</b>	<b>Principal Occupation</b>	<b>Year First Elected to Board</b>	<b>Number of Shares Beneficially Owned, Controlled or Directed, Directly or Indirectly</b>
<b>Ken Stephens</b> <sup>(2)(3)</sup> Alberta, Canada	Chief Financial Officer of the Corporation since October 1, 2011; prior thereto, Chief Financial Officer of the General Partner since 2005; Prior thereto Chartered Accountant with the firm of Davis, Daignault, Schick & Co. from September 1990 to December 31, 2010.	2011	213,091 <sup>(5)</sup>
<b>John Koop</b> <sup>(1)(2)</sup> Alberta, Canada	Retired Businessman Certified Management Accountant (C.M.A.) since 1961, providing accounting and management support to small businesses since 1982.	2011	31,612
<b>William C. Guinan</b> <sup>(1)(2)</sup> Alberta, Canada	Partner with Borden Ladner Gervais LLP, a law firm.	2012	16,653
<b>David Maplethorpe</b> <sup>(1)(3)</sup> Alberta, Canada	Independent businessman since May 15, 2013; prior thereto Chief Executive Officer of MCL from 1975 to May 15, 2013 and Vice President, Waste and Environmental Operations of the Corporation from June 2012 to May 15, 2013.	2011	885,461 <sup>(6)</sup>

**Notes:**

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Disclosure Committee.
- (4) Mr. Wadley, the President and Chief Executive Officer of the Corporation, owns 347,833 Shares directly and has control or direction over 125,032 Shares held by Timberwolf Resources Inc. and 2,517,568 Shares held by Timberwolf Technologies Inc., both of which are private Alberta corporations controlled by Mr. Wadley.
- (5) Mr. Stephens, the Vice President, Finance and Chief Financial Officer of the Corporation, owns 158,957 Shares directly and has control or direction over 54,134 Shares held by 1221982 Alberta Inc., a private Alberta corporation controlled by Mr. Stephens.
- (6) Mr. Maplethorpe has control or direction over 885,461 Shares held by 1490249 Alberta Ltd., a private Alberta corporation controlled by Mr. Maplethorpe.

The directors listed above will hold office until the next annual meeting of the Corporation or until their successors are elected or appointed.

*Corporate Cease Trade Orders*

None of those persons who are proposed directors of the Corporation is, or has been within the past ten years, a director, chief executive officer or chief financial officer of any company that, while that person was acting in that capacity, was the subject of a cease trade or similar order, or an order that denied the company access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days or after such persons ceased to be a director, chief executive officer or chief financial officer of the company, was the subject of a cease trade or similar order or an order that denied the company access to any exemption under securities legislation, for a period of more than 30 consecutive days, which resulted from an event that occurred while acting in such capacity.

*Bankruptcies*

None of those persons who are proposed directors of the Corporation is, or has been within the past ten years, a director or executive officer of any company, including the Corporation, that, while such person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or

instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

#### *Personal Bankruptcies*

None of the persons who are proposed directors of the Corporation have, within the past ten years made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold his assets.

#### *Penalties and Sanctions*

None of those persons who are proposed directors of the Corporation have been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable shareholder in deciding whether to vote for a proposed director.

#### **4. Appointment of Auditor**

The management of the Corporation intends to nominate KPMG LLP, Chartered Accountants, of Calgary, Alberta for re-appointment as the auditor of the Corporation. **Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of a resolution appointing KPMG LLP, Chartered Accountant, as auditor for the Corporation for the next ensuing year,** to hold office until the close of the next annual meeting of shareholders or until KPMG LLP, Chartered Accountants, are removed from office or resigns as provided by the Corporation's by-laws, at a remuneration to be fixed by the directors. KPMG LLP was first appointed the auditor of the Corporation on October 1, 2011.

#### **5. Confirmation of Stock Option Plan**

To remain in compliance with the policies of the TSX Venture Exchange (the "TSXV"), which require annual shareholder approval of 10% rolling stock option plans, the Corporation will be presenting to the shareholders for approval the Option Plan in the form attached as Schedule "B" which was approved by the shareholders on October 1, 2011.

The aggregate number of Shares issuable upon the exercise of all options granted under the Stock Option Plan shall not exceed 10% of the issued and outstanding Shares of the Corporation from time to time. Rolling 10% option plans such as the Stock Option Plan require annual Shareholder approval. The purpose of the Stock Option Plan is to advance the interests of the Corporation by encouraging the directors, officers, employees and consultants of the Corporation to acquire Shares, thereby increasing their proprietary interest in and encouraging them to remain associated with the Corporation. The Stock Option Plan is administered by the Board and all Share options granted thereunder are subject to the rules and policies of the TSXV.

The exercise price of the Shares subject to each option shall be determined by the Board but in no event shall such exercise price be lower than the exercise price permitted by the TSXV. No single participant may be granted options to purchase a number of Shares equalling more than 5% of the issued Shares of the Corporation in any one twelve month period without disinterested Shareholder approval. Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve month period to any one consultant of the Corporation. Options shall not be granted if the exercise thereof would result in the issuance of more than 2% of the issued Shares in any twelve month period to employees of the Corporation conducting investor relations' activities. The maximum

term of any options granted may not exceed five years. If the Shares are increased, decreased or changed through reorganization, merger, recapitalization, reclassification, share dividend, subdivision or consolidation, an appropriate adjustment shall be made by the Board in the number of Shares optioned and the exercise price per Share.

As of the date hereof: (i) the Corporation has issued under the Stock Option Plan, options pursuant to which 592,000 Shares are issuable, which represents approximately 5.1% of the currently outstanding Shares; and (ii) there remains for issuance under the Stock Option Plan, options pursuant to which 575,109 Shares may be issued, which represents approximately 4.9% of the currently outstanding Shares.

At the Meeting, shareholders will be asked to pass an ordinary resolution as follows:

**“BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the stock option plan of CERF Incorporated (the **“Corporation”**), substantially in the form attached as Schedule **“B”** (the **“Option Plan”**) to the management information circular of the Corporation dated May 25, 2013, be and is hereby confirmed as the stock option plan of the Corporation;
2. the form of the Option Plan may be amended in order to satisfy the requirements or requests of any regulatory authorities without requiring further approval of the shareholders of the Corporation; and
3. any one director or officer of the Corporation is authorized and directed, on behalf of the Corporation, to take all necessary steps and proceedings and to execute, deliver and file any and all declarations, agreements, documents and other instruments and do all such other acts and things (whether under corporate seal of the Corporation or otherwise) that may be necessary or desirable to give effect to this ordinary resolution.”

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the ordinary approving the Stock Option Plan.**

## **6. Approval of Amended and Restated By-Law No. 1 of the Corporation**

On May 25, 2013, the Board adopted the Amended and Restated By-Law No. 1 (the **“New By-Law”**) as the by-law of the Corporation. A copy of the New By-Law is attached hereto as Schedule **“C”**. The reason for the adoption of the New By-Law was to include any advance notice requirement for the nomination of directors and expressly permit electronic voting, all as further described below.

Pursuant to the *Business Corporations Act* (Alberta) (**“ABCA”**) where the directors make, amend or repeal a by-law, they are required to submit the by-law, amendment or repeal to the next meeting of shareholders and the shareholders may confirm, reject or amend the by-law, amendment or repeal.

The following is a summary of the material changes made by the New By-Law.

<b>Advance Notice for Nomination of Directors</b>	Includes an advance notice requirement (the <b>“Advance Notice Requirement”</b> ) for shareholders who wish to nominate their own directors at an annual or special shareholders’ meeting. The Advance Notice Requirement fixes deadlines for submitting 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 their nomination in order for it to be valid. In the case of an annual shareholders’ meeting, the deadlines for notice
---	---

of a shareholders' director nominations are not less than 30 days and not more than 65 days prior to the meeting; provided, however, if the first public notice of an annual shareholders' meeting is given less than 50 days prior to the meeting date, shareholders must provide notice of their nominations by close of business on the 10<sup>th</sup> day following the announcement of the meeting. In the case of a special meeting (which is not also an annual meeting) called for the purpose of electing directors, shareholders must provide notice of their nominations not later than the close of business on the 15<sup>th</sup> day following first public announcement of the special shareholders' meeting.

The Advance Notice Requirement provides a clear process for shareholders to follow to nominate directors and sets out a reasonable time frame for nominee submissions along with a requirement for accompanying information. The purpose of the Advance Notice Requirement is to treat all shareholders fairly by ensuring that all shareholders, including those participating in a meeting by proxy rather than in person, receive adequate notice of the nominations to be considered at a meeting and can thereby exercise their voting rights in an informed manner. In addition, the Advance Notice Requirement should assist in facilitating an orderly and efficient meeting process.

### **Electronic Voting**

If the Corporation chooses to make available a telephonic, electronic or other communication facility, in accordance with the ABCA and the regulations, that permit shareholders to vote by means of such facility then, notwithstanding any other provision of the by-law, any vote may be held, in accordance with the ABCA and the regulations, by means of such facility.

Shareholders are urged to review the New By-Law in its entirety as attached hereto as Schedule "C". At the Meeting, Shareholders will be asked to consider and if deemed advisable approve the following resolution with respect to the adoption of the New By-Law as the by-law of the Corporation.

**"BE IT HEREBY RESOLVED** as an ordinary resolution of the Corporation that:

1. the Amended and Restated By-Law No. 1 of the Corporation substantially in the form attached as Schedule "C" to the management information circular of the Corporation dated May 25, 2013, be and is hereby adopted and approved as the by-law of the Corporation. All prior by-laws be and are hereby revoked and repealed; and
2. any officer or director of the Corporation for and on behalf of the Corporation and any shareholder of the Corporation for and on behalf of all shareholders, be and are hereby authorized to complete, execute and deliver the Amended and Restated By-Law No. 1 with such changes as such officer, director and shareholder may, in their sole discretion determine and to take all such further steps and actions as are deemed necessary and prudent to give effect to the resolutions aforesaid."

The foregoing resolution must be approved by a majority of votes cast by shareholders who vote in person or by proxy at the Meeting in respect to this resolution. It is the intention of the persons named in the Instrument of Proxy, if not expressly directed otherwise in such Instrument of Proxy, to vote such proxies FOR the ordinary resolution approving and adopting the New By-Law of the Corporation.

**Unless otherwise directed, it is the intention of the persons designated in the accompanying form of proxy to vote in favour of the amendment to By-Law No. 1 of the Corporation.**

## **7. Other Business**

Management is not aware of any other matters to come before the Meeting, other than those set out in the notice of Meeting. If other matters come before the Meeting, **it is the intention of the persons designated in the accompanying form of proxy to vote the same in accordance with their best judgment in such matters.**

### **INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS**

No individual who is a proposed director, a current or former director, executive officer or employee of the Corporation or any subsidiary, or any associate thereof is, or at any time since the beginning of the most recently completed financial year has been, indebted to the Corporation or any of its subsidiaries or was indebted to another entity, which such indebtedness is, or was at the time during the most recently completed financial year of the Corporation, the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries, except as set out below.

The table below sets out, as at the date indicated, the aggregate indebtedness to the Corporation of all executive officers, directors and employees of the Corporation, as applicable:

<b>AGGREGATE INDEBTEDNESS (\$)</b>		
<b>Purpose</b>	<b>To the Corporation as of April 30, 2013<sup>(2)</sup></b>	<b>To Another Entity</b>
Share purchases <sup>(1)</sup>	\$202,835	nil
Other	n/a	n/a

**Notes:**

- (1) In June 2007, the Partnership entered into separate secured loan transactions in the aggregate amount of \$530,740 with four employees of the Partnership to finance the purchase of 223,000 Units at a price of \$2.38 per Unit, by way of private placement, by those four employees. The loans are secured, on a limited recourse basis, by Shares, which were issued in connection with the Arrangement upon conversion of the Units, which were purchased with the proceeds of the loans. The loans bear interest at the rate of the Canada Revenue Agency prescribed rate, per annum, and are repayable annually over a 10 year term ending on June 11, 2017.
- (2) \$120,604 of this indebtedness is to two employees of the Corporation who are not Named Executive Officers and \$82,231 of this indebtedness is to the Chief Operating Officer of the Corporation who is a Named Executive Officer.

Other than as set out in the table below, no individual who is, or at any time during the most recently completed financial year of the Corporation was, a director or executive officer of the Corporation, as applicable, nor any proposed nominee for election as a director of the Corporation, nor any associate of any one of them (a) is, or was at any time since the beginning of the most recently completed financial year of the Corporation or (b) is, or was at any time since the beginning of the most recently completed financial year of the Corporation indebted to another entity, which such indebtedness is, or was during such time, the subject a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries.

<b>INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS UNDER (1) SECURITIES PURCHASE AND (2) OTHER PROGRAMS</b>						
<b>Name and Principal Position</b>	<b>Involvement of the Corporation</b>	<b>Largest Amount Outstanding During Most Recently Completed Financial Year (\$)</b>	<b>Amount Outstanding as at April 30, 2013 (\$)</b>	<b>Financially Assisted Securities Purchases During 2012 (\$)</b>	<b>Security for Indebtedness</b>	<b>Amount Forgiven During 2012 (\$)</b>
<b>Securities Purchase Programs</b>						
Marc Mandin Chief Operating Officer <sup>(2)</sup>	The Corporation is the lender	104,370	82,231	nil	Yes <sup>(1)</sup>	nil
<b>Other Programs</b>						
n/a	n/a	n/a	n/a	n/a	n/a	n/a

**Notes:**

- (1) In June 2007, the Partnership entered into a secured loan transaction in the amount of \$178,500 with Marc Mandin, the current Chief Operating Officer of the Corporation, to finance the purchase of 75,000 Units at a price of \$2.38 per Unit, by way of private placement by Mr. Mandin. The loan is secured, on a limited recourse basis, by Shares, which were issued in connection with the Arrangement upon conversion of the Units, which were purchased with the proceeds of the loan. The loan bears interest at the rate of the Canada Revenue Agency prescribed rate, per annum, and is repayable over a 10 year term ending on June 11, 2017.
- (2) Mr. Mandin was appointed Chief Operating Officer of the Partnership in March 2008 and became Chief Operating Officer of the Corporation on October 1, 2011.

**INTERESTS OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as set forth herein, the Corporation is not aware of any material interest, direct or indirect, of any “informed person” of the Corporation, any proposed director of the Corporation or any associate or affiliate of any “informed person” or proposed director, in any transaction since the commencement of the Corporation’s most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation.

On October 3, 2012, CERF completed the purchase of 100% of the issued and outstanding shares of TRAC Energy Services Ltd. (“TRAC”), a private oilfield equipment rental company based in Nisku, Alberta and with offices in Calgary, Alberta and TRAC became a wholly-owned subsidiary of the Corporation. The purchase price for the acquisition was \$17,813,300 subject to working capital and other normal closing adjustments. The purchase price was paid by cash in the amount of \$11,730,113 and by the issuance of 2,027,729 Common Shares at a deemed price of \$3.00 per Common Share. Upon closing of this transaction, Mr. Cameron Miller was appointed President of TRAC and Mr. Travis Porter was appointed Vice President Sales and Marketing of TRAC

For the purposes of the above, “informed person” means: (a) a director or executive officer of the Corporation; (b) a director or executive officer of a person or company that is itself an informed person or subsidiary of the Corporation; (c) any person or company who beneficially owns, or controls or directs, directly or indirectly, voting securities of the Corporation or who exercises control or direction over 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 the person or company as underwriter in the course of a distribution; and (d) the Corporation after having purchased, redeemed or otherwise acquired any of its securities, for so long as it holds any of its securities.

There are potential conflicts of interest to which the directors and officers of the Corporation may be subject in connection with the operations of the Corporation. Some of the directors and officers of the

Corporation are engaged and will continue to be engaged in other business opportunities on their own behalf and on behalf of other corporations and situations may arise where such directors and officers will be in competition with the Corporation. Individuals concerned shall be governed in any conflicts or potential conflicts by applicable law and internal policies of the Corporation.

#### **INTEREST OF DIRECTORS AND OFFICERS IN MATTERS TO BE ACTED UPON**

No person who has been a director or executive officer of the Corporation at any time since the beginning of the Corporation's last financial year, nor any proposed nominee for election as a director of the Corporation, nor any associate or affiliate of any one of them, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Meeting.

#### **ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available under the Corporation's profile on the Canadian Securities Administrators' System for Electronic Document Analysis and Retrieval (SEDAR) website at [www.sedar.com](http://www.sedar.com). Financial information relating to the Corporation is provided in the Corporation's comparative financial statements and management's discussion and analysis ("MD&A") for the year ended December 31, 2012. Shareholders may contact the Corporation to request copies of the financial statements and MD&A by: (i) mail to 8430 – 24th Street, Edmonton, Alberta T6P 1X8; (ii) telephone: (780) 464-4929; or (iii) fax to (403) 238-2720.

**Schedule “A”**

**CERF INCORPORATED  
(the “CORPORATION”)**

**AUDIT COMMITTEE DISCLOSURE**

**1. Audit Committee Charter**

**I. PURPOSE**

The primary function of the Audit Committee (the “**Committee**”) of the Board of Directors of the Corporation (the “**Board**”) is to assist the Board in fulfilling its oversight responsibilities by reviewing:

1. the financial information that will be provided to the shareholders and others;
2. the systems of internal controls, management and the Board have established; and
3. all audit processes.

Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board.

**II. COMPOSITION AND PROCESS**

1. The Committee shall be composed of a minimum of three directors, all of whom shall be independent as that term is defined in National Instrument 52-110 - Audit Committees.
2. Members shall be appointed by the Board on an annual basis, shall serve one-year terms and may serve consecutive terms, which are encouraged to ensure continuity of experience.
3. The Chair of the Committee shall be appointed by the Board for a one-year term, and may serve any number of consecutive terms.
4. All members of the Committee shall be financially literate. Financial literacy is the ability to read and understand a balance sheet, income statement and cash flow statement that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
5. The Chair shall, in consultation with management and the external auditor and internal auditor (if any), establish the agenda for the meetings and ensure that properly prepared agenda materials are circulated to the members with sufficient time for study prior to the meeting. The external auditor will also receive notice of all meetings of the Committee. The Committee may employ a list of prepared questions and considerations as a portion of its review and assessment process.
6. The Committee shall meet at least four times per year and may call special meetings as required. A quorum at meetings of the Committee shall be its Chair and one of its other members. The Committee may hold its meetings, and members of the Committee may attend meetings, by telephone conference if this is deemed appropriate.

7. The minutes of the Committee meetings shall accurately record the decisions reached and shall be distributed to Committee members with copies to the Board, the Chief Executive Officer, the Chief Financial Officer and the external auditor.
8. The Committee reviews, prior to their presentation to the Board and their release, all material financial information required by securities regulations.
9. The Committee enquires about potential claims, assessments and other contingent liabilities.
10. The Committee periodically reviews with management, depreciation and amortization policies, loss provisions and other accounting policies for appropriateness and consistency.

### **III. AUTHORITY**

1. The Committee is appointed by the Board pursuant to provisions of the *Business Corporations Act* (Alberta) and the bylaws of the Corporation.
2. Primary responsibility for the Corporation's financial reporting, accounting systems and internal controls is vested in senior management and is overseen by the Board. The Committee is a standing committee of the Board established to assist it in fulfilling its responsibilities in this regard. The Committee shall have responsibility for overseeing management reporting on internal controls. While it is management's responsibility to design and implement an effective system of internal control, it is the responsibility of the Committee to ensure that management has done so.
3. The Committee shall have unrestricted access to the Corporation's personnel and documents and will be provided with the resources necessary to carry out its responsibilities.
4. The Committee shall have direct communication channels with the internal auditors (if any) and the external auditors to discuss and review specific issues as appropriate.
5. The Committee shall have the sole authority to retain (or terminate) advisors or consultants as it determines necessary to assist the Committee in discharging its functions hereunder. The Committee shall be provided with the necessary funding to compensate the advisors or consultants retained by the Committee.

### **IV. RELATIONSHIP AND EXTERNAL AUDITORS**

1. An external auditor must report directly to the Committee.
2. The Committee is directly responsible for overseeing the work of the external auditor engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the issuer, including the resolution of disagreements between management and the external auditor regarding financial reporting.
3. The Committee shall implement structures and procedures to ensure that it meets with the external auditor on a regular basis in the absence of management.

### **V. ACCOUNTING SYSTEMS, INTERNAL CONTROLS AND PROCEDURES**

1. The Committee shall obtain reasonable assurance from discussions with and/or reports from management, and reports from external auditors that accounting systems are reliable and that the

prescribed internal controls are operating effectively for the Corporation and its subsidiaries and affiliates.

2. The Committee shall review to ensure to its satisfaction that adequate procedures are in place for the review of the Corporation's disclosure of financial information extracted or derived from the Corporation's financial statements and will periodically assess the adequacy of those procedures.
3. The Committee shall review with the external auditor the quality and not just the acceptability of the Corporation's accounting principles and direct the external auditor's examinations to particular areas.
4. The Committee will review control weaknesses identified by the external auditors, together with management's response and review with external auditors their view of the qualifications and performance of the key financial and accounting executives.
5. In order to preserve the independence of the external auditor, the Committee will:
  - (a) recommend to the Board the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;
  - (b) recommend to the Board the compensation for the external auditors' engagement; and
  - (c) review and pre-approve any engagements for non-audit services to be provided by the external auditors or its affiliates, together with estimated fees, and consider the impact, if any, on the independence of the external auditor.
  - (d) The Committee will review with management and with the external auditor any proposed changes in major accounting policies, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material to financial reporting.
6. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
7. The Committee shall establish a periodic review procedure to ensure that the external auditor complies with the Canadian Public Accountability Regime under National Instrument 52-108 - Auditor Oversight.
8. The Committee shall review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor of the Corporation.

## **VI. STATUTORY AND REGULATORY RESPONSIBILITIES**

1. Annual Financial Information - review the annual audited financial statements, including Letter to Shareholders and related press releases and recommend their approval to the Board, after discussing matters such as the selection of accounting policies (and changes thereto), major accounting judgments, accruals and estimates with management and the external auditor.

2. Annual Report - review the management discussion and analysis (“**MD & A**”) section and all other relevant sections of the annual report to ensure consistency of all financial information included in the annual report.
3. Interim Financial Statements - review the quarterly interim financial statements, including the Letter to Shareholders and related press releases and recommend their approval to the Board.
4. Earnings Guidance/Forecasts - review forecasted financial information and forward looking statements.
5. In addition, the Committee must review the Corporation’s financial statements, MD & A and earnings press releases before the Corporation publicly discloses this information.

**VII. REPORTING**

6. The Committee will report, through the Chairperson of the Committee, to the Board following each meeting on the major discussions and decisions made by the Committee, and report annually to the Board on the Committee’s responsibilities and how it has discharged them.
7. In addition, the Committee will review and reassess these Terms of Reference annually and recommended any proposed changes to the Disclosure Committee.

**VIII. OTHER RESPONSIBILITIES**

1. Investigating fraud, illegal acts or conflicts of interest.
2. Discussing selected issues with corporate counsel or the outside auditor or management.

Adopted and approved by the Board effective as of October 1, 2011.

**2. Composition of the Audit Committee:**

During the year ended December 31, 2012 the Audit Committee of the Corporation was composed of the following individuals:

William C. Guinan <sup>(3)</sup>	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
John Koop	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
David Maplethorpe	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Gary Layden	Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>
Wayne Wadley	Not Independent <sup>(1)</sup>	Financially literate <sup>(2)</sup>

**Notes:**

- (1) A member of an audit committee is independent if the member has no direct or indirect material relationship with the Corporation which could, in the view of the Board, reasonably interfere with the exercise of a member’s independent judgment.
- (2) An individual is financially literate if he has the ability to read and understand a set of financial statements that present a breadth of complexity of accounting issued that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements.
- (3) Mr. Guinan and Mr. Maplethorpe were appointed to the Audit Committee on June 27, 2012.
- (4) Mr. Layden and Mr. Wadley resigned from the Audit Committee on June 27, 2012.

**3. Relevant Education and Experience**

Mr. Koop has a breadth of experience as a director and officer of a number of public and private companies in which capacities he frequently addressed compensation matters for such companies’ executive officers. He also previously served on the compensation committee of the board of directors of a public company.

Mr. Maplethorpe has a breadth of experience as a director and officer of a number of public and private companies in which capacities he frequently addressed compensation matters for such companies' executive officers.

Mr. Guinan has a breadth of experience as a director and officer of a number public and private companies in which capacities he frequently addressed compensation matters for such companies' executive officers. He has also served on compensation committees of the board of directors of several public companies.

#### **4. Audit Committee Oversight**

At no time since the commencement of the Corporation's most recently completed financial year was a recommendation of the Audit Committee to nominate or compensate an external auditor not adopted by the board of directors.

#### **5. Reliance on Certain Exemptions**

At no time since the commencement of the Corporation's most recently completed financial year has the Corporation relied on the exemption in Section 2.4 (De Minimis Non-audit Services) of NI 52-110, or an exemption from NI 52-110, in whole or in part, granted under Part 8 of NI 52-110.

#### **6. Pre-Approval Policies and Procedures**

The Audit Committee Charter requires that the Audit Committee shall review and pre-approve any engagements for non-audit services to be provided by the external auditor or its affiliates, together with estimated fees, and consider the impact on the independence of the external auditor.

#### **7. External Auditor Service Fees**

The aggregate fees billed by the Corporation's external auditors in each of the last two fiscal years are as follows:

<b>Financial Period Ended December 31</b>	<b>Audit Fees<sup>(1)</sup></b>	<b>Audit Related Fees</b>	<b>Tax Fees<sup>(2)</sup></b>	<b>All Other Fees</b>
2012	\$145,000	\$33,500	\$7,000	nil
2010	\$135,500	\$20,500	\$4,000	\$74,500

**Notes:**

- (1) The aggregate audit fees billed.  
 (2) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning.

#### **8. Exemption**

The Corporation is relying on the exemption provided in Section 6.1 of NI 52-110 pertaining to the composition of the Audit Committee and reporting obligations under NI 52-110.

**Schedule “B”  
Stock Option Plan**

**CERF INCORPORATED**

**INCENTIVE STOCK OPTION PLAN**

**1. INTERPRETATION**

In this Plan (including this clause), unless there is something in the subject or context inconsistent therewith, words importing the singular number includes the plural and vice versa, words importing the masculine gender includes the feminine and neuter genders and the expressions following have the following meanings, respectively:

- (a) “**Associate**” has the meaning ascribed thereto in the Securities Act;
- (b) “**Board**” means the Board of Directors of the Corporation;
- (c) “**Committee**” means a committee of Directors appointed by the Board as contemplated by Clause 3 hereof;
- (d) “**Common Share**” means a voting common share in the capital stock of the Corporation as constituted at October 1, 2011, and, after any adjustments pursuant to Clause 7 hereof, means the shares or other securities or property which, as a result of such adjustments and all prior adjustments pursuant to Clause 7, the holders of Options are then entitled to receive on the exercise thereof;
- (e) “**Consultant**” means an individual or company other than an employee or a director of the Corporation that is engaged to provide on an ongoing basis consulting, technical or management or other services to the Corporation under a written contract and spends a significant amount of time and attention on the affairs of the Corporation such that they are knowledgeable about the business and affairs of the Corporation;
- (f) “**Corporation**” means CERF Incorporated and any successor or continuing corporation resulting from any form of corporate reorganization;
- (g) “**Early Termination Date**” means, in respect of any Option, 5:00 p.m. (Calgary time) on the date that an Option terminates prior to the Normal Expiry Date;
- (h) “**Expiry Date**” means the Normal Expiry Date or the Early Termination Date, as the case may be;
- (i) “**Insider**” has the meaning ascribed thereto in the Securities Act;
- (j) “**Market Price**” at any date and in respect of an Option, means:
  - (i) where the Common Shares are not listed and posted for trading on a stock exchange, the value conclusively determined by the Board or Committee, as the case may be, on the Option Date; or
  - (ii) where the Common Shares are listed and posted for trading on a stock exchange, either:

- A. the closing price of the Common Shares on the principal stock exchange on which they are traded on the last business day preceding the Option Date; or
  - B. if the Common Shares did not trade on the last business day preceding the Option Date, the average of the bid and ask prices in respect of the Common Shares at the close of trading on such date on the principal stock exchange on which the Common Shares are listed and posted for trading;
- (k) “**Normal Expiry Date**” means, in respect of any Option, 5:00 p.m. (Calgary time) on the date determined by the Corporation and specified in the particular Option Agreement on which the Option would normally terminate, which date may not be later than five years after the Option Date;
- (l) “**Option**” means a right to purchase Common Shares pursuant to the Plan and an Option Agreement;
- (m) “**Option Agreement**” means an agreement entered into between the Corporation and a Participant pursuant to which an Option is granted to a Participant and which contains such provisions not inconsistent with the Plan as the Board or the Committee may determine;
- (n) “**Option Date**” means the date on which an Option is granted by the Corporation to a Participant which for greater certainty is the date on which the grant of the Option is approved by the Board or the Committee, as the case may be;
- (o) “**Option Shares**” means the Common Shares which a Participant is entitled to purchase under an Option whether or not the rights to purchase all such Common Shares have vested in and to the Optionee;
- (p) “**Optionee**” means a Participant who has entered into an Option Agreement with the Corporation;
- (q) “**Participant**” means, on any date, a person who is at least one of the following:
- (i) a person who is bona fide regularly employed by the Corporation or one of its subsidiaries on that date;
  - (ii) an officer of the Corporation or one of its subsidiaries on that date;
  - (iii) a director of the Corporation or one of its subsidiaries on that date;
  - (iv) a bona fide Consultant or advisor to the Corporation or one of its subsidiaries on that date; or
  - (v) to a corporation, the shares of which are wholly owned by a person described in subclause (i), (ii), (iii) or (iv);
- (r) “**Plan**” means the Corporation's “Incentive Stock Option Plan” embodied herein, as from time to time amended;

- (s) “**Prior Plan**” means the Unit Option Plan of Canadian Equipment Rental Fund Limited Partnership effective May 12, 2005, as amended by Amendment No. 1 effective September 21, 2010;
- (t) “**Purchase Price**” means the purchase price of Option Shares under an Option Agreement determined as provided in subclause 6(b) of this Plan; and
- (u) “**Securities Act**” means the Securities Act (Alberta), as amended.

## **2. PURPOSE OF THE PLAN**

The purpose of the Plan is to develop the interest of Optionees in the growth and development of the Corporation by providing such persons with the incentive and opportunity to acquire an increased proprietary interest in the Corporation and to better enable the Corporation and its subsidiaries to attract and retain persons of desired experience and ability.

## **3. ADMINISTRATION, PARTICIPANTS AND ALLOTMENTS**

- (a) The Board will administer the Plan. The Board may at any time or from time to time delegate to a Committee the responsibility for administering the Plan or elements thereof. The Board, or the Committee if so empowered, will determine from time to time those Participants to whom Options should be granted, the Normal Expiry Date, the number of Common Shares which should be optioned from time to time to any Participant, the Purchase Price and such other terms and conditions of the Option Agreement, not inconsistent with the Plan, as the Board or the Committee in its discretion may determine. The Board or the Committee may prescribe rules and regulations relating to the Plan and any Options granted hereunder and may approve the form and content and prescribe the use of such forms of applications, directions, powers of attorney, and other documents or instruments, either generally or in specific cases, as may be deemed necessary or advisable, for the grant or issuance of Options under the Plan and for the proper administration and operation of the Plan. The Board or the Committee will review the Plan from time to time with a view to making revisions to it, granting additional Options and, in the case of the Committee, making appropriate recommendations to the Board. Nothing contained in the Plan or in any resolution adopted or to be adopted by the Board or by the Committee constitutes an Option hereunder. An Option granted by the Board or the Committee to a Participant pursuant to the Plan is subject to, and is of no force and effect until, the execution and delivery of, an Option Agreement by both the Corporation and such Participant.
- (b) The Corporation is responsible for all costs of administration of the Plan.
- (c) The implementation of the Plan, the grant or exercise of any Options pursuant to the Plan and, from time to time, the operation and administration of the Plan is subject to receipt by the Corporation of all necessary approvals, advance rulings, exemptions or registrations required or deemed advisable under applicable law or regulatory policy including without limiting the generality of the foregoing, all necessary approvals or registrations required by any and all stock exchanges upon which the Common Shares are listed and posted for trading.
- (d) The Board or the Committee, as the case may be, may at any time and subject to regulatory approvals:

- (i) discontinue or terminate the Plan; or
- (ii) amend or revise the terms and conditions of the Plan and any outstanding Options granted under the Plan,

provided that no such action adversely affects any Options previously granted under the Plan or the rights of Optionees in respect of those Options without the prior written consent or agreement of those Optionees. Disinterested shareholder approval will be obtained for any reductions in the exercise price of Options held by Insiders.

#### **4. COMMON SHARES SUBJECT TO PLAN**

- (a) The Corporation reserves for issuance that number of Common Shares equal to 10% of the Corporation's outstanding Common Shares from time to time, for the purposes of issuance pursuant to the exercise of outstanding Options granted to the Participants pursuant to the Plan. In no event may the number of Option Shares issued under the Plan exceed the total number of Common Shares reserved for issuance hereunder.
- (b) The number of Option Shares that may be reserved for allotment to any one Participant pursuant to Options in any 12 month period must not exceed 5% of the issued and outstanding Common Shares.
- (c) The number of Option Shares that may be reserved for allotment to any one Consultant of the Corporation (or any of its subsidiaries) pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares.
- (d) The number of Option Shares that may be reserved for allotment to any one person employed to provide investor relations activities pursuant to Options in any 12 month period must not exceed 2% of the issued and outstanding Common Shares. Options granted to Consultants performing investor relations activities will contain vesting provisions such that vesting occurs over at least 12 months with no more than ¼ of the Options vesting in any 3 month period and a condition that such Options will expire 30 days after the Optionee ceases to be employed to provide investor relations activities.

For the purposes hereof, the number of issued and outstanding Common Shares is determined as the number of Common Shares that are issued and outstanding immediately prior to a proposed grant of Options excluding Common Shares issued pursuant to share compensation arrangements during the preceding one-year period.

#### **5. PARTICIPATION VOLUNTARY**

Participation in the Plan by a Participant is entirely voluntary and does not affect the Participant's employment or continued retainer by, or other engagement with, the Corporation or its subsidiaries. None of the Plan or any Options granted under the Plan of itself gives any Participant the right to continue to be an employee, officer, director or consultant of the Corporation or any subsidiary thereof. None of the terms and conditions governing the Option are affected by any change in the Optionee's employment by or engagement with the Corporation so long as the Optionee continues to be a Participant.

## 6. CERTAIN TERMS OF OPTION AGREEMENTS

In order to constitute a valid Option granted under this Plan, the Optionee and the Corporation must enter into an Option Agreement in the form acceptable to the Board or the Committee, as the case may be.

An Option Agreement may, in respect of any Option, specify a number or percentage of Option Shares that the Participant may exercise in any specified period, year or number of years. In addition, Option Agreements are deemed to contain the following provisions with respect to the exercise of Options under the Plan:

- (a) An Option under the Plan is only exercisable for a minimum of 100 Common Shares at any one time.
- (b) The Purchase Price must not be less than the Market Price subject always to the discount from the Market Price allowed under the policies, rules or by-laws of the applicable stock exchange(s) on which the Common Shares are listed and posted for trading, which discount is to be considered in setting the Purchase Price wholly at the discretion of the Board or Committee, as the case may be, and upon exercise of the Option must be paid in full in respect of those Option Shares being acquired in Canadian funds by cash, certified cheque or bank draft payable to or to the order of the Corporation at the time of exercise.
- (c) Each Option terminates on its Normal Expiry Date but subject always to the provisions of subclause 6(d) of this Plan.
- (d) If, after the Option Date and on or before the exercise in full of the Option or the Normal Expiry Date, the Optionee ceases to be a Participant:
  - (i) by reason of the Optionee's permanent physical or mental disability, or death, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee whether or not the rights to purchase some or all of those Option Shares have previously vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that is 90 days after the date the Optionee ceases to be a Participant due to such permanent physical or mental disability, or death. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder cease and expire and are of no further force and effect. For greater certainty but without limiting the generality of the foregoing, if the Optionee is deemed to be an employee of the Corporation pursuant to a medical or disability plan of the Corporation or a subsidiary thereof, the Optionee is deemed to be an employee for the purpose of the Plan and the Option; or
  - (ii) by reason of the Optionee's office, directorship or employment or services agreement with the Corporation terminating or ending otherwise than by reason of permanent physical or mental disability, or death or termination with or without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, then such Optionee's Option may be exercised to purchase the total number of Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided such exercise occurs at any time on or before the earlier of

the Normal Expiry Date and the date that is 21 days after the date the Optionee ceases to be a Participant due to the termination or ending of the Participant's office, directorship or employment or services agreement. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or

(iii) by reason of the Optionee's termination without notice or entitlement to a period of notice of such termination or compensation in lieu thereof, the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee as at the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and the date that the Optionee ceases to be a Participant. Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect; or

(iv) by reason of the Optionee's termination, and the Optionee is entitled to reasonable notice of termination or compensation in lieu thereof, then:

A. the Optionee may exercise the Option to purchase Option Shares not previously purchased by the Optionee but only to the extent that rights to purchase Option Shares have vested in and are exercisable by the Optionee on or before the date of such ceasing to be a Participant, provided that such exercise occurs at any time on or before the earlier of the Normal Expiry Date and:

(1) where the Optionee is given a reasonable period of notice prior to termination, the date the Optionee ceases to be a Participant; or

(2) where the Optionee is paid compensation in lieu of reasonable notice of termination, the date that is 21 days after the Optionee ceases to be a Participant; and

B. the Optionee is not entitled:

(1) to further time to exercise the Option during such reasonable notice period or during such specific notice period; or

(2) to compensation in lieu thereof by way of general damages, or special damages, whether in contract, tort or otherwise.

Thereafter, the Option and all unexercised rights to acquire Option Shares thereunder, whether or not such rights have vested to and in favour of the Optionee, cease and expire and are of no further force and effect.

(e) With respect to subclause 6(d)(i), the rights under the Option exercisable after the death or disability of the Optionee, as therein specified, may be exercised by the person or persons to whom the Optionee's rights under the applicable Option Agreement pass by

will or applicable law or, if no such person has such right, by the deceased or disabled Optionee's legal representatives.

- (f) An Optionee has no rights whatsoever as a shareholder in respect of any of the Option Shares (including any right to receive dividends or other distributions therefrom or thereon) other than in respect of Common Shares in respect of which the Optionee has exercised his Option to purchase thereunder, which the Optionee has actually taken up and paid for, and which have been duly issued to the Optionee and are outstanding as fully paid and non-assessable Common Shares.

## **7. CHANGES IN STOCK**

In the event:

- (a) of any change or proposed change in the Common Shares through subdivision, consolidation, reclassification, amalgamation, merger or otherwise;
- (b) of any issuance, dividend or distribution to all or substantially all the holders of Common Shares of any shares, securities, property or assets of the Corporation other than in the ordinary course;
- (c) that any rights are granted to holders of Common Shares to purchase Common Shares at prices materially below fair market value; or
- (d) that as a result of any recapitalization, merger, consolidation or otherwise the Common Shares are converted into or exchangeable for any other shares or securities;

then in any such case:

- (e) the Board will proportionately adjust the number of Option Shares available for Options, the number of Option Shares covered by outstanding Options, the securities or other property that may be acquired upon the exercise of an Option and the price per Option Share in such Option, or one or more of the foregoing, to prevent substantial dilution or enlargement of the rights granted to, or available for, Optionees/Participants; and
- (f) the Board, in its discretion, may determine that:
  - (i) all or any part of the unexercised and unvested outstanding Options granted under the Plan vest and are exercisable on a date specified by the Board and the unexercised and unvested portion of such Options are thereupon deemed to have been vested and are exercisable on and after the date so specified in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
  - (ii) such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time,

and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **8. TAKEOVER BID**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan:

- (a) where an unsolicited Offer for the Common Shares is made, all unexercised and unvested outstanding Options granted under the Plan vest and become immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year); or
- (b) where an Offer for the Common Shares (other than an unsolicited Offer) is made, the Board may by resolution and subject to regulatory approval accelerate the unmatured portions of any outstanding Options so that any unexercised and unvested Options granted under the Plan vest and become exercisable on such terms as the Board so determines (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year).

For the purposes hereof, “Offer” means an offer made generally to the holders of the Corporation's voting securities in one or more jurisdictions to acquire, directly or indirectly, voting securities of the Corporation and which is in the nature of a “takeover bid” as defined in the Securities Act and, where the Common Shares are listed and posted for trading on a stock exchange, not exempt from the formal bid requirements of the Securities Act. For the purposes hereof, an “unsolicited Offer” means an Offer in respect of which neither the Board nor management of the Corporation solicited, sought out, or otherwise arranged for the offeror party to make such Offer. Any Option remaining unexercised following the earlier of the withdrawal of such Offer and the expiry of such Offer in accordance with its terms again becomes vested or unvested subject to the original terms of the Option Agreement as if the Offer had not been made.

## **9. SALE OF ASSETS OR CHANGE IN CONTROL**

Notwithstanding the terms of any Option Agreement and Clause 6 of this Plan, if:

- (a) the Corporation sells or otherwise disposes of all or substantially of its assets; or
- (b) any person who does not hold more than 20% of the issued and outstanding Common Shares acquires more than 20% of the outstanding Common Shares without the prior consent of the Board, in any way other than by way of takeover bid (which circumstance is addressed in Clause 8 of this Plan),

all unexercised, unvested and outstanding Options granted under the Plan vest and are immediately exercisable in respect of any and all Option Shares for which the Optionee has not exercised the Option (notwithstanding that an Option Agreement states that those Options are exercisable only during a later period or year). The Board, in its discretion, may determine whether such Options may be exercisable for a limited period of time only and, if so, the Board will determine such period of time and such determination or limitation, once made or set, is deemed to be incorporated into the applicable Option Agreement(s).

## **10. COMMON SHARES FULLY PAID AND NON-ASSESSABLE**

All Common Shares issued upon the exercise of any Option are to be issued as fully paid and non-assessable Common Shares.

## 11. CONDITIONS OF ISSUANCE OF SHARES

- (a) If at any time the Board or Committee (as the case may be) determines, in its discretion that:
- (i) the registration or qualification of the Common Shares which are the subject of any Option Agreement upon, or the consent or approval of, any securities exchange or any stock exchange upon which the Common Shares are listed;
  - (ii) the registration or qualification under any laws of Canada or any Province thereof or of the United States or any state thereof or the consent or approval of any regulatory authority thereof;
  - (iii) evidence (in form and content satisfactory to the Board) of the investment intent of the Optionee; or
  - (iv) an undertaking of the Optionee as to the sale or disposition of such Option Shares that may purchased pursuant to an Option Agreement to the effect that such Option Shares once purchased are not to be traded by the Optionee for a specified period of time,
- is necessary or desirable as a condition of the issuance of any Option Shares pursuant to any Option Agreement, then the issuance of any Common Shares is not to be made unless and until such registration, qualification, consent, approval, evidence or undertaking has been effected or obtained free of any condition not acceptable to the Board or Committee.
- (b) Any trade by the Optionee in any Common Shares issued to the Optionee pursuant to the Plan including, without limiting the generality of the foregoing, any sale or disposition for valuable consideration, and any transfer, pledge or encumbrance of any Common Shares issued to an Optionee pursuant to the Plan, is subject to such regulatory approvals and other restrictions under applicable securities laws and regulatory policies as may be required at the time of such trade. Accordingly, the Corporation makes no representation as to the ability of any Optionee to trade in such Common Shares.
- (c) The Corporation cannot assure a profit or protect the Optionee against a loss on the Common Shares purchased under the Plan. The Corporation assumes no responsibility relating to any tax liability of the Optionee by reason of the exercise of any Option or any subsequent trade.

## 12. ACCOUNTS AND STATEMENTS

The Corporation will maintain records indicating the number of Options granted to each Optionee and the number of Options exercised under the Plan. Upon written request from an Optionee, the Corporation will furnish to that Optionee a statement indicating the number of Options held on his behalf.

## 13. RESTRICTION ON TRANSFER

The Options granted to an Optionee are personal and non-assignable and any rights in regard thereto cannot be transferred or assigned except upon the death of the Optionee as provided for in the Plan.

#### **14. INTERPRETATION, AMENDMENT AND DISCONTINUANCE**

The Board may interpret the Plan, prescribe, amend or rescind rules and regulations relating to it, and make all other determinations necessary or advisable for its administration. In the event of a conflict between the terms of the Plan and an Option Agreement, the terms of the Plan prevail. The Board may from time to time alter, suspend or discontinue the Plan provided that such alteration, suspension or discontinuance does not, except as specifically noted in this Plan or the Option Agreement, alter or impair any Option such Optionee may have under any Option Agreement previously executed and delivered by the Corporation and such Optionee. Any amendment to this Plan is subject to receipt of any necessary regulatory approvals and any amendment required by applicable law or regulatory policy to be approved by shareholders does not become effective until so approved. Subject to the foregoing provisions of this Clause, the Board may terminate the Plan at any time and, upon such termination, any outstanding Option remains exercisable in accordance with its terms as specified herein and in the Option Agreement.

#### **15. WAIVER**

No waiver by the Corporation of any term of this Plan or any breach thereof by an Optionee is effective or binding on the Corporation unless the same is expressed in writing and any waiver so expressed does not limit or affect its rights with respect to any other or future breach.

#### **16. NOTICES**

The manner of giving notices to the Corporation or to an Optionee is to be specified in the Option Agreement with such Optionee.

#### **17. GENERAL**

- (a) This Plan and each Option granted under the Plan are to be governed by and construed in accordance with the laws of the Province of Alberta and any Option Agreement entered into pursuant to the Plan is to be treated in all respects as an Alberta contract.
- (b) Nothing contained herein restricts or limits or is deemed to restrict or limit the rights or powers of the Board in connection with any allotment and issuance of shares in the capital stock of the Corporation which are not reserved for issuance hereunder.
- (c) The Plan and any Option Agreement entered into pursuant hereto enure to the benefit of and are binding upon the Corporation, its successors and assigns. The interest of any Optionee hereunder or under any Option Agreement is not transferable or alienable by the Optionee either by assignment or in any other manner whatsoever and, during his lifetime, is vested only in him, but, subject to the terms hereof and of the Option Agreement, enures to the benefit of and is binding upon the legal personal representatives of the Optionee.

#### **18. APPLICATION TO OUTSTANDING OPTIONS**

The Plan shall govern all outstanding options previously granted by Canadian Equipment Rental Fund Limited Partnership under the Prior Plan on and after the date of approval of the Plan by the Board and upon receipt from each holder of outstanding options granted under the Prior Plan of an agreement agreeing and acknowledging that their outstanding options granted under the Prior Plan are subject to the Plan, but in all other respects still subject to the same terms and conditions applicable on the initial date of grant thereof under the Prior Plan.

The Plan was created by the Board effective October 1, 2011.

**SCHEDULE "C"**

**Amended and Restated By-Law No. 1**

**CERF INCORPORATED**

# AMENDED AND RESTATED BY-LAW NO. 1

---

---

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

## CERF INCORPORATED

---

---

### CONTENTS

Section 1	- Interpretation
Section 2	- Business of the Corporation
Section 3	- Borrowing and Securities
Section 4	- Directors
Section 5	- Committees
Section 6	- Officers
Section 7	- Protection of Directors, Officers and Others
Section 8	- Shares
Section 9	- Dividends and Rights
Section 10	- Meetings of Shareholders
Section 11	- Divisions and Departments
Section 12	- Notices
Section 13	- Effective Date

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

#### **SECTION 1** **INTERPRETATION**

**1.01** **Definitions** - In the by-laws of the Corporation, unless the context otherwise requires:

“**Act**” means the Business Corporations Act, R.S.A. 2000, c. B-9, and any statute that may be substituted therefor, as from time to time amended;

“**appoint**” includes “**elect**” and vice versa;

“**articles**” means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of continuance, articles of reorganization, articles of arrangement, articles of dissolution or articles of revival and includes an amendment to any of them;

“**Board**” means the board of directors of the Corporation;

“**by-laws**” means this by-law and all other by-laws of the Corporation from time to time in force and effect;

“**Corporation**” means the corporation incorporated by a Certificate of Incorporation under the Act and named:

**CERF INCORPORATED**

“**meeting of shareholders**” means an annual meeting of shareholders and a special meeting of shareholders;

“**non-business day**” means Saturday, Sunday and any other day that is a holiday as defined in the *Interpretation Act*, 2000, c. 1-8 and any statute that may be substituted therefor, as from time to time amended;

“**recorded address**” means in the case of a shareholder his address as recorded in the securities register of the Corporation; and in the case of joint shareholders the address appearing in the securities register in respect of such joint holding or the first address so appearing if there are more than one; and in the case of a director, officer, auditor or member of a committee of the Board, his latest address as recorded in the records of the Corporation;

“**signing officer**” means, in relation to any instrument, any person authorized to sign the same on behalf of the Corporation by section 2.02 or by a resolution passed pursuant thereto;

“**special meeting of shareholders**” means a special meeting of all shareholders entitled to vote at an annual meeting of shareholders; and

“**unanimous shareholder agreement**” means (i) a written agreement to which all the shareholders of a corporation are or are deemed to be parties, whether or not any other person is also a party, or (ii) a written declaration by a person who is the beneficial owner of all of the issued shares of a corporation, that provides for any matters enumerated in the Act, as amended from time to time;

save as aforesaid, words and expressions defined in the Act have the same meanings when used herein; and words importing the singular number include the plural and vice versa; words importing gender include the masculine, feminine and neuter genders; and words importing persons include individuals, bodies corporate, partnerships, trusts and unincorporated organizations.

**SECTION 2**  
**BUSINESS OF THE CORPORATION**

**2.01 Registered Office** - Until changed in accordance with the Act, the registered office of the Corporation shall be at the City of Calgary in the Province of Alberta and at such location therein as the Board may from time to time determine.

**2.02 Execution of Instruments** - Contracts, documents or instruments in writing requiring execution by the Corporation may be signed by the President, alone, and all contracts, documents or instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. The Board is authorized from time to time by resolution to appoint any officer or officers or any other person or persons on behalf of the Corporation to sign and deliver either contracts, documents or instruments in writing generally or to sign either manually or by facsimile signature and/or counterpart signature and deliver specific contracts, documents or instruments in writing. The term “contracts, documents or instruments in writing” as used in this by-law shall include deeds, mortgages, charges, conveyances, powers of attorney, transfers and assignments of property of all kinds (including specifically, but without limitation, transfers and assignments of shares, warrants, bonds, debentures or

other securities), share certificates, warrants, bonds, debentures and other securities or security instruments of the Corporation and all paper writings.

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

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

**2.05 Withholding Information from Shareholders** - Subject to the provisions of the Act, no shareholder shall be entitled to discovery of any information respecting any details or conduct of the Corporation's business which, in the opinion of the Board, would be inexpedient in the interests of the shareholders or the Corporation to communicate to the public. The Board may from time to time determine whether and to what extent and at what time and place and under what conditions or regulations the accounts, records and documents of the Corporation or any of them shall be open to the inspection of shareholders and no shareholder shall have any right of inspecting any account, record or document of the Corporation except as conferred by the Act or authorized by the Board or by resolution passed at a general meeting of shareholders.

### **SECTION 3** **BORROWING AND SECURITIES**

**3.01 Borrowing Power** - Without limiting the borrowing powers of the Corporation as set forth in the Act, the articles, the by-laws or any unanimous shareholder agreement, the Board may from time to time:

- (a) borrow money upon the credit of the Corporation;
- (b) issue, reissue, sell or pledge debt obligations of the Corporation;
- (c) subject to the provisions of the Act give a guarantee on behalf of the Corporation to secure performance of an obligation of any person; and
- (d) mortgage, hypothecate, pledge or otherwise create an interest in or charge upon all or any property of the Corporation, owned or subsequently acquired, to secure any obligation of the Corporation.

Nothing in this section limits or restricts the borrowing of money by the Corporation on bills of exchange or promissory notes made, drawn, accepted or endorsed by or on behalf of the Corporation.

**3.02 Delegation** - The Board may from time to time delegate to such one or more of the directors and officers of the Corporation as may be designated by the Board all or any of the powers conferred on the Board by section 3.01 or by the Act to such extent and in such manner as the Board shall determine at the time of each such delegation.

## **SECTION 4** **DIRECTORS**

**4.01 Number of Directors and Quorum** - Until changed in accordance with the Act, the Board shall consist of not fewer than one (1) and not more than eleven (11) directors. Subject to section 4.08, the quorum for the transaction of business at any meeting of the Board shall consist of a majority of the number of directors then elected or appointed, or such greater or lesser number of directors as the Board may from time to time determine.

**4.02 Qualification** - No person shall be qualified for election as a director if he (i) is less than 18 years of age; (ii) is a dependent adult as defined in the Adult Guardianship and Trusteeship Act (Alberta) or is the subject of a certificate of incapacity under that the Public Trustee Act and any statute that may be substituted therefor, as from time to time amended; (iii) is a formal patient as defined in the Mental Health Act (Alberta) and any statute that may be substituted therefor, as from time to time amended; (iv) is the subject of an order under The Mentally Incapacitated Persons Act (Alberta) and any statute that may be substituted therefor, as from time to time amended, appointing a committee of his person or estate or both; (v) has been found to be a person of unsound mind by a court elsewhere than in Alberta; (vi) is not an individual; (vii) has the status of a bankrupt. Subject to the articles, a director need not be a shareholder. At least one-quarter of the directors must be resident Canadians.

**4.03 Election and Term** - The election of directors shall take place at the first meeting of shareholders and at each annual meeting of shareholders and all the directors then in office shall retire but, if qualified, shall be eligible for re-election. The number of directors to be elected at any such meeting shall be the number of directors then in office unless the directors or the shareholders otherwise determine. The election shall be by ordinary resolution. If an election of directors is not held at the proper time, the incumbent directors shall continue in office until their successors are elected.

**4.04 Removal of Directors** - Subject to the provisions of the Act, the shareholders may by ordinary resolution passed at a special meeting remove any director from office and the vacancy created by such removal may be filled at the same meeting failing which it may be filled by the directors.

**4.05 Vacation of Office** - A director ceases to hold office when he dies; he is removed from office by the shareholders; he ceases to be qualified for election as a director; or his written resignation is sent or delivered to the Corporation, or if a time is specified in such resignation, at the time so specified, whichever is later.

**4.06 Vacancies** - Subject to the Act, the articles and any unanimous shareholders agreement, a quorum of the Board may fill a vacancy in the Board, except a vacancy resulting from an increase in the number or minimum number of directors or from a failure of the shareholders to elect the minimum number of directors. In the absence of a quorum of the Board, or if the vacancy has arisen from a failure of the shareholders to elect the minimum number of directors, the Board shall forthwith call a special meeting of shareholders to fill the vacancy. If the Board fails to call such meeting or if there are no such directors then in office, any shareholder may call the meeting.

**4.07 Action by the Board** - Subject to any unanimous shareholder agreement, the Board shall manage or supervise the management of the business and affairs of the Corporation. Subject to sections 4.08 and 4.09, the powers of the Board may be exercised by resolution passed at a meeting at which a quorum is present or by resolution in writing signed in part or in counterpart by all the directors entitled to vote on that resolution at a meeting of the Board. Where there is a vacancy in the Board, the remaining directors may exercise all the powers of the Board so long as a quorum remains in office.

**4.08 Residence** - Unless otherwise permitted by the Act, the Board shall not transact business at a meeting, other than filling a vacancy in the Board, unless at least one-quarter of the directors present are resident Canadians, except where:

- (a) a resident Canadian director who is unable to be present approves in writing or by telephone or other communications facilities the business transacted at the meeting; and
- (b) the number of resident Canadian directors present at the meeting together with any resident Canadian director who gives his approval under clause (a), totals at least one-quarter of the directors present at the meeting.

**4.09 Meetings by Telephone** - If all the directors consent, a director may participate in a meeting of the Board or of a committee of the Board by electronic means, telephone or other communication facilities as permit all persons participating in the meeting to hear each other, and a director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the Board and of committees of the Board held while a director holds office.

**4.10 Place of Meetings** - Meetings of the Board may be held at any place in or outside Canada.

**4.11 Calling of Meetings** - Meetings of the Board shall be held from time to time and at such place as the Board, the chairman of the Board, the managing director, the president or any two directors may determine.

**4.12 Notice of Meeting** - Notice of the time and place of each meeting of the Board shall be given in the manner provided in section 12.01 to each director not less than 48 hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified, including any proposal to:

- (a) submit to the shareholders any question or matter requiring approval of the shareholders;
- (b) appoint additional directors;
- (c) fill a vacancy among the directors or in the office of auditor;
- (d) issue securities;
- (e) declare dividends;
- (f) purchase, redeem or otherwise acquire shares issued by the Corporation;
- (g) pay a commission for the sale of shares;
- (h) approve a prospectus or management proxy circular;
- (i) approve a take-over bid circular or directors' circular;
- (j) approve any annual financial statements; or
- (k) adopt, amend or repeal by-laws.

A director may in any manner waive notice of or otherwise consent to a meeting of the Board, and attendance of a director at a meeting constitutes a waiver of notice, unless the director is attending for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

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

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

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

**4.16 Chairman** - The chairman of any meeting of the Board shall be the first mentioned of such of the following officers as have been appointed and who is a director and is present at the meeting: chairman of the Board, managing director, president, or a vice-president. If no such officer is present, the directors present shall choose one of their number to be chairman.

**4.17 Votes to Govern** - At all meetings of the Board every question shall be decided by a majority of the votes cast on the question of those directors entitled to vote. In case of an equality of votes the chairman of the meeting shall not be entitled to a second or casting vote.

**4.18 Conflict of Interest** - A director or officer who is a party to, or who is a director or officer of or has a material interest in any person who is a party to, a material contract or material transaction or proposed material contract or proposed material transaction with the Corporation shall disclose the nature and extent of his interest at the time and in the manner provided by the Act. Any such contract or transaction or proposed contract or transaction shall be referred to the Board or shareholders for approval in accordance with the Act, even if such contract or transaction is one that in the ordinary course of the Corporation's business would not require approval by the Board or shareholders, and a director interested in a contract or transaction so referred to the Board shall not vote on any resolution to approve the same except as provided by the Act.

**4.19 Remuneration and Expenses** - Subject to the articles and any unanimous shareholder agreement, the directors shall be paid such remuneration for their services as the Board may from time to time determine. The directors shall also be entitled to be reimbursed for travelling and other expenses properly incurred by them in attending meetings of the Board or any committee thereof. Nothing herein contained shall preclude any director from serving the Corporation in any other capacity and receiving remuneration in that capacity.

## **SECTION 5** **COMMITTEES**

**5.01 Committee of Directors** - Unless otherwise permitted by the Act, the Board may appoint a managing director who must be a resident Canadian, or a committee of directors, however designated, and delegate to such committee any of the powers of the Board except those which, under the Act, a managing director or a committee of directors has no authority to exercise. At least one-quarter of the members of such committee shall be resident Canadians.

**5.02 Transaction of Business** - Subject to the provisions of section 4.09, the powers of a committee of directors may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all the members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of such committee may be held at any place in or outside Canada.

**5.03 Advisory Committees** - The Board may from time to time appoint such other committees as it may deem advisable, but the functions of any such other committees shall be advisory only.

**5.04 Procedure** - Unless otherwise determined by the Board, each committee shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman and to regulate its procedure.

## **SECTION 6** **OFFICERS**

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

**6.02 Chairman of the Board** - The Board may from time to time also appoint a chairman of the Board who shall be a director. If appointed, the Board may assign to him any of the powers and duties that are by any provisions of this by-law assigned to the managing director or to the president; and he shall, subject to the provisions of the Act, have such other powers and duties as the Board may specify. During the absence or disability of the chairman of the Board, his duties shall be performed and his powers exercised by the managing director, if any, or by the president.

**6.03 Managing Director** - The Board may from time to time appoint a managing director who shall be a director. If appointed, he shall have such powers and duties as the Board may specify.

**6.04 President** - If appointed, the president shall be the chief operating officer and, subject to the authority of the Board, shall have general supervision of the business of the Corporation; and he shall have such other powers and duties as the Board may specify. During the absence or disability of the president, or if no president has been appointed, the managing director shall also have the powers and duties of that office.

**6.05 Vice-President** - A vice-president shall have such powers and duties as the Board or the chief executive officer may specify.

**6.06 Secretary** - The secretary shall attend and be the secretary of all meetings of the Board, shareholders and committees of the Board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the Board; he shall be the custodian of the stamp or mechanical device generally used for affixing the corporate seal of the Corporation and of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the Board or the chief executive officer may specify.

**6.07 Treasurer** - The treasurer shall keep proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the Board whenever required an account of all his transactions as treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the Board or the chief executive officer may specify.

**6.08 Powers and Duties of Other Officers** - The powers and duties of all other officers shall be such as the terms of their engagement call for or as the Board or the chief executive officer may specify. Any of the powers and duties of an officer to whom an assistant has been appointed may be exercised and performed by such assistant, unless the Board or the chief executive officer otherwise directs.

**6.09 Variation of Powers and Duties** - The Board may from time to time and subject to the provisions of the Act, vary, add to or limit the powers and duties of any officer.

**6.10 Term of Office** - The Board, in its discretion, may remove any officer of the Corporation, without prejudice to such officer's rights under any employment contract. Otherwise each officer appointed by the Board shall hold office until his successor is appointed.

**6.11 Terms of Employment and Remuneration** - The terms of employment and the remuneration of officers appointed by the Board shall be settled by the Board from time to time.

**6.12 Conflict of Interest** - An officer shall disclose his interest in any material contract or material transaction or proposed material contract or proposed material transaction with the Corporation in accordance with section 4.18.

**6.13 Agents and Attorneys** - The Board shall have power from time to time to appoint agents or attorneys for the Corporation in or outside Canada with such powers of management or otherwise (including the power to sub-delegate) as may be thought fit.

**6.14 Fidelity Bonds** - The Board may require such officers, employees and agents of the Corporation as the Board deems advisable to furnish bonds for the faithful discharge of their powers and duties, in such form and with such surety as the Board may from time to time determine.

## SECTION 7

### **PROTECTION OF DIRECTORS, OFFICERS AND OTHERS**

**7.01 Limitation of Liability** - No director or officer shall be liable for the acts, receipts, neglects or defaults of any other director or officer or employee, or for joining in any receipt or other act for conformity, or for any loss, damage or expense happening to the Corporation through the insufficiency or deficiency of title to any property acquired for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or for any loss or damage arising from the bankruptcy, insolvency or tortious acts of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his part, or for any other loss, damage or misfortune whatever which shall happen in the execution of the duties of his office or in relation thereto, unless the same are occasioned by his own wilful neglect or default; provided that nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

**7.02 Indemnity** - Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor (or a person who undertakes or has undertaken any liability on behalf of the Corporation or any such body

corporate) and his heirs and legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if

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

**7.03 Insurance** - Subject to the limitations contained in the Act, the Corporation may purchase and maintain such insurance for the benefit of its directors and officers as such, as the Board may from time to time determine.

## **SECTION 8**

### **SHARES**

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

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

**8.03 Registration of Transfer** - Subject to the provisions of the Act, no transfer of shares shall be registered in a securities register except upon presentation of the certificate representing such shares with a transfer endorsed thereon or delivered therewith duly executed by the registered holder or by his attorney or successor duly appointed, together with such reasonable assurance or evidence of signature, identification and authority to transfer as the Board may from time to time prescribe, upon payment of all applicable taxes and any fees prescribed by the Board, upon compliance with such restrictions on transfer as are authorized by the articles and upon satisfaction of any lien referred to in section 8.05.

**8.04 Transfer Agents and Registrars** - The Board may from time to time appoint a registrar to maintain the securities register and a transfer agent to maintain the register of transfers and may also appoint one or more branch registrars to maintain branch securities registers and one or more branch transfer agents to maintain branch registers of transfers, but one person may be appointed both registrar and transfer agent. The Board may at any time terminate any such appointment.

**8.05 Lien for Indebtedness** - If the articles provide that the Corporation shall have a lien on shares registered in the name of a shareholder indebted to the Corporation, such lien may be enforced, subject to any other provision of the articles and to any unanimous shareholder agreement, by the sale of the shares thereby affected or by any other action, suit, remedy or proceeding authorized or permitted by law or by equity and, pending such enforcement, may refuse to register a transfer of the whole or any part of such shares.

**8.06 Non-recognition of Trusts** - Subject to the provisions of the Act, the Corporation shall treat as absolute owner of any share the person in whose name the share is registered in the securities register as if that person had full legal capacity and authority to exercise all rights of ownership, irrespective of any

indication to the contrary through knowledge or notice or description in the Corporation's records or on the share certificate.

**8.07 Security Certificates** - Every holder of one or more securities of the Corporation shall be entitled, at his option, to a security certificate, or to a non-transferable written acknowledgement of his right to obtain a security certificate, stating the number and class or series of securities held by him as shown on the securities register. Security certificates and acknowledgements of a shareholder's right to a security certificate, respectively, shall be in such form as the Board shall from time to time approve. Any security certificate shall be signed in accordance with section 2.02 and need not be under the corporate seal; provided that, unless the Board otherwise determines, certificates representing securities in respect of which a transfer agent and/or registrar has been appointed shall not be valid unless countersigned by or on behalf of such transfer agent and/or registrar. The signature of one of the signing officers or, in the case of security certificates which are not valid unless countersigned by or on behalf of the transfer agent and/or registrar, the signatures of both signing officers, may be printed or mechanically reproduced in facsimile upon security certificates and every such facsimile signature shall for all purposes be deemed to be the signature of the officer whose signature it reproduces and shall be binding upon the Corporation. A security certificate executed as aforesaid shall be valid notwithstanding that one or both of the officers whose facsimile signature appears thereon no longer holds office at the date of issue of the certificate.

**8.08 Replacement of Security Certificates** - The Board or any officer or agent designated by the Board may in its or his discretion direct the issue of a new security certificate in lieu of and upon cancellation of a security certificate that has been mutilated or in substitution for a security certificate claimed to have been lost, destroyed or wrongfully taken on payment of such fee, not exceeding \$3.00, and on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the Board may from time to time prescribe, whether generally or in any particular case.

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

**8.10 Deceased Shareholder** - In the event of the death of a holder, or of one of the joint holders, of any security, the Corporation shall not be required to make any entry in the securities register in respect thereof or to make payment of any dividends thereon except upon production of all such documents as may be required by law and upon compliance with the reasonable requirements of the Corporation and its transfer agents.

## **SECTION 9**

### **DIVIDENDS AND RIGHTS**

**9.01 Dividends** - Subject to the provisions of the Act, the Board may from time to time declare dividends payable to the shareholders according to their respective rights and interests in the Corporation. Dividends may be paid in money or property or by issuing fully paid shares of the Corporation.

**9.02 Dividend Cheques** - A dividend payable in cash shall be paid by cheque drawn on the Corporation's bankers or one of them to the order of each registered holder of shares of the class or series in respect of which it has been declared and mailed by prepaid ordinary mail to such registered holder at his recorded address, unless such holder otherwise directs. In the case of joint holders the cheque shall, unless such joint holders otherwise direct, be made payable to the order of all of such joint holders and mailed to them at their recorded address. The mailing of such cheque as aforesaid, unless the same is not paid on due presentation, shall satisfy and discharge the liability for the dividend to the extent of the sum represented thereby plus the amount of any tax which the Corporation is required to and does withhold.

**9.03 Non-receipt of Cheques** - In the event of non-receipt of any dividend cheque by the person to whom it is sent as aforesaid, the Corporation shall issue to such person a replacement cheque for a like amount on such terms as to indemnity, reimbursement of expenses and evidence of non-receipt and of title as the Board may from time to time prescribe, whether generally or in any particular case.

**9.04 Record Date for Dividends and Rights** - The Board may fix in advance a date, preceding by not more than 50 days the date for the payment of any dividend or the date for the issue of any warrant or other evidence of right to subscribe for securities of the Corporation, as a record date for the determination of the persons entitled to receive payment of such dividend or to exercise the right to subscribe for such securities and if the Corporation is a distributing corporation, as defined in the Act, provided that notice of any such record date is given, not less than 7 days before such record date, by newspaper advertisement in the manner provided in the Act. Where no record date is fixed in advance as aforesaid, the record date for the determination of the persons entitled to receive payment of any dividend or to exercise the right to subscribe for securities of the Corporation shall be at the close of business on the day on which the resolution relating to such dividend or right to subscribe is passed by the Board.

**9.05 Unclaimed Dividends** - Any dividend unclaimed after a period of 6 years from the date on which the same has been declared to be payable shall be forfeited and shall revert to the Corporation.

## **SECTION 10**

### **MEETINGS OF SHAREHOLDERS**

**10.01 Annual Meetings** - The annual meeting of shareholders shall be held at such time in each year and, subject to section 10.03, at such place as the Board, the chairman of the Board, the managing director or the president may from time to time determine, for the purpose of considering the financial statements and reports required by the Act to be placed before the annual meeting, electing directors, appointing auditors and for the transaction of such other business as may properly be brought before the meeting.

**10.02 Special Meetings** - The Board, the chairman of the Board, the managing director or the president shall have power to call a special meeting of shareholders at any time.

**10.03 Place of Meetings** - Meetings of shareholders shall be held at the registered office of the Corporation or elsewhere in the municipality in which the registered office is situated or, if the Board shall so determine, at some other place in Alberta or, if all the shareholders entitled to vote at the meeting so agree, at some place outside Alberta.

**10.04 Notice of Meetings** - Notice of the time and place of each meeting of shareholders shall be given in the manner provided in section 12.01 not less than 21 nor more than 50 days before the date of the meeting to each director, to the auditor and to each shareholder who at the close of business on the record date for notice, if any, is entered in the securities register as the holder of one or more shares carrying the right to vote at the meeting. Notice of a meeting of shareholders called for any purpose other than consideration of the financial statements and auditors report, election of directors and appointment of auditors shall state the nature of such business in sufficient detail to permit the shareholder to form a reasoned judgment thereon and shall state the text of any special resolution to be submitted to the meeting. A shareholder may in any manner waive notice of or otherwise consent to a meeting of shareholders.

**10.05 List of Shareholders Entitled to Notice** - The Corporation shall prepare a list of shareholders entitled to receive notice of the meeting, arranged in alphabetical order and showing the number of shares entitled to vote at the meeting held by each shareholder. If a record date for the meeting is fixed pursuant to section 10.06, the shareholders listed shall be those registered at the close of business on a day not later than 10 days after such record date and the list shall be prepared no later than 10 days after the record date. If no record date is fixed, the shareholders listed shall be those registered at the close of business on

the day immediately preceding the day on which notice of the meeting is given, or where no such notice is given the day on which the meeting is held. The list shall be available for examination by any shareholder during usual business hours at the registered office of the Corporation or at the place where the securities register is kept and at the place where the meeting is held.

**10.06 Record Date for Notice** - The Board may fix in advance a record date, preceding the date of any meeting of shareholders by not more than 50 days and not less than 21 days, for the determination of the shareholders entitled to notice of or to vote at the meeting, provided that notice of any such record date is given, not less than 7 days before such record date, by newspaper advertisement in the manner provided in the Act. If no record date is so fixed, the record date for the determination of the shareholders entitled to notice of or to vote at the meeting shall be the close of business on the last business day immediately preceding the day on which the notice is sent, or, if no notice is sent, the day on which the meeting is held.

**10.07 Meetings Without Notice** - A meeting of shareholders may be held without notice at any time and place permitted by the Act (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held, and (b) if the auditors and the directors are present or the directors waive notice of or otherwise consent to such meeting being held. At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact. If the meeting is held at a place outside Alberta, shareholders not present or represented by proxy, but who have waived notice of or otherwise consented to such meeting, shall also be deemed to have consented to the meeting being held at such place.

**10.08 Chairman, Secretary and Scrutineers** - The chairman of any meeting of shareholders shall be the first mentioned of such of the following officers as have been appointed and who is present at the meeting: president, managing director, chairman of the Board, or a vice-president who is a shareholder. If no such officer is present within 15 minutes from the time fixed for the commencement of the meeting, the persons present and entitled to vote shall choose one of their number to be chairman. If the secretary of the Corporation is absent, the chairman shall appoint some person, who need not be a shareholder, to act as secretary of the meeting. If desired, one or more scrutineers, who need not be shareholders, may be appointed by a resolution or by the chairman with the consent of the meeting.

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

**10.10 Quorum** - Subject to the requirements of the Act, a quorum for the transaction of business at any meeting of the shareholders, irrespective of the number of persons actually present at the meeting, shall be one person present in person being a shareholder entitled to vote thereat or a duly appointed representative or proxyholder for an absent shareholder so entitled, and holding or representing in the aggregate not less than a majority of the outstanding shares of the Corporation entitled to vote at the meeting.

At such time as shares of the Corporation have been sold to the public, the quorum for the transaction of business at any meeting of the shareholders shall consist of at least two persons holding or representing by proxy not less than five (5%) percent of the outstanding shares of the Corporation entitled to vote at the meeting.

If a quorum is not present at the opening of any meeting of shareholders, the shareholders present may adjourn the meeting to a fixed time and place, but may not transact any other business. If a meeting of

shareholders is adjourned by one or more adjournments for an aggregate of less than 30 days it is not necessary to give notice of the adjourned meeting other than by announcement at the time of an adjournment. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of more than 29 days and not more than 90 days, notice of the adjourned meeting shall be given as for an original meeting but the management of the Corporation shall not be required to send a form of proxy in the form prescribed by the Act to each shareholder who is entitled to receive notice of the meeting. Those shareholders present at any duly adjourned meeting shall constitute a quorum.

**10.11 Right to Vote** - Subject to the provisions of the Act as to authorized representatives of any other body corporate, at any meeting of shareholders in respect of which the Corporation has prepared the list referred to in section 10.05, every person who is named in such list shall be entitled to vote the shares shown thereon opposite his name except, where the Corporation has fixed a record date in respect of such meeting pursuant to section 10.06, to the extent that such person has transferred any of his shares after such record date and the transferee, upon producing properly endorsed certificates evidencing such shares or otherwise establishing that he owns such shares, demands not later than 10 days before the meeting that his name be included to vote the transferred shares at the meeting. In the absence of a list prepared as aforesaid in respect of a meeting of shareholders, every person shall be entitled to vote at the meeting who at that time is entered in the securities register as the holder of one or more shares carrying the right to vote at such meeting.

**10.12 Proxies** - Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders, to attend and act at the meeting in the manner and to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his attorney and shall conform with the requirements of the Act.

**10.13 Electronic Voting** - If the Corporation chooses to make available a telephonic, electronic or other communication facility, in accordance with the Act and the regulations, that permit shareholders to vote by means of such facility then, notwithstanding any other provision of this by-law, any vote may be held, in accordance with the Act and the regulations, by means of such facility.

**10.14 Time for Deposit of Proxies** - The Board may specify in a notice calling a meeting of shareholders a time, preceding the time of such meeting by not more than 48 hours exclusive of non-business days, before which time proxies to be used at such meeting must be deposited. A proxy shall be acted upon only if, prior to the time so specified, it shall have been deposited with the Corporation or an agent thereof specified in such notice or, if no such time is specified in such notice, unless it has been received by the secretary of the Corporation or by the chairman of the meeting or any adjournment thereof prior to the time of voting.

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

**10.16 Votes to Govern** - At any meeting of shareholders every question shall, unless otherwise required by the Act, be determined by the majority of the votes cast on the question. In case of an equality of votes either upon a show of hands or upon a poll, the chairman of the meeting shall not be entitled to a second or casting vote.

**10.17 Show of Hands** - Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands or any other manner permitted by the Act unless a ballot thereon is required or demanded as hereinafter provided. Upon a show of hands every person who is present and entitled to vote shall have one vote. Whenever a vote by show of hands shall have been taken upon a

question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

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

**10.19 Adjournment** - If a meeting of shareholders is adjourned for less than 30 days, it shall not be necessary to give notice of the adjourned meeting, other than by announcement at the earliest meeting that it is adjourned. If a meeting of shareholders is adjourned by one or more adjournments for an aggregate of 30 days or more, notice of the adjourned meeting shall be given as for an original meeting.

**10.20 Resolution in Writing** - A resolution in writing signed in counterpart or in one instrument by all the shareholders entitled to vote on that resolution at a meeting of shareholders is as valid as if it had been passed at a meeting of the shareholders.

**10.21 Only One Shareholder** - Where the Corporation has only one shareholder or only one holder of any class or series of shares, the shareholder present in person or by proxy constitutes a meeting.

**10.22 Nomination of Directors**

1. Subject only to the Act and the articles of the Corporation, only persons who are nominated in accordance with the following procedures shall be eligible for election as directors of the Corporation. Nominations of persons for election to the Board may be made at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors:
  - (a) by or at the direction of the Board or an authorized officer of the Corporation, including pursuant to a notice of meeting;
  - (b) by or at the direction or request of one or more shareholders pursuant to a proposal made in accordance with the provisions of the Act or a requisition of the shareholders made in accordance with the provisions of the Act; or
  - (c) by any person (a “**Nominating Shareholder**”): (i) who, at the close of business on the date of the giving by the Nominating Shareholder of the notice provided for below in this Section 10.22 and at the close of business on the record date for notice of such meeting, is entered in the securities register as a holder of one or more shares carrying the right to vote at such meeting or who beneficially owns shares that are entitled to be voted at such meeting; and (ii) who complies with the notice procedures set forth below in this Section 10.22.
2. In addition to any other applicable requirements, for a nomination to be made only by a Nominating Shareholder, the Nominating Shareholder must have given timely notice thereof in

proper written form to the secretary of the Corporation at the principal executive offices of the Corporation in accordance with this Section 10.22.

3. To be timely, a Nominating Shareholder's notice to the secretary of the Corporation must be made:
  - (a) in the case of an annual meeting of shareholders, not less than thirty (30) nor more than sixty-five (65) days prior to the date of the annual meeting of shareholders; provided, however, that in the event that the annual meeting of shareholders is called for a date that is less than fifty (50) days after the date (the "**Notice Date**") on which the first public announcement of the date of the annual meeting was made, notice by the Nominating Shareholder may be made not later than the close of business on the tenth (10th) day following the Notice Date; and
  - (b) in the case of a special meeting (which is not also an annual meeting) of shareholders called for the purpose of electing directors (whether or not called for other purposes), not later than the close of business on the fifteenth (15th) day following the day on which the first public announcement of the date of the special meeting of shareholders was made.

Notwithstanding the foregoing, the Board may, in its sole discretion, waive any requirement in this paragraph. In no event shall 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 as described above.

4. To be in proper written form, a Nominating Shareholder's notice to the secretary of the Corporation must set forth:
  - (a) as to each person whom the Nominating Shareholder proposes to nominate for election as a director: (i) the name, age, business address and residence address of the person; (ii) the principal occupation or employment of the person; (iii) the citizenship of such person; (iv) the class or series and number of shares in the capital of the Corporation which are controlled or which are owned beneficially or of record by the person as of the record date for the meeting of shareholders (if such date shall then have been made publicly available and shall have occurred) and as of the date of such notice; and (v) any other information relating to the person that would be required to be disclosed in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below); and
  - (b) as to the Nominating Shareholder giving the notice, full particulars of any proxy, contract, arrangement, agreement, understanding or relationship pursuant to which such Nominating Shareholder has a right to vote or direct the voting of any shares of the Corporation and any other information relating to such Nominating Shareholder that would be required to be made in a dissident's proxy circular in connection with solicitations of proxies for election of directors pursuant to the Act and Applicable Securities Laws (as defined below).

The Corporation may require any proposed nominee to furnish such other information, including a written consent to act, as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable shareholder's understanding of the independence, or lack thereof, of such proposed nominee.

5. No person shall be eligible for election as a director of the Corporation unless nominated in accordance with the provisions of this Section 10.22; provided, however, that nothing in this Section 10.22 shall be deemed to preclude discussion by a shareholder (as distinct from nominating directors) at a meeting of shareholders of any matter in respect of which it would have been entitled to submit a proposal pursuant to the provisions of the Act. The chairperson of the meeting shall have the power and duty to determine whether a nomination was made in accordance with the procedures set forth in the foregoing provisions and, if any proposed nomination is not in compliance with such foregoing provisions, to declare that such defective nomination shall be disregarded.
6. For the purposes of this Section 10.22:
- (a) “**public announcement**” shall mean disclosure in a release reported by a national news service in Canada, or in a document publicly filed by the Corporation under its profile on the System of Electronic Document Analysis and Retrieval at [www.sedar.com](http://www.sedar.com); and
  - (b) “**Applicable Securities Laws**” means the applicable securities legislation of each relevant province and territory of Canada, as amended from time to time, the rules, regulations and forms made or promulgated under any such statute and the published national instruments, multilateral instruments, policies, bulletins and notice of the securities commission and similar regulatory authority of each province and territory of Canada.
7. Notwithstanding any other provision of the by-laws, notice given to the secretary of the Corporation pursuant to this Section 10.22 may only be given by personal delivery, facsimile transmission or by email (at such email address as stipulated from time to time by the secretary of the Corporation for purposes of this notice), and shall be deemed to have been given and made only at the time it is served by personal delivery, email (at the address as aforesaid) or sent by facsimile transmission (provided that receipt of confirmation of such transmission has been received) to the secretary at the address of the principal executive offices of the Corporation; provided that if such delivery or electronic communication is made on a day which is not a business day or later than 5:00- p.m. (Calgary time) on a day which is a business day, then such delivery or electronic communication shall be deemed to have been made on the subsequent day that is a business day.

## **SECTION 11**

### **DIVISIONS AND DEPARTMENTS**

**11.01 Creation and Consolidation of Divisions** - The Board may cause the business and operations of the Corporation or any part thereof to be divided or to be segregated into one or more divisions upon such basis, including without limitation, character or type of operation, geographical territory, product manufactured or service rendered, as the Board may consider appropriate in each case. The Board may also cause the business and operations of any such division to be further divided into sub-units and the business and operations of any such divisions or sub-units to be consolidated upon such basis as the Board may consider appropriate in each case.

**11.02 Name of Division** - Any division or its sub-units may be designated by such name as the Board may from time to time determine and may transact business, enter into contracts, sign cheques and other documents of any kind and do all acts and things under such name. Any such contracts, cheque or document shall be binding upon the Corporation as if it had been entered into or signed in the name of the Corporation.

**11.03 Officers of Divisions** - From time to time the Board or, if authorized by the Board, the chief executive officer, may appoint one or more officers for any division, prescribe their powers and duties and settle their terms of employment and remuneration. The Board or, if authorized by the Board, the chief executive officer, may remove at its or his pleasure any officer so appointed, without prejudice to such officer's rights under any employment contract. Officers of divisions or their sub-units shall not, as such, be officers of the Corporation.

## **SECTION 12** **NOTICES**

**12.01 Method of Giving Notices** - Any notice (which term includes any communication or document) to be given (which term includes sent, delivered or served) pursuant to the Act, the regulations thereunder, the articles, the by-laws or otherwise to a shareholder, director, officer, auditor or member of a committee of the Board shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his recorded address or if mailed to him at his recorded address by prepaid ordinary or air mail or if sent to him at his recorded address by any means of prepaid transmitted or recorded communication or by electronic means in accordance with the provisions of the Electronic Transactions Act (Alberta). A notice so delivered shall be deemed to have been given when it is delivered personally or to the recorded address as aforesaid; a notice so mailed shall be deemed to have been given when deposited in a post office or public letter box; and a notice so sent by any means of transmitted or recorded communication shall be deemed to have been given when dispatched or delivered to the appropriate communication company or agency or its representative for dispatch. The secretary may change or cause to be changed the recorded address of any shareholder, director, officer, auditor or member of a committee of the Board in accordance with any information believed by him to be reliable.

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

**12.03 Computation of Time** - In computing the date when notice must be given under any provisions requiring a specified number of days notice of any meeting or other event, the date of giving the notice shall be excluded and the date of the meeting or other event shall be included.

**12.04 Undelivered Notices** - If any notice given to a shareholder pursuant to section 12.01 is returned on two consecutive occasions because he cannot be found, the Corporation shall not be required to give any further notices to such shareholder until he informs the Corporation in writing of his new address.

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

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

**12.07 Waiver of Notice** - Any shareholder (or his duly appointed proxyholder), director, officer, auditor or member of a committee of the Board may at any time waive any notice, or waive or abridge the time for any notice, required to be given to him under any provision of the Act, the regulations

thereunder, the articles, the by-laws or otherwise and such waiver or abridgement shall cure any default in the giving or in the time of such notice, as the case may be. Any such waiver or abridgement shall be in writing except a waiver of notice of a meeting of shareholders or of the Board which may be given in any manner.

**SECTION 13**  
**EFFECTIVE DATE**

**13.01 Effective Date** - This by-law shall come into force when confirmed by the shareholders in accordance with the Act.

Made by the board of directors the 25<sup>th</sup> day of May, 2013.

*(signed) "Wayne S. Wadley"*  
\_\_\_\_\_  
**WAYNE S. WADLEY**  
**President and Chief Executive Officer**

**CONFIRMED** by the President and Chief Executive Officer of the Corporation, on behalf of the shareholders of the Corporation, the \_\_\_\_ day of June, 2013.

\_\_\_\_\_  
**WAYNE S. WADLEY**  
**President and Chief Executive Officer**