



**BIRD CONSTRUCTION INC.**

**ANNUAL INFORMATION FORM**

For the year ended December 31, 2016

Dated March 14, 2017

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# 1. CORPORATE STRUCTURE

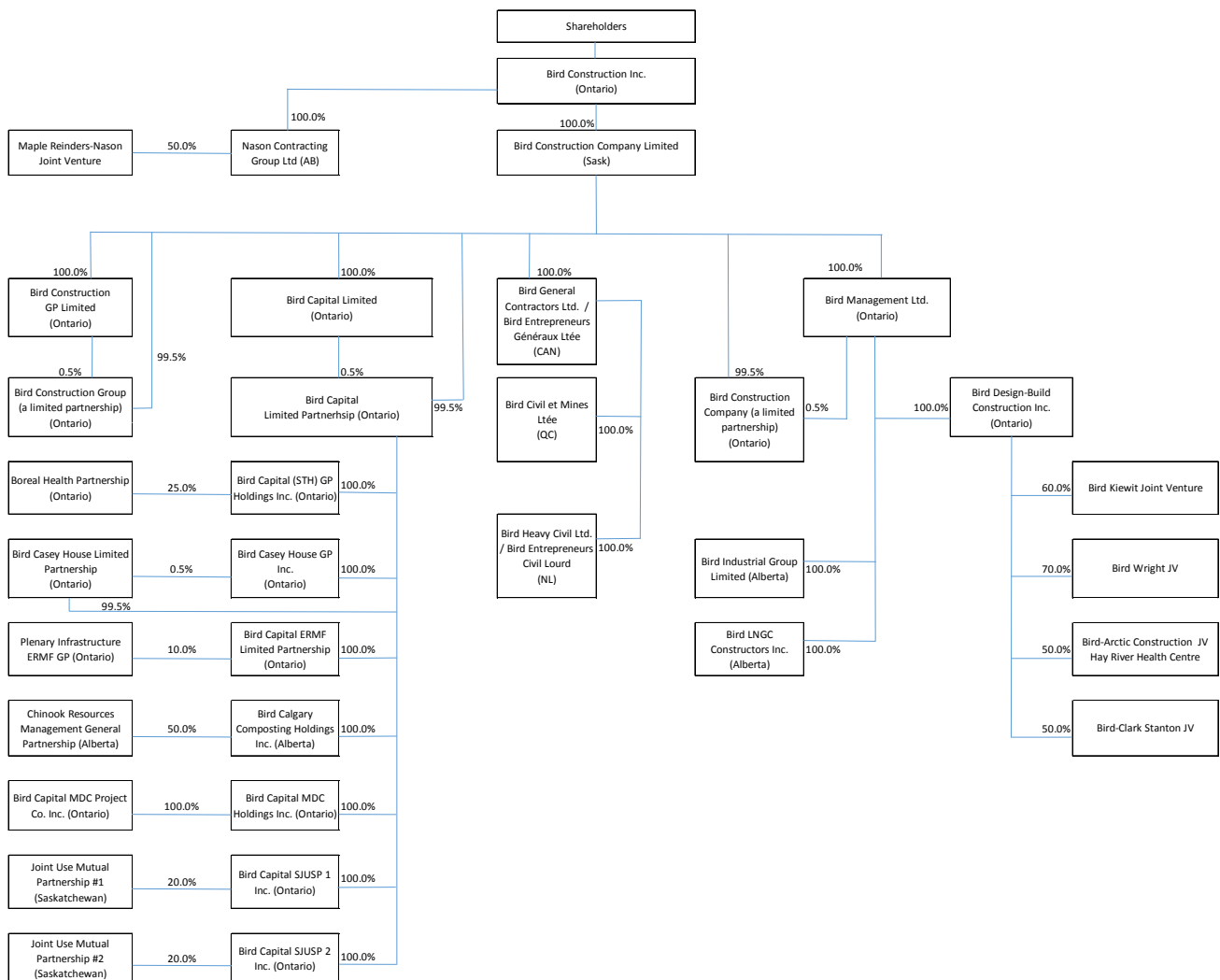
## 1.1 Name, Address and Incorporation

Bird Construction Inc. (the "Company" or "Bird") was incorporated on March 5, 2010 under the *Business Corporations Act* (Ontario) for purposes of converting the former Bird Construction Income Fund to a corporate structure. The Company's common shares are listed on the Toronto Stock Exchange under the trading symbol BDT.

The Company's registered and principal office is located at 5700 Explorer Drive, Suite 400, Mississauga, Ontario, L4W 0C6.

## 1.2 Inter-corporate Relationships

The following diagram illustrates the organizational structure of the Company, its principal subsidiaries, and its investment in the limited partnerships and interests in joint ventures relating to the execution of selected construction contracts, including Public Private Partnerships ("PPP").



Bird conducts a number of its construction projects using joint ventures which offer the benefits of competitive advantages, pooling of resources required to complete projects and sharing of risk between joint venture partners. The joint ventures are formed to undertake specific projects, are jointly controlled by the partners and are dissolved upon completion of the project. Bird, in the past, has used a joint venture structure to undertake select construction projects and will continue to do so in the future where appropriate.

## 2. GENERAL DEVELOPMENT OF THE BUSINESS

### 2.1 The Business

The Company operates as a general contractor in the Canadian construction market with offices in St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver. The Company and its predecessors have been in operation for 97 years. The Company focuses primarily on projects in the industrial, commercial and institutional sectors of the general contracting industry.

Within the industrial sector, Bird constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical process work, underground piping and earthwork for clients, primarily operating in the oil and gas and mining businesses.

Within the commercial sector, Bird's operations include the construction and renovation of shopping malls, big box stores, office buildings, hotels and selected high rise condominiums and apartments.

Within the institutional sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement & senior housing, and environmental facilities that include water and wastewater treatment centres, composting facilities and biosolids treatment and management facilities. The Company has developed expertise in the construction of transportation related projects and will continue to enhance our abilities as governments plan to increase stimulus spending to address aging infrastructure. Bird also invests in equity in PPP projects as a means to support construction operations.

In all sectors, Bird contracts with its clients using a combination of fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

While Bird self-performs some elements of its projects, particularly in the industrial market and in conjunction with its civil construction and contract mining operations, a significant portion of the overall construction risk rests with Bird's subcontractors. The scope of work of each subcontractor is generally defined by the same contract documents that form the basis of the Company's agreements with its clients. The terms of the agreements between the Company and its clients are generally replicated in the agreements between the Company and its subcontractors.

These "flow-down" provisions substantially mitigate the risk borne by the Company. Depending on the value of the work, the Company may require bonds or other forms of contract security including enrolling our subcontractors in Bird's subcontractor default insurance program which will mitigate exposure to possible additional costs should a subcontractor not be able to meet its contractual obligations.

Bird's primary constraint on growth is the ability to secure new work at reasonable margins and the availability of qualified professional staff who can be assigned to manage the projects.

At the end of 2016, the Company had a backlog of \$1,137.0 million, compared with \$1,662.8 million at the end of 2015 and \$1,149.7 million at the end of 2014.

Construction activity is tied to the general state of the economy, the economic conditions facing the Company's clients in the industrial, commercial and institutional market sectors and the degree of Company success in securing new contract awards from clients. The Company's annual revenues were \$1,589.9 million in 2016, \$1,444.8 million in 2015, and \$1,364.5 million in 2014 although the relative significance of the revenues derived from the industrial, commercial and institutional market sectors has changed in each of the past three years. Since 2014, revenues derived from the industrial sector have been declining with lower commodity prices impacting the industrial sector, while revenues derived from the institutional sector have been increasing with the Company's success in securing work in the Public Private Partnership ("PPP") market. In 2016, revenues grew 10.0% and the proportion of revenues derived from the commercial and institutional sectors outweighed those of the industrial sector. In 2015, the amount of construction revenues were 5.9% higher than those recorded in 2014.

Net income was \$25.0 million in 2016, \$21.5 million in 2015 and \$36.2 million in 2014. The lower earnings

in 2015 included a non-cash charge to earnings of \$22.4 million (\$20.3 million after deferred tax reversals) for the impairment of goodwill and intangible assets relating to the Company's investment in its wholly owned subsidiary H.J. O'Connell Limited ("O'Connell"), now renamed Bird General Contractors Limited. Adjusting for the non-cash after-tax impairment charges related to O'Connell of \$2.7 million in 2016 on equipment and \$20.3 million goodwill and intangibles in 2015, the Company's adjusted net income (a non-GAAP measure) in 2015 and 2016 was \$41.8 million and \$27.7 million, respectively. Adjusted net income in 2016 of \$27.7 million was less than 2015 adjusted net income of \$41.8 million by \$14.1 million or 33.6%.

The decrease in 2016 adjusted net income is primarily a result of lower gross profit due to a shift in the mix of the work program from comparatively higher margin industrial work to lower margin institutional work. In addition, the wildfires in northern Alberta had a negative impact on the execution of several projects, resulting in delays and additional costs that reduced gross profit by approximately \$4.0 million in 2016. The net income reduction was partially offset through efficiencies in general and administrative expenses, improved finance income, lower finance costs, and an increase in deferred income tax recovery.

The Company's 2015 net income was lower than 2014 net income by \$14.8 million. Adjusting for the non-cash after-tax impairment charge of \$20.3 million, the Company's adjusted net income was \$41.8 million (a non-GAAP measure) in 2015. Adjusted 2015 net income of \$41.8 million exceeded 2014 net income of \$36.2 million by \$5.6 million or 15.4%. The increase in 2015 adjusted net income compared with 2014 net income is a result of higher gross profit resulting from higher construction revenues and an improvement in the gross profit percentage. A reduction in 2015 general and administrative expenses also contributed to the improvement in 2015 adjusted net income.

The institutional market sector contributed 56% of 2016 revenues (34% in 2015). In the institutional sector, investment by the various levels of government is expected to increase in 2017 to address the infrastructure deficit and boost economic activity. The federal government has announced a number of infrastructure funding programs with specific emphasis on post-secondary education through the Post-Secondary Institutions Strategic Investment Fund; public transit systems through the Public Transit Infrastructure Fund; clean water and green initiatives through the Green Infrastructure funding and Clean Water and Waste Water Fund; and community projects through Social Infrastructure funding.

While funding for these programs has been announced, actual projects have been slow to emerge, although the Company anticipates this to change, particularly as it relates to indigenous and environmental projects. In addition, there continues to be a strong PPP and alternative finance market with numerous opportunities expected to be bid in 2017 and beyond. The Company is in a strong position to benefit from this increase in infrastructure spending and is actively pursuing a number of these opportunities that are currently available.

New contract awards of institutional projects slowed in the second half of 2016 due to the limited number of larger scale projects available owing to the timing and stage of procurement. As stated, activity in the pursuit of major projects increased in the fourth quarter and subsequent to the 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. The revenue and earnings contribution in 2017 derived from the institutional sector is expected to be strong.

The industrial market sector contributed 29% of 2016 revenues (51% in 2015). Though the uncertainty in the energy sector in western Canada has resulted in a reduction in the number and size of construction opportunities, it is expected that new projects, primarily in the midstream oil and gas market segment, will be available and we believe the Company is well positioned to pursue these opportunities, although competition is expected to remain strong, placing downward pressure on fees.

Similarly, lower iron ore and commodity prices have resulted in a reduction in the number and size of construction opportunities for O'Connell in eastern Canada. Recently, however, there has been an increase in bidding activity in the gold, lithium and iron ore sectors though this has not translated into any significant wins for the Company, owing primarily to heavy price competition. The challenging economic environment related to resource development that has persisted since 2014 is not expected to

change significantly in the near term. Although we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we expect the revenue and gross profits in this sector to continue to be under pressure in 2017.

The retail and commercial sector contributed 15% of 2016 revenues (15% in 2015). The Company continues to secure new work in this market, although investment by private developers in many geographic regions appears to be measured due to slow growth and uncertain economic conditions. While the Company is seeing an increase in mixed use condominium work for select clients in the greater Toronto area, the expectation is that the retail and commercial sector will remain relatively unchanged in 2017.

## 2.2 Significant Acquisitions and Recent Events

On February 27, 2017, Bird Construction Inc. announced the appointment of Luc J. Messier to its Board of Directors. Mr. Messier will also serve on the Audit Committee and Human Resources, Safety and Governance Committee.

On March 14, 2017, Bird Construction Inc. announced the appointment of Karyn Brooks to its Board of Directors. Ms. Brooks will also serve on the Audit Committee and Human Resources, Safety and Governance Committee.

In the fourth quarter 2016, the Company determined that there were indicators of impairment in the carrying amount for equipment relating to its wholly owned subsidiary O'Connell. Continued unfavourable economic and market conditions in the mining industry in eastern Canada, primarily due to low iron-ore prices have resulted in customers curtailing resource development expenditures or self-performing their mining operations. In addition, for the limited number of opportunities that were available to the O'Connell business, strong competition resulted in work being difficult to secure and a reduction in backlog in 2016 compared to a year ago. Lower utilization and the fact more equipment was made available in the resale market has placed downward pressure on equipment resale values. As a result of these factors, the Company recorded an impairment expense in costs of construction of \$3.9 million (\$2.7 million after deferred tax reversals) in fiscal 2016 on O'Connell equipment.

Effective June 30, 2016, Mr. Stephen Entwistle retired from the position of Chief Financial Officer and his position as Assistant Secretary of Bird Construction Inc. On July 1, 2016, Mr. Wayne Gingrich was appointed Chief Financial Officer and Assistant Secretary of Bird Construction Inc.

In 2015, the Company incurred a non-cash impairment charge of \$22.4 million (\$20.3 million after deferred tax reversals) for the impairment of goodwill and intangible assets relating the Company's investment in O'Connell. Unfavourable economic and market conditions in the mining industry in eastern Canada resulting from low iron-ore prices are expected to continue into the future. In addition, mining customers have curtailed resource development expenditures and some have decided to self-perform their mining operations which will further negatively affect future opportunities and cash flows for O'Connell. In the third quarter of 2015 the Company determined that there had been impairment triggering events and accordingly performed an impairment evaluation. The impairment testing indicated that the recoverable amount derived from O'Connell was less than the carrying amount of the net investment in O'Connell. As a result of the analysis, the Company recorded a third quarter impairment expense of \$14.1 million relating to all of O'Connell's goodwill and the total carrying value of \$8.3 million relating to O'Connell's intangible assets, including customer relationships and trade name. This event served to negatively affect net income in 2015. Adjusting net income for the non-cash after-tax impairment charge of \$20.3 million, the Company's adjusted net income was \$41.8 million (a non-GAAP measure).

## 3. DESCRIPTION OF THE BUSINESS

### 3.1 The Business

#### 3.1.1 *General Information*

The Company is a general contractor with offices in St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton and Vancouver. The Company and its predecessors have been in operation for 97 years. The Company focuses primarily on projects in the industrial, mining, commercial

and institutional sectors in the general contracting industry. The Company serves clients in the industrial, mining, institutional, retail, commercial, multi-tenant residential, light industrial, and renovation and restoration sectors using fixed price, unit price, cost reimbursable and guaranteed maximum price, and provides services that include construction, design-build and construction management delivery methods.

### 3.1.2 *Business Strategy*

Overall, Bird's strategic objectives are to increase Company profitability to provide attractive and sustainable returns for our shareholders; provide excellent service and quality to our clients; and provide meaningful and safe working environments for our employees and our business partners.

The fundamental elements of Bird's strategy include:

#### *Health and Safety:*

Responsibility for the health and safety of our most critical business asset - our people - is not just the responsibility of an individual, role, or department. As befitting of a Company that started out as a family business, critical to Bird's successful growth is a belief that safety is everybody's responsibility, every minute of every day on every job. This is a fundamental tenet of our operational strategy, a core company value, and a key corporate social responsibility.

At Bird, our single most important value is Safety and our goal is zero harm. We understand that our commitment to safety is not just a moral obligation to our staff but also makes good business sense. In addition to reducing related health and safety costs, reducing property damage and improving loss management outcomes, a robust safety program also contributes to employees and other stakeholders feeling more valued and engaged. This, in turn, produces a stronger commitment to product and service quality, improved productivity and client satisfaction.

For this reason, Bird promotes a culture of "Safe Production" wherein safety considerations are interwoven into the very fabric of our operational processes. From planning to execution, effective communication, documentation, orientation, training, and ongoing review and analysis of our work activity is vigorously undertaken to ensure continuous improvement in all facets of our operations so that both hazards and inefficiencies are effectively identified, assessed, and addressed. In doing so, we create a safer and more productive work environment and better ensure that every worker on our sites leaves the job every day just as healthy and safe as when they arrived.

In a highly competitive business environment, resourcing remains one of the greatest challenges facing the construction industry. Bird's commitment to the health and safety of our employees and other partners enhances both employee recruitment and retention and will serve to provide a strategic competitive advantage, allowing us to continue to successfully pursue and execute challenging work.

#### *Increasing Profitability:*

Bird will continue to pursue organic growth by emphasizing its long-standing record of providing a quality product and service to our clients, thereby continuing to secure new work with many of our clients on a repeat basis. Bird will continue to emphasize operational excellence through strict and disciplined adherence to the many risk management and project control policies and practices to strive to ensure delivery of the financial returns expected from our construction projects. The Company will also continue to show a preference for design-build construction contracts where our proven track record provides Bird with a source of competitive advantage in the construction market. Bird will also continue to offer clients other contract delivery methods including construction only and construction management delivery methods. Bird will also continue to contract on the basis of fixed price, unit price, cost reimbursable and guaranteed maximum price.

The Company continues to focus on larger and more complex construction projects, which typically offer greater profit margins. In order to achieve this, Bird will continue to enter into joint venture arrangements with partners where it is appropriate to do so. These arrangements are typically beneficial to the Company because they offer competitive advantages, a pooling of resources required to complete larger, complex projects and operational and financial risk sharing between the partners. In the PPP market, Bird will also continue to pursue an equity position in these projects as a means to support construction operations.



To broaden the scope of Bird's construction-related services, the Company will continue to self-perform a greater proportion of our industrial activities, including earthmoving operations and mechanical process work, and will continue to grow this element of business as opportunities present themselves. In addition, Bird is actively growing our sustaining capital and maintenance services provided to support our oil sands clients' operations. This initiative serves to diversify revenues, with the objective of making the Company less dependent on new construction programs and to build stronger customer relationships.

Our strategy is centred on diversification of our work program and earnings base. We will continue to pursue larger more complex projects, particularly in the PPP and alternative finance market, in both social infrastructure and transportation, as an active participant in the concession and as a design-build contractor. We will also focus on increasing our presence in the MRO market in western Canada through our self-perform mechanical and civil platforms and on building a work program around environmental or 'green' opportunities in water and waste water processes, composting and biosolids treatment and management.

#### *Attracting and Retaining People:*

Bird's success is highly dependent on the Company's ability to attract, develop and retain a highly skilled workforce at all levels within the organization including executives, management, professional staff and craft workers.

While creating a positive and safe work environment is non-negotiable, we are equally committed to providing our employees, and potential employees, with interesting and challenging work, opportunities to grow and develop, and a welcoming environment where people can build a successful career in every aspect of our business.

By continuously developing and refining policies and programs to engage our employees at work and in their communities, offering new and innovative training programs, driving ongoing leadership development, and making a career at Bird more than just a job, we are able to recruit, develop and retain top talent while ensuring our compensation programs remain market competitive.

### **3.1.3 *Industry Sectors***

#### *Institutional*

Within this market sector, Bird constructs hospitals, post-secondary education facilities, schools, prisons, courthouses, government buildings, retirement and senior housing and environmental facilities including water and wastewater treatment plants, and composting and biosolids plants. The institutional market sector contributed 56% of 2016 revenues (34% in 2015). Investment by the various levels of government is expected to increase in this sector in 2017 to address the infrastructure deficit and boost economic activity. The federal government has announced a number of infrastructure funding programs with specific emphasis on post-secondary education through the Post-Secondary Institutions Strategic Investment Fund; public transit systems through the Public Transit Infrastructure Fund; clean water and green initiatives through the Green Infrastructure funding and Clean Water and Waste Water Fund; and community projects through Social Infrastructure funding.

While funding for these programs has been announced, actual projects have been slow to emerge, although the Company expects this to change particularly as it relates to indigenous and environmental projects. In addition, there continues to be a strong PPP and alternative finance market with numerous bid opportunities expected in 2017 and beyond.

The Company is in a strong position to benefit from this increase in infrastructure spending and is actively pursuing a number of these opportunities that are currently available. New contract awards of institutional projects slowed in the second half of 2016 due to the limited number of larger scale projects available to bid owing primarily to the timing and stage of procurement. As stated, activity in the pursuit of major projects increased in the fourth quarter and, subsequent to the 2016 year-end, the Company announced it has signed a contract for the design and construction of the Mental Health Facility and Energy Centre at Royal Columbian Hospital and was part of a consortium named as preferred proponent for the Hamilton Biosolids project, which will be added to the Company's backlog in 2017 if and when financial close is achieved. The revenue and earnings contribution in 2017 derived from the institutional sector is expected to be strong.

### Industrial

The industrial sector includes projects in the energy and resource related industries. The Company constructs industrial buildings and performs civil construction operations including site preparation, concrete foundations, metal & modular fabrication, mechanical processes, underground piping and earthwork. Bird has also developed excellent expertise in concrete construction, which are deployed in this sector. In addition, Bird has a strong safety program and enjoys an outstanding safety record, which represents a significant asset in the industrial marketplace. Bird has an excellent reputation with its clients for quality workmanship and adherence to environmental requirements.

The industrial market sector contributed 29% of 2016 revenues (51% in 2015). Though the uncertainty in the energy sector in western Canada has resulted in a reduction in the number and size of construction opportunities, it is expected that new projects, primarily in the midstream oil and gas market segment, will be available and we believe the Company is well positioned to pursue these opportunities, although competition is expected to remain strong, placing downward pressure on fees.

Similarly, lower iron ore and commodity prices have resulted in a reduction in the number and size of construction opportunities for O'Connell in eastern Canada. Recently, however, there has been an increase in bidding activity in the gold, lithium and iron ore sectors though this has not translated into any significant wins for the Company, owing primarily to heavy price competition. The challenging economic environment related to resource development that has persisted since 2014 is not expected to change significantly in the near term. Although we continue to receive new contract awards in the industrial sector, the projects are smaller and shorter cycle in nature and have been secured at lower margins due to the increased level of competition. Accordingly, we expect the revenue and gross profits in this sector to continue to be under pressure in 2017.

### Commercial

Bird's commercial construction experience has involved the construction or renovation of various types of commercial projects, such as office buildings, enclosed shopping malls, shopping plazas, "big box" stores and grocery stores, while working with a distinguished list of national and local retailers and developers. The Company also constructs a number of high rise, condominiums and apartments.

The retail and commercial sector contributed 15% of 2016 revenues (15% in 2015). The Company continues to secure new work in this market, although investment by private developers in many geographic regions appears to be measured due to slow growth and uncertain economic conditions. While the Company is seeing an increase in mixed use condominium work for select clients in the greater Toronto area, the expectation is that the retail and commercial sector will remain relatively unchanged in 2017.

#### **3.1.4 *Competitive Conditions***

The barriers to entry into the construction industry are relatively low and Bird competes with many international, national, regional and local construction firms. The expertise, capital, equipment and labour pool required to perform in the industrial market and in the PPP market are relatively greater than in the commercial and balance of the institutional markets, and the pool of competitors is therefore smaller. Bird endeavors to distinguish itself and reduce the number of its competitors by developing specialized expertise in construction of particular building types by: building long-term relationships with its clients, maintaining a superior safety record and offering a high level of service.

#### **3.1.5 *Cyclicality***

Activity within the construction industry is generally tied to the state of the economy. Bird manages cyclicality through geographic diversification, market diversification and through its relationship with large and well-financed clients who are more likely to maintain their construction programs during an economic downturn than locally-based clients that are more subject to local economic forces.

#### **3.1.6 *Seasonality***

Although Bird experiences some seasonality in its business, particularly in its civil construction operations, variations in net income from quarter to quarter primarily reflect the differences in the profitability of the contracts administered in any given quarter. First quarter revenues can be lower than subsequent quarters due to winter weather constraints and construction schedule planning around the coldest months.

### **3.1.7 *Variability in Quarterly Earnings***

Construction contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, Bird must estimate the cost required to complete each contract to assess the overall profitability of the contract and the amount of profit to recognize for the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline, although certain risks will remain until the contract has been completed and even beyond. As a result, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completed or nearing completion during the quarter, or have been completed in prior quarters.

### **3.1.8 *Environmental***

Bird is subject to, and to the best of its knowledge, is in compliance with federal, provincial and municipal environmental legislation in all of its areas of operations. Bird recognizes that it must conduct all of its business operations in a manner so as to protect and preserve the environment. Management is not aware of any pending environmental legislation which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements or competitive position.

### **3.1.9 *Employees***

Bird employed approximately 783 full-time salaried persons and 800 hourly persons (of which 553 were unionized workers) as at December 31, 2016. The number of hourly employees is dependent on the number, size and status of ongoing projects. Comparable numbers as at December 31, 2015 were approximately 837 full-time salaried persons and 1,000 hourly persons (of which 858 were unionized workers).

### **3.1.10 *Geographic Markets***

Bird operates across Canada, operating in all provinces and territories including the Yukon, Northwest Territories and Nunavut. Bird has offices in St. John's, Halifax, Saint John, Wabush, Montreal, Toronto, Winnipeg, Calgary, Edmonton, and Vancouver. In 2016, Bird recorded construction revenue of \$1,589.9 million (2015 - \$1,444.8 million; 2014 - 1,364.5 million), all of which was earned in Canada.

### **3.1.11 *Surety Support***

Many clients and substantially all government clients, require general contractors with whom they conduct business to provide surety bonds. A surety bond is an instrument provided by a surety company that guarantees that a general contractor will perform its contractual obligations. Surety bonds for Bird are provided by Travelers' Guarantee Company of Canada. Bird's agreements with its surety company are on industry standard terms.

### **3.1.12 *Working Capital and Investments***

The amount of minimum working capital to be maintained by the Company is substantially determined by the amount required to maintain adequate levels of surety support and to provide other forms of security to its clients, including letters of credit to support contract performance. Bird invests excess cash in accordance with its investment policy in a variety of instruments of varying maturities to match its cash requirements. Excess cash is invested from time-to-time in high interest savings accounts, overnight deposits, bankers' acceptances and term deposits with typical terms to maturity of less than 90 days.

The Company has previously held investments in preferred shares and on occasion in short-term corporate bonds and debentures. However, the Company has elected not to currently hold such investments because of exposure to significant changes in their market value in light of uncertain and volatile market conditions.

### **3.1.13 *Subcontractors and Suppliers***

Upon award of a construction contract where Bird will not self-perform certain scopes of the contract work, Bird will, in turn, make awards to various subcontractors and suppliers required to provide

materials, labour and services for the project. These subcontractor and supplier awards are normally made on the basis of fixed-price quotations provided to Bird during the bidding phase. The quotations from the subcontractors and suppliers are typically irrevocable for the same period of time that the price submitted by Bird is open for acceptance by its client. Accordingly, the risk of any fluctuations in material or labour pricing is generally borne by Bird's subcontractors and suppliers.

The scope of the work of each subcontractor or supplier is generally defined by the same drawings and specifications that form the basis of Bird's agreement with its client. The terms of the agreements between Bird and its clients are generally replicated in the agreements between Bird and its subcontractors and suppliers. These "flow-down" provisions substantially mitigate the risk borne by Bird.

Depending on the value of the subcontractor's or supplier's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractors and suppliers to mitigate Bird's exposure to the risks associated with a subcontractor or supplier default under any subcontract.

#### **3.1.14 *Specialized Skills and Knowledge***

Operation of the business requires staff with specialized skills and knowledge in the management of office and field construction activities. There is generally a shortage of suitably trained and experienced staff available to the Company, which represents an impediment to growth and a risk in the event of staff turnover. There are a number of college and university programs that provide graduates with basic skills required to enter the construction industry.

For many years, the Company has relied on a strategy of hiring staff at an entry level and providing them with the additional training and experience required to move into more specialized roles. However, as the Company grows and with staff turnover, the Company also hires experienced staff available in the market.

### **3.2 Risks Relating to the Business**

#### **3.2.1 *Ability to Secure Work***

Bird generally secures new contracts either through a competitive bid process or through negotiation. Awards in both the public and private sectors are generally based upon price, but are also influenced and sometimes formally based on other factors, such as the level of services offered, safety record, construction schedule, design (if applicable), project personnel, the consortium, joint venture and subcontractor team, prior experience with the prospective client and/or the type of project, and financial strength including the ability to provide bonds and other contract security.

In order to be afforded an opportunity to bid for large projects and in the PPP market, a strong balance sheet measured in terms of an adequate level of working capital and equity is typically required. Bird operates in markets that are highly competitive and there is constant pressure to find and maintain a competitive advantage. In the current economic climate, competition is intense. This presents significant challenges for the Company. If those competitive challenges are not met, Bird's client base could be eroded or it could experience an overall reduction in profits.

A decline in demand for Bird's services from the private sector could have an adverse impact on the Company if that business could not be replaced within the public sector. A portion of Bird's construction activity relates to government-funded institutional projects. Any reduction in demand for Bird's services by the public sector, whether as a result of funding constraints, changing political priorities or delays in projects caused by elections or other factors, could have an adverse impact on the Company if that business could not be replaced within the private sector.

Government-funded projects also typically have long and sometimes unpredictable lead times associated with government review and approval. The time delays associated with this process can constitute a risk to general contractors pursuing these projects. Certain government-funded projects, particularly PPP and alternative finance projects, may also require significant bid costs which can only be recovered if Bird is the successful bidder. A number of governments in Canada have procured a significant value of projects under a PPP and/or alternative finance contract format, which is an attractive market for the Company. A reduction in the popularity of this procurement method or difficulties in obtaining financing for these projects would have negative consequences for Bird.

### **3.2.2 *Economy and Cyclicality***

Activity within the construction industry is generally tied to the state of the economy. Thus, in periods of strong economic growth, capital spending will generally increase and there will be more and better quality opportunities available within the construction industry. Investment decisions by our clients are based on long-term views of the economic viability of their current and future projects, sometimes based upon the clients' view of the long-term prices of commodities which are influenced by many factors. If our clients' outlook for their current and future projects is not favourable, this may lead them to delay, reduce or cancel capital project spending and may make them more sensitive to construction costs. A prolonged downturn in the economy could impact Bird's ability to generate new business or maintain a backlog of contracts with acceptable margins to sustain Bird through such downturns.

As noted above, Bird attempts to insulate itself in various ways from the effects of negative economic conditions; however, there is no assurance that these methods will be effective in insulating Bird from a downturn in the economy. Furthermore, as a result of increased demand in certain regions or industry sectors, the Company has, in the past, earned above-average margins on particular projects. There is also no assurance that above-average margins that may have been generated on historical contracts can be generated in the future.

### **3.2.3 *Potential for Non-Payment***

Before signing any construction contract, Bird conducts due diligence to satisfy itself that the potential client has adequate resources to make payments under the terms of the contract. Throughout the contract, Bird also attempts to ensure that payments are collected from clients before Bird's payments to subcontractors and suppliers for that contract fall due. However, because of the nature of Bird's contracts and occasionally because of delays in receiving customer payments, Bird may be required to utilize its working capital to temporarily fund construction costs where payment from its clients is delayed.

If a customer defaults in meeting its payment obligations to Bird on a project, Bird would generally have the right to register a lien against the project. If the customer was unable or unwilling to pay the amount owing to Bird, a lien against the property will normally provide some security that Bird may collect the amounts owing to it through the enforcement of its lien. However, in these situations, Bird's ability to collect the outstanding payments is never assured. Payment default by a client could result in a financial loss to Bird that could have a material effect on Bird's operating results and financial position.

### **3.2.4 *Ability to Hire and Retain Qualified and Capable Personnel***

The success of Bird is highly influenced by the efforts of key members of management, including its executive officers and district managers. The loss of the services of any of Bird's key management personnel could negatively impact Bird. The future success of Bird also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations.

Most firms throughout the construction industry face this challenge and, accordingly, competition for professional staff is intense. If Bird ceases to be seen by current and prospective employees as an attractive place to work, it could experience difficulty in hiring and retaining an adequate level of qualified staff. This could have an adverse effect on current operations of Bird and would limit its prospects and impair its future success.

### **3.2.5 *Completion and Performance Guarantees/Design-Build Risks***

Under some contracts, failure to meet a project deadline or other schedule milestone may, in addition to any delay-related expenses incurred by Bird, expose Bird to liquidated damages or other financial penalties that may include cost impacts to the client resulting from any delay. In particular, PPP infrastructure contracts typically contain more onerous financial penalties for project delays, which further increases Bird's exposure to these risks. The Company mitigates its exposure to these risks by managing and monitoring schedule and completion progress on its projects, as well as by transferring part of the risks to its subcontractors and suppliers.

In addition, under design-build contracts, the work, or portions thereof, may be required to meet certain performance specifications and/or other contractually specified needs of the customer. A failure to meet these requirements could expose Bird to liability for design flaws and/or additional construction costs

that may result from such failures. The Company mitigates its exposure to these risks by subcontracting design services work and by subscribing for or otherwise obtaining professional liability insurance.

If Bird fails to meet completion schedules or performance or design obligations, the total costs of the project could exceed original estimates and could result in a loss to Bird for that project. In extreme cases, such situations could have a material negative impact on the operating results and financial position of Bird.

### **3.2.6**      *PPP Project Risk*

As noted above, Bird is active in the PPP market. Bird's role in these projects is typically to provide design-build services to a concession that is formed to provide design, construction, financing, and management and/or operations to a public authority. Typical in the design-build contract format are performance guarantees and design-build risks outlined in 3.2.5 above. Moreover, the performance guarantees on PPP projects often include responsibility for the energy performance of the facility and achievement of environmental standards. If Bird fails to meet the required standards, it may be liable for substantial penalties and damages.

As also noted in s. 3.2.5 above, the PPP design-build contracts entered into by Bird also typically require Bird to pay significant liquidated damages and/or other penalties and damages if the projects are not completed on schedule.

The PPP procurement model also typically results in the transfer of certain risks to the contractor beyond what would be the case for a similar facility under a conventionally non-PPP procurement model. These include responsibility and potential liability for matters such as changes in law and certain force majeure and delay events. In addition, if Bird's contract was terminated for cause, the Company would be exposed to substantial liability for breakage costs to the concession and its lenders.

The security required to support the obligations that the Company undertakes on these projects typically includes substantial letters of credit which may be drawn upon in the event the Company fails to meet its obligations.

### **3.2.7**      *Performance of Subcontractors*

Successful completion of a contract by Bird depends, in large part, on the satisfactory performance of its subcontractors who are engaged to complete the various components of the work. Subcontractor defaults tend to increase during depressed market conditions. If subcontractors fail to satisfactorily perform their portion of the work, Bird may be required to engage alternate subcontractors to complete the work and may incur additional costs. This can result in reduced profits or, in some cases, significant losses on the contract and possible damage to Bird's reputation.

In addition, the ability of Bird to bid for and successfully complete projects is, in part, dependent on the availability of qualified subcontractors and trades people. Depending on the value of a subcontractor's work, Bird may require some form of performance security and achieves this through the use of surety bonds, subcontractor default insurance or other forms of security from the subcontractor to mitigate Bird's exposure to the risks associated with the subcontractor's performance and completion. A significant shortage of qualified subcontractors and trades people or the bankruptcy of a subcontractor could have a material impact on Bird's financial condition and results of operations.

### **3.2.8**      *Competitive Factors*

Bird competes with many international, national, regional and local construction firms. Competitors often enjoy advantages in a particular market that Bird does not have or they may have more experience or a better relationship with a particular client. On any given contract bid or negotiation, Bird will attempt to assess the level of competitive pressure it may face and it will attempt to neutralize or overcome any perceived advantage that its competitors have. Depending on this assessment, Bird will decide whether or not to pursue a contract. In addition, this assessment bears directly on decisions that Bird will make, including what level of profit can be incorporated into its contract price and what personnel should be assigned to the contract. The accuracy of this assessment and the ability of Bird to respond to competitive factors affect Bird's success in securing new contracts and its profitability on contracts that it does secure.

### **3.2.9 *Estimating Costs/Assessing Contract Risks***

The price for most contracts performed by Bird is based, in part, on cost estimates that are subject to a number of assumptions. Erroneous assumptions can result in an incorrect assessment of risks associated with a contract or estimates of project costs that are in error, resulting in a loss of or lower than anticipated profits. All significant cost estimates are reviewed by senior management prior to tender submission in an attempt to mitigate these risks.

### **3.2.10 *Access to Surety Support and Other Contract Security***

On many of its construction contracts, Bird is required to provide surety bonds. Bird's ability to obtain surety bonds depends primarily upon its capitalization, working capital, past performance, capability and continuity of management, as well as its current level of activity and market conditions. As the value of Bird's backlog increases, Bird may be required to maintain higher levels of equity and working capital than it currently maintains in order to secure surety bonds.

The level of equity and working capital required to maintain ongoing surety support is subject to negotiation and other factors that cannot be determined precisely. Furthermore, the overall capacity of the surety market and claims experience of sureties will have an influence on the pricing and availability of bonds. There is no assurance that Bird will have access to surety support on favourable or commercially reasonable terms or at all for contracts it would like to pursue. Bird's agreements with its surety company are on industry standard terms.

To participate in the PPP market, the Company is typically required to support its contractual commitments by posting substantial letters of credit and providing corporate guarantees, both of which are limited by the working capital and equity of the Company. It is therefore possible that the ability of the Company to secure new projects will be constrained by its capitalization.

### **3.2.11 *Litigation/Potential Litigation***

In the normal course of the construction business, disputes sometimes arise between parties to construction contracts. While Bird attempts to resolve any disagreements or disputes before they escalate to litigation, in some situations this is not possible. At any given time, Bird may be involved in a number of disputes that could lead to litigation and there may be a number of disputes in various stages of litigation.

It is management's opinion that adequate provision has been made in Bird's consolidated financial statements for any potential settlements relating to such matters and management does not believe that any existing litigation or pending litigation will ultimately result in a final judgment against Bird that would have a materially adverse impact on the operations of Bird.

Litigation is, however, inherently uncertain and, accordingly, adverse outcomes not currently provided for in any current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to Bird's reputation or a reduction in prospects for future contract awards.

### **3.2.12 *Quality Assurance and Quality Control***

Bird enters into contracts which specify the scope and specifications of the project to be designed and/or constructed, including quality standards. If all, or portions of the work fail to meet these standards, Bird would be exposed to additional costs for the correction of non-compliant work.

### **3.2.13 *Maintaining Safe Work Sites***

Despite the Company's efforts to minimize the risk of safety incidents, they can occur from time to time and, if and when they do, the impact on Bird can be significant. Bird's success as a general contractor is highly dependent on its ability to keep its construction work sites and offices safe and any failure to do so can have serious impact on the personal safety of its employees and others. In addition, it can expose Bird to contract termination, fines, regulatory sanctions or even criminal prosecution.

Bird's safety record and worksite safety practices also have a direct bearing on its ability to secure work, particularly in the industrial sector. Certain clients will not engage particular contractors to perform work if their safety practices do not conform to predetermined standards or if the general contractor has an unacceptably high incidence of safety infractions or incidents.

Bird adheres to very rigorous safety policies and procedures which are continually reinforced on its work sites and offices. Management is not aware of any pending health and safety legislation or prior incidents which would be likely to have a material impact on any of Bird's operations, capital expenditure requirements, or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents.

### **3.2.14 Accuracy of Cost to Complete Estimates**

As Bird performs each construction contract, costs are continuously monitored against the original cost estimates. On at least a quarterly basis, a detailed estimate of the costs to complete a contract is compiled by Bird. These estimates are an integral part of Bird's process for determining construction revenues and profits and depend on cost data collected over the duration of the project as well as the judgments of Bird's field and office personnel. To the extent that the costs to complete estimates are based on inaccurate or incomplete information, or on faulty judgments, the accuracy of reported construction revenues and profits can be compromised. Bird has adopted many internal control policies and procedures aimed at mitigating exposure to this risk.

### **3.2.15 Work Stoppages, Strikes and Lockouts**

Bird is signatory to a number of collective bargaining agreements. Future negotiation of these collective bargaining agreements could increase Bird's operating expenses and reduce profits as a result of increased wages and benefits. Failure to come to an agreement in these collective bargaining negotiations or those of its subcontractors and suppliers or government agencies could result in strikes, work stoppages, lockouts or other work action, and increased costs resulting from delays on construction projects. A strike or other work stoppage is disruptive to Bird's operations and could adversely affect portions of its business, financial position, results of operations and cash flows.

### **3.2.16 Potential Fluctuations in Quarterly Financial Results**

Bird's quarterly financial results may be impacted by a variety of factors including, without limitation: the timing of recognition of revenue from existing projects, the ability to accurately estimate costs for completion of work, the availability of and competition for new projects, costs or penalties associated with unanticipated delays in project completion, fluctuations in the general economic and business conditions in the market in which Bird operates, actions by governmental authorities including the level of governmental demand for the services provided by Bird, governmental regulations and expenditures required to comply with them, labour unrest involving Bird's workers or of its subcontractors and suppliers, many of whom are unionized, seasonal weather conditions, poor or delayed performance on projects, default of its subcontractors or suppliers, and other conditions affecting revenues and expenses. Bird's operating expenses are incurred throughout each quarter. As a result, if expected revenues are not realized as anticipated, Bird's quarterly financial results could be materially adversely affected. Accordingly, there may be significant variations in the Company's consolidated quarterly financial results.

In addition, construction contracts typically extend over several quarters and sometimes over several years. For purposes of quarterly financial reporting, the Company must estimate the cost required to complete each contract to assess the amount of revenue to be recognized in the quarter. Such estimating includes contingencies to allow for certain known and unknown risks. The magnitude of the contingencies will depend on the nature and complexity of the work to be performed. As the contract progresses and the remaining costs to be incurred and risk exposures become more certain, contingencies will typically decline although certain risks will remain until the contract has been completed, and even beyond. As a result of this, earnings may fluctuate significantly from quarter to quarter, depending on whether large and/or complex contracts are completing or nearing completion during the quarter, or have been completed in immediately prior quarters.

### **3.2.17 Compliance with Environmental Laws**

Bird is subject to numerous federal, provincial and municipal environmental laws, and judicial, legislative and regulatory developments relating to environmental protection occur on an ongoing basis. Bird's projects can involve the handling of hazardous and environmentally sensitive materials, which, if improperly handled or disposed of, could subject Bird to civil and criminal penalties. While Bird strives to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond Bird's control that could adversely affect Bird. Management is not



aware of any pending environmental legislation or incidents that would be likely to have a materially adverse impact on any of Bird's operations, capital expenditure requirements or competitive position, although there can be no assurance that no future legislation will be enacted or incidents will occur which may have a material impact on Bird's operations.

### **3.2.18 *Joint Venture Risk***

Bird sometimes forms joint ventures to pursue and execute projects. A joint venture structure can be beneficial by permitting competitive advantages, pooling of resources required to complete a project and risk sharing between the joint venture partners. The joint ventures in which Bird participates are typically formed to undertake a specific project, are jointly controlled by the partners and are dissolved upon completion of the project.

The agreements which govern these joint ventures typically require that the partners supply their proportionate share of operating funds and staff and that they share profits and losses in accordance with specified percentages. Bird selects its joint venture partners based on a variety of criteria, including relevant expertise, past working relationships as well as analysis of the prospective partners' financial and construction capabilities.

Each joint venture party is typically liable for the obligations of the joint venture on a joint and several basis. In the event that any of Bird's joint venture partners fail to perform their obligations due to financial or other reasons, Bird may be required to provide additional resources to the project and assume responsibilities for the obligations of its joint venture partner(s) including responsibility for financial losses.

### **3.2.19 *Insurance Risk***

In the normal course of business, Bird maintains insurance in order to satisfy the requirements of its construction contracts at a minimum and to insure project and business risks as part of its corporate risk management policies, including risks relating to its assets. Although Bird believes it maintains an appropriate amount of insurance coverage, there can be no assurance that the Company's insurance arrangements will be sufficient to cover claims incurred.

### **3.2.20 *Adjustments and Cancellations of Backlog***

The performance of the Company in a period depends significantly on the contribution from projects in its backlog. There can be no assurance that the revenues or profits included in backlog at any point in time will be realized. Contract suspensions, reductions and cancellations, which are beyond the control of Bird, do occur from time-to-time in the construction industry. Customers may have the right to suspend, cancel or reduce the scope of their contracts with Bird and, though Bird generally has a contractual right to be reimbursed for certain costs, it typically has no contractual rights to the total revenue or profit that was expected to be derived from such projects. These reductions could have a material adverse impact on future revenues and profitability.

### **3.2.21 *Acquisition and Integration Risk***

The Company has made, and may continue to pursue acquisition opportunities to advance its strategic plan. The successful integration of an acquired business typically requires the management of the pre-transaction business strategy, including the retention and addition of customers, realization of identified synergies, retention of key staff and the development of a common corporate culture. There is no assurance that the Company will be able to successfully integrate an acquired business in order to maximize or realize the benefits associated with an acquisition.

### **3.2.22 *Reputational Risk***

One of the Company's competitive advantages rests in its relationships with its customers and its long-standing reputation as a contractor that delivers high-quality projects and services on time, and in a safe and environmentally-friendly manner. Damage to the Company's reputation can result from the occurrence of a variety of actual or perceived events. Negative publicity can arise from a number of factors including, without limitation, the quality of service provided, business ethics and integrity, health and safety record and compliance with laws or regulations.

Negative opinion concerning any of these factors could potentially have an adverse effect on current operations and could limit the Company's prospects and impair its future success. The Company depends on its reputation as a general contracting firm that abides by the highest ethical standards and has therefore implemented various policies and procedures to help mitigate this risk, including the adoption of: a comprehensive employee code of conduct; an anti-bribery and -corruption policy; and a whistleblower policy. All employees are required to sign an acknowledgement of these policies, and to review and abide by them. In addition, the Company provides training to its employees regarding these policies, which include principles relating to harassment, fairness, conflicts of interest and other ethical business practices.

### **3.2.23 *PPP Equity Investments***

In addition to providing design and construction services on certain PPP infrastructure projects, Bird also makes investments in PPP concession entities through its wholly owned subsidiary, Bird Capital Limited. In this role Bird arranges the financing and provides equity to some of the PPP projects it develops, and assumes a degree of equity risk associated with the financial performance of the asset during the concession period.

Most PPP financing is provided on a non-recourse basis with most of the risk limited to the equity participation. Bird typically holds a minority equity investment in the concession and we usually expect to sell our investment in the concession soon after construction completion or shortly thereafter, when the terms of the concession investment requires us to hold the investment for a longer period of time.

Because Bird does not necessarily control the market for the investment, there is a possibility that the value of the investment could become impaired. In addition, Bird may be exposed to reputational risk should the project not be delivered on time or in accordance with design specifications. Exposure to the risk of non-performance could lead to a contract termination and loss of injected equity.

## **3.3 Risks Relating to the Shares**

### **3.3.1 *Unpredictability and Volatility of Trading Prices***

A publicly-traded corporation does not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the common shares will trade cannot be predicted. The market price of a common share could be subject to significant fluctuations in response to variations in quarterly operating results and other market and industry factors. In addition, the securities markets have experienced significant price and volume fluctuations from time-to-time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the common shares.

### **3.3.2 *Payment of Dividends***

The payment of dividends on common shares is at the discretion of the Board of Directors of the Company. In establishing the amount of any dividend, the Board of Directors will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, to provide the financial capacity to withstand a downturn in the construction industry should it occur and to expand the business, as well as the desirability of maintaining the dividend rate. There can be no assurances that the current dividend rate will not change in the future.

## **4. DIVIDENDS AND DISTRIBUTIONS**

In establishing the dividend rate for a particular period, the Company will take into consideration, amongst other things, the need to meet future requirements for increases in working capital and equity to meet contract security requirements, to provide the financial capacity to withstand a downturn in the construction industry should it occur, and to expand the business, as well as the desirability of maintaining a stable or increasing dividend rate.

On November 9, 2016, the Company's Board of Directors approved a reduction to the Company's monthly dividend by 48.7% to \$0.0325 per common share per month from \$0.0633 per common share per month, effective for the dividend payable on February 17, 2017 to shareholders of record on January 31, 2017. On an annualized basis,

the new dividend per common share is \$0.39, down from \$0.76 per common share.

In 2016, the Company paid an annual dividend of \$0.76 per common share equivalent to \$0.0633 per common share per month, consistent with the dividend rate paid in 2015.

In 2016, the Company declared dividends for the months of January, February and March of 2017, and in 2017, for the month of April 2017, all in the amount of \$0.0325 per common share.

Shareholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of any dividends by the Company.

Cash dividends on Company shares for the fiscal year ended December 31, 2016 were as follows:

<u>Period</u>	<u>Record Date</u>	<u>Payment Date</u>	<u>Dividends Per Share \$</u>	<u>Amount (000's)\$</u>
January 2016	January 29, 2016	February 19, 2016	0.0633	2,691.3
February 2016	February 29, 2016	March 18, 2016	0.0633	2,691.3
March 2016	March 31, 2016	April 20, 2016	0.0633	2,691.3
April 2016	April 29, 2016	May 20, 2016	0.0633	2,691.3
May 2016	May 31, 2016	June 20, 2016	0.0633	2,691.3
June 2016	June 30, 2016	July 20, 2016	0.0633	2,691.3
July 2016	July 29, 2016	August 19, 2016	0.0633	2,691.3
August 2016	August 31, 2016	September 20, 2016	0.0633	2,691.3
September 2016	September 30, 2016	October 20, 2016	0.0633	2,691.3
October 2016	October 31, 2016	November 18, 2016	0.0633	2,691.3
November 2016	November 30, 2016	December 20, 2016	0.0633	2,691.3
December 2016	December 30, 2016	January 20, 2017	0.0633	2,691.3
		<b>Totals</b>	<b>\$ 0.76</b>	<b>\$ 32,297</b>

The three-year history of annual dividends per share of the Company is as follows:

2016	2015	2014
\$0.76	\$0.76	\$0.76

## 5. DESCRIPTION OF CAPITAL AND DEBT STRUCTURE

### 5.1 Share Capital

The Company is authorized to issue an unlimited number of common shares. Each common share is entitled to receive notice of, and to attend all meetings of shareholders of the Company. Each common share is entitled to one vote at shareholder meetings. The holders of common shares are entitled to receive dividends when declared by the Board of Directors of the Company in such amount and in such form as the Board of Directors may determine from time-to-time. All dividends declared shall be paid in equal amounts per share on all common shares outstanding. In the event of dissolution, liquidation or winding up of the Company, common shareholders shall be entitled to receive the remaining assets of the Company after the prior rights of the holders of any preference shares and any other shares ranking senior to the common shares have been settled.

As of December 31, 2016, and March 14, 2017 the Company had 42,516,853 issued and outstanding common shares.

The Company is authorized to issue such number of preference shares, issuable in one or more series,

provided that the number of issued preference shares shall not exceed 35% of the number of issued and outstanding common shares at the time such preference shares are issued. The Board of Directors shall determine the number of series issued and the number of preference shares issued within a series. The Board of Directors shall determine the designation, rights, privileges, restrictions and conditions to be attached to each series of preference shares, including but not limited to, dividend rates, whether dividends are cumulative or non-cumulative, the currency of payment, the date and place of payment, and any redemption, retraction or exchange conditions. As of December 31, 2016, and March 14, 2017, no preference shares were issued and outstanding.

In 2011, the Company introduced a Stock Option Plan. The purpose of the Stock Option Plan is to provide eligible officers and employees of the Company and its subsidiaries with a share-related mechanism designed to develop and increase the interest in the growth and development of the Company by granting stock options from time-to-time to eligible persons and providing them the opportunity to acquire a proprietary interest in the Company through the purchase of common shares. The number of common shares issuable under the Stock Option Plan shall not exceed 10% of the number of common shares outstanding. A full description of the details of the Stock Option Plan is included in the Company's 2010 Management Information Circular which can be found on SEDAR.

On March 15, 2012 the Company issued 625,000 stock options to employees of the Company, of which 465,000 remain outstanding as of March 14, 2017. In the first quarter of 2015, 65,000 stock options granted to the previous President and CEO were forfeited in accordance with the retirement of the incumbent. In 2016, 95,000 stock options were forfeited resulting from employees leaving the Company. No stock options were exercised at December 31, 2016.

On January 1, 2015, the Company's Board of Directors approved the award of an additional 100,000 stock options to the newly appointed President and CEO. The total number of stock options are exercisable in equal amount on the first through fourth anniversary dates from the grant date at an exercise price of \$11.87 per Common Share. The exercise price was based on the weighted average trading price of the Company's common shares on the Toronto Stock Exchange for the five days ending on December 31, 2014. These options will expire on January 1, 2022. No stock options were exercised at December 31, 2016.

As noted in the Company's 2016 Management Information Circular, the Board did not grant any stock options in 2016 and, in connection with the approval of the Equity Incentive Plan (described in the Company's 2016 Management Information Circular), the Board has resolved to suspend the Stock Option Plan if the Equity Incentive Plan is approved by Shareholders at the annual and special meeting of Shareholders to be held on May 12, 2017. However, all outstanding stock options will continue to vest and be exercisable in accordance with their terms.

Further, no shares were sold or issued from treasury in 2016.

## 5.2 Indebtedness

At December 31, 2016, the total amount of outstanding debt was \$11.4 million. The debt was issued to fund the purchase of heavy work equipment to support civil operations and increase working capital. In addition, the Company has \$59.2 million of non-recourse project debt outstanding at December 31, 2016, used to finance the construction of two alternative finance projects which are presently underway.

## 6. MARKET FOR SECURITIES OF THE ISSUER

The common shares of the Company are listed on the Toronto Stock Exchange (symbol "BDT").

The following table outlines the trading price range and volumes of Company shares during 2016:

Toronto Stock Exchange			
Month	Price Range		Trading Volume
	High \$	Low \$	
<b>Shares</b>			
January 2016	12.30	10.85	9,229,583
February 2016	12.31	11.42	1,882,489
March 2016	12.42	11.07	1,950,373
April 2016	12.16	10.99	2,329,085
May 2016	13.99	11.66	2,255,973
June 2016	14.06	13.15	1,149,034
July 2016	13.56	13.16	1,064,286
August 2016	12.91	11.01	3,301,562
September 2016	11.59	10.65	2,427,037
October 2016	12.02	11.00	2,206,375
November 2016	10.79	8.80	3,637,678
December 2016	9.21	9.04	2,467,833

## 7. DIRECTORS AND OFFICERS

### 7.1 Directors and Executive Officers

The names, municipalities of residence and principal occupations of the current Directors and Executive Officers of Bird are set out below. Each Director will hold office until the next Annual General Meeting of shareholders set for May 12, 2017, or until a successor is elected or appointed.

Name of Municipality of Residence	Position <sup>(2)</sup>	Principal Occupation	Director Since <sup>(1)</sup>
J.R. Bird Calgary, Alberta	Director <sup>(3)(4)</sup>	Corporate Director	1987
I.J. Boyd Oakville, Ontario	Director, President & Chief Executive Officer of Bird Construction Inc.	President & Chief Executive Officer of Bird Construction Inc.	2015
K.A. Brooks Calgary, Alberta	Director <sup>(3)(4)</sup>	Corporate Director	2017
P.A. Charette Oakville, Ontario	Director, Chair of the Board <sup>(3)(4)</sup>	Chair of the Board	1991
C.J. Caza Oakville, ON	SVP, Risk Management and General Counsel, and Corporate Secretary of Bird Construction Inc.	SVP, Risk Management and General Counsel, and Corporate Secretary of Bird Construction Inc.	N/A
D.G. Doyle Victoria, British Columbia	Director, Audit Committee Chair <sup>(3)(4)</sup>	Corporate Director	2003
B.D. DuPont Calgary, Alberta	Director, Human Resources, Safety & Governance Committee Chair <sup>(3)(4)</sup>	Corporate Director	2011
K.W. McClure Toronto, Ontario	Executive Vice President - Commercial of Bird Construction Inc.	Executive Vice President - Commercial of Bird Construction Inc.	N/A
L.J. Messier Houston, TX, USA	Director <sup>(3)(4)</sup>	Corporate Director	2017

Name of Municipality of Residence	Position <sup>(2)</sup>	Principal Occupation	Director Since <sup>(1)</sup>
R.D. Munkley Mississauga, Ontario	Director <sup>(3)(4)</sup>	Corporate Director	2011
P.R. Raboud Toronto, Ontario	Director	Corporate Director	2008
G.G. Royer Leduc County, Alberta	Executive Vice President - Industrial of Bird Construction Inc.	Senior Vice President - Industrial of Bird Construction Inc.	N/A
A.C. Thorsteinson Winnipeg, Manitoba	Director <sup>(3)(4)</sup>	President, Shelter Canadian Properties Limited, a real estate development and management company	1991
W.R. Gingrich Georgetown, ON	Chief Financial Officer and Assistant Secretary of Bird Construction Inc.	Chief Financial Officer and Assistant Secretary of Bird Construction Inc.	N/A

Notes:

- (1) Includes period of time served as a Trustee of Bird Construction Income Fund and as a Director of Bird Construction Company Limited, the predecessors to the Company.
- (2) Information set forth in this Item 8 relating to the Directors and officers of the Company is current as of the date hereof.
- (3) Member of the Audit Committee (Chair - D.G. Doyle).
- (4) Member of the Human Resources, Safety and Governance Committee (Chair - B.D. DuPont).

The following are brief biographies of the Directors and executive officers:

**J. Richard Bird** retired from Enbridge Inc. in early 2015, having served as Executive Vice President, Chief Financial Officer and Corporate Development, and various other roles, including: Executive Vice President Liquids Pipelines, Senior Vice President Corporate Planning and Development, and Vice President and Treasurer. Mr. Bird has 29 years of experience as an officer of a number of public companies, and serves on the Board of Directors or Trustees of Enbridge Energy Partners L.P., Enbridge Pipelines Inc., Enbridge Income Fund Holdings Inc. and Bird Construction Inc. He is a member of the Board of Directors of the Alberta Investment Management Company and Chairman of its audit committee. Mr. Bird is also a member of the Investment Committee of the University of Calgary Board of Governors. He was named Canada's CFO of the Year for 2010. He holds a Bachelor of Arts degree from the University of Manitoba, and a Masters of Business Administration and PhD from the University of Toronto and has completed the Advanced Management Program at Harvard Business School.

**Ian J. Boyd**, President and CEO of Bird Construction Inc., graduated with a Bachelor of Civil Engineering from the University of New Brunswick and has accumulated 20 years of experience in the general contracting industry in Nova Scotia, New Brunswick and Alberta. Mr. Boyd joined Rideau Construction in 1996 and progressed through the Company as a project coordinator, project manager, manager of diversified projects and in 2004, he was appointed as the Vice President and operations manager for the Nova Scotia office. Mr. Boyd became a Bird employee in 2008 when Bird acquired Rideau Construction and shortly thereafter, relocated to Alberta as Project Director. In 2010, Mr. Boyd returned to eastern Canada and was appointed as the Atlantic Vice President and in 2011, assumed the role of Senior Vice President where he was involved in the O'Connell acquisition. In 2013, Mr. Boyd was appointed to Executive Vice President and Chief Operating Officer, and most recently was appointed as President and Chief Executive Officer of Bird, effective January 1, 2015. Mr. Boyd is a registered professional engineer with the Association of Professional Engineers of Nova Scotia and a current member of the Canadian Construction Association board of directors and a past member of the Construction Association of Nova Scotia.

**Karyn A. Brooks** was appointed as a Director in March 2017. Ms. Brooks retired from BCE and Bell Canada in 2014 where she was Senior Vice President and Controller and has been providing financial consulting services since then. She is a member of the boards and audit committees of Information Services Corporation and The Calgary Zoological Society, was a member of the Board of Trustees and Audit

Committee of Queen's University from 2007 to 2014 and has held a number of other volunteer board and committee seats. Ms. Brooks holds a Chartered Professional Accountant (Chartered Accountant) designation and was elected a Fellow of Chartered Professional Accountants Ontario in 2009. Ms. Brooks was named to the top 100 Most Powerful Women in Canada in 2009. Ms. Brooks received a Bachelor of Commerce (Honours) from Queen's University.

*Charles J. Caza* is the Senior Vice President Risk Management and General Counsel of Bird Construction Inc., and serves as Corporate Secretary to the Board of Directors. Mr. Caza obtained his Bachelor of Science in Civil Engineering from the University of Waterloo in 1986. Subsequently, he studied law at the University of Western Ontario where he obtained his Bachelor of Laws in 1990. Mr. Caza was called to the Bar in Ontario in 1992 and has been certified as a Specialist in Construction Law by the Law Society of Upper Canada since 2002. Prior to joining Bird in 2009 and prior to studying law, he was employed as an engineer, then in the role of Vice President, Operations in the construction industry with a Toronto-based general contractor. He later developed his legal and management career with an international construction and engineering organization (before joining Bird Construction), where he was involved in a number of large international engineering and construction projects and was Commercial Director of a global operating division. In 2017, Mr. Caza completed the Directors Education Program offered by the Institute of Corporate Directors and obtained his ICD.D designation.

*Paul A. Charette* is the Chair of the Board of Directors. He joined Bird in 1976 as a Project Coordinator and progressed to President and Chief Operating Officer in 1988 and to President and Chief Executive Officer in 1991. Mr. Charette was also appointed as Chair of the Board in 2001. In September 2008, Mr. Charette retired from his position as Chief Executive Officer of Bird. He is a past Director of the Colleges and Institutes Canada and also the past Chair of the Canadian Construction Association ("CCA"). In 2004, Mr. Charette was named Ontario Entrepreneur of the Year in Real Estate/Construction by Ernst & Young LLP. In 2010, Mr. Charette was chosen as CCA's Person of the Year. Mr. Charette has a diploma in Civil Technology from Red River College in Winnipeg, Manitoba.

*D. Greg Doyle* is a former partner of KPMG LLP. He joined KPMG LLP (formerly Peat Marwick) in 1974, was elected as a Partner in 1982 and Managing Partner of the Winnipeg office in 1985. In 1997, Mr. Doyle transferred to Warsaw, Poland and served as Senior Partner of KPMG Polska until he retired in 2003. During his time in Poland, Mr. Doyle also served as the member of the Board of KPMG Europe and the management committee of KPMG Central and Eastern Europe. He is also a Director of the Winnipeg Airports Authority and the Chair of their audit committee. Mr. Doyle holds a Bachelor of Science and Bachelor of Commerce from the University of Manitoba and is a Chartered Professional Accountant.

*Bonnie D. DuPont* was appointed as a Director effective January 1, 2011. Ms. DuPont is retired from Enbridge Inc. where she served for 12 years as the senior executive responsible for information technology, human resources, public and government affairs, corporate governance matters, and corporate social responsibility (CSR). She holds a Bachelor's degree (Great Distinction) from the University of Regina and earned her Master's degree at the University of Calgary. She is a Fellow of the Institute of Corporate Directors, and a 2006 graduate of the ICD Corporate Directors' Education Program. She is also a Certified Human Resources Professional (CHRP) and is a member of the International Women's Forum (IWF). Ms. DuPont was named to the top 100 Most Powerful Women in Canada list each year from 2001 to 2006, and in 2007, was inducted into the Top 100 Hall of Fame. In 2008, she was presented with an Honorary Doctor of Laws from the University of Regina and in 2011 was presented with an Honorary Bachelor's Degree in Technology by the Southern Alberta Institute of Technology. Ms. DuPont lectures in the Directors' Education Program offered by the Institute of Corporate Directors and is the past Chair of the Board of Governors at the University of Calgary. She also serves on the board of NavCanada, is the Chair of the Human Resources & Compensation Committee and serves as well on the Governance Committee.

*Kenneth W. McClure* is Executive Vice President - Commercial of Bird Construction Inc. Prior to joining Bird in March 2007, he was employed as President and Chief Operating Officer of Buttcon Limited from April 2004 to February 2007. Buttcon is a general contracting company located in Ontario. From August 1994 to April 2004, Mr. McClure was employed as the Managing Director of Somers Construction Limited. Somers, an affiliate of Buttcon, is a general contracting company located in Bermuda. Mr. McClure started his career with Buttcon Limited in 1980 as a superintendent and project manager. During a period from 1989 to 1991, he left Buttcon while he owned and operated KDL Construction, as a general contractor located in Ontario.

*Luc J. Messier* was appointed as a Director in February 2017. Mr. Messier retired from ConocoPhillips Company in 2015, having served as Chief Procurement Officer and Senior Vice President of Projects & Aviation, as well as held the role of Senior Vice President of Project Development. Prior to his position at ConocoPhillips, Mr. Messier served as President and Chief Executive Officer of Technip USA. He also held engineering, project management and Managing Director roles at Bouygues Construction and Pomerleau and currently serves on the Boards of Da Camera and Mercury, in Texas. Mr. Messier holds a Bachelor's Degree in Civil Engineering from the University of Sherbrooke and Studied Business Administration at INSEAD.

*Ron D. Munkley* was appointed as a Director in October 2011. He retired in 2009 as vice chair and Head of the Power and Utility Business of CIBC World Markets where he had acted as advisor on most Canadian utility and independent power transactions since joining CIBC World Markets in 1998. Mr. Munkley was named as a top Global Investment Banker by Brendan Wood International in 2008/9. Prior to 1998, Mr. Munkley was employed at Enbridge Consumers Gas for 27 years, culminating as Chair, President and Chief Executive Officer. He led Consumers Gas through deregulation and restructuring in the 1990s. Mr. Munkley is also a Director of Fortis Inc., where he is Chair of the Governance Committee, and he is the Lead Director at Greystone Capital Management Inc. He holds a B.Sc. Hons. (Eng.) from Queens University and PDO certification from the Canadian Securities Institute.

*Paul R. Raboud* was the Vice Chair of Bird Construction Inc. until his retirement from that position on March 3, 2017. Mr. Raboud was appointed as a Director in September 2008. He obtained a Bachelor of Science in Civil Engineering from the University of Alberta where he was awarded the gold medal in civil engineering. He earned a Master's of Science in Civil Engineering from the University of Washington and an MBA from the University of Alberta. He is a registered Professional Engineer with the Association of Professional Engineers of Ontario. Mr. Raboud joined Bird in 1984 in the Toronto office. He progressed through Bird as a field engineer, estimator, project manager and assistant district manager. In 1990, he was appointed manager of the Vancouver District, and in 2000, returned to the corporate office in Toronto as Executive Vice President. He was appointed President and Chief Operating Officer in March 2006 and appointed Chief Executive Officer in September 2008. In June 2010, Mr. Raboud stepped down from his position as Chief Executive Officer into the role of Vice Chair of the Company. Mr. Raboud is a Director of the Ontario General Contractors Association and Stephenson's Holdings Inc.

*Gilles G. Royer* is Executive Vice President - Industrial of Bird Construction Inc., based in the Edmonton office. Mr. Royer joined Bird as a project coordinator through the Company's Civil Engineering Co-op Program in the Edmonton District in 1991. After graduating with a Bachelor of Science in Civil Engineering from the University of Alberta, Mr. Royer accepted employment at Bird on a full-time basis as project coordinator. He assumed progressively more responsible roles within the Company on various industrial projects and in early-2008, was promoted to Assistant District Manager. In 2009, he was appointed to the position of Edmonton District Manager; in January 2011, he was appointed as Vice President and Edmonton District Manager; effective January 1, 2012, he was appointed Senior Vice President; and in January 2015, he was appointed Executive Vice President, Industrial.

*Arni C. Thorsteinson* has been the President of Shelter Canadian Properties Limited, a diversified real estate development and management company, since 1990. He joined a predecessor company in 1976. He is also a Director or trustee of Lanesborough Real Estate Investment Trust, and Onex Corporation. Mr. Thorsteinson holds a Bachelor of Commerce (Honours) and a Doctor of Laws, honoris causa, from the University of Manitoba and a Chartered Financial Analyst designation.

*Wayne R. Gingrich* is Chief Financial Officer and Assistant Secretary of Bird Construction Inc. Having joined Bird on April 4, 2016, Wayne assumed his current role on July 1, 2016 and brings with him over twenty years of experience in finance and accounting roles and thirteen years of service as a financial executive in the architecture, engineering, construction (AEC) sector. Prior to joining Bird, he served as the Chief Financial Officer for MMM Group Limited, acquired by WSP Global Inc. in late 2015. Prior to joining MMM Group, he worked for AECOM, Earth Tech and General Electric. Wayne obtained his honours Bachelor of Business Administration (BBA) from Wilfrid Laurier University, with a minor in economics. He is a chartered professional accountant (CPA) and certified management accountant.

## 7.2 Collective Shareholdings

As a group, the Directors and executive officers of the Company beneficially own, directly or indirectly, a total of 1,589,394 common shares, representing approximately 3.74% of the issued common shares, and hold 270,000 stock options as at December 31, 2016.



### 7.3 Corporate Cease Trade Orders and Bankruptcies

None of the Directors or executive officers of the Company or, to the Company's knowledge, shareholders holding sufficient common shares to materially affect the control of the Company is, or within the previous 10 years, has been a trustee, director, chief executive officer or chief financial officer of any other issuer that, while acting in such capacity; (i) was subject to a cease trade or similar order or order that denied the issuer access to any exemptions under Canadian securities legislation for a period of more than 30 consecutive days, or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceeding, arrangement or compromise with creditors or had receiver, receiver manager or trustee appointed to hold the assets of such issuer except for the following:

Mr. Thorsteinson is now and has in the past 10 years been a Chief Executive Officer of certain non-publicly traded limited partnerships and other entities that were the subject of cease trade orders issued by securities regulatory authorities in certain provinces of Canada, including Alberta, British Columbia, Ontario and Quebec, resulting generally from a failure to file financial statements or a failure to comply with disclosure obligations. Certain entities against which these orders were issued are now no longer active or, in other cases, Mr. Thorsteinson's involvement with such entities has ceased. In other cases, certain of these entities have now been able to obtain discretionary relief from filing requirements; however, this relief does not apply to prior transgressions, and in some cases, these orders remain in force. To obtain information regarding cease trade orders issued by a particular securities regulatory authority, investors should contact the securities regulatory authorities that issued the orders.

### 7.4 Penalties or Sanctions

None of the Directors or officers of the Company, or to the Company's knowledge, shareholders holding sufficient common shares to materially affect the control of the Company, has been subject to; (i) any penalties or sanctions proposed by a court relating to Canadian securities legislation or by a Canadian securities regulatory authority or have entered into a settlement agreement with a Canadian securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### 7.5 Conflicts of Interest

To the Company's knowledge, there are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and the Board of Directors and officers of the Company or any other subsidiary of the Company. (See "Interest of Management and Others in Material Transactions").

### 7.6 Board Committees

The Company currently has an Audit Committee and Human Resources, Safety and Governance ("HRS&G") Committee. The Company does not currently have any other board committees in place.

Current Committee membership is shown in the following table:

Director	Audit Committee	Human Resources, Safety and Governance Committee
J. Richard Bird	✓	✓
Karyn A. Brooks	✓	✓
Paul A. Charette	✓	✓
D. Greg Doyle	Committee Chair	✓
Bonnie D. DuPont	✓	Committee Chair
Luc J. Messier	✓	✓
Ron D. Munkley	✓	✓
Arni C. Thorsteinson	✓	✓

<i>Director</i>	Audit Committee	Human Resources, Safety and Governance Committee
<i>Non-Independent Directors</i>		
Ian J. Boyd		
Paul R. Raboud		

## 8. AUDIT COMMITTEE INFORMATION

### 8.1 Audit Committee

The Audit Committee of the Company is currently comprised of eight members, being J.R. Bird, K. Brooks, D.G. Doyle, B.D. DuPont, L.J. Messier, R.D. Munkley, P.A. Charette and A.C. Thorsteinson. Mr. Doyle is Chair of the Audit Committee. All the members are independent and financially literate. The following profiles outline the relevant education and experience of each member relating to the Audit Committee (Also see brief profiles of each member in Section 8 - Directors and Officers).

*J. Richard Bird* has been on the Board of the Fund or the Company since December 1987 and has been a member of the Audit Committee since that time. Mr. Bird was the Chair of the Audit Committee from March 24, 1988 until March 7, 2006. He has served as a trustee, director, senior officer, and audit committee member of several issuers listed in Canada and the U.S., and has had responsibility for the oversight of preparation of financial statements, disclosure controls, internal financial controls and certification of financial statements to the U.S. Sarbanes-Oxley 404 Standards.

*Karyn Brooks* was appointed as a Director in March 2017. Ms. Brooks obtained her Chartered Accountant (Ontario and Alberta) designation in 1978 and was appointed a Fellow of the Chartered Professional Accounts of Ontario in 2009. She is a member of the boards and audit committees of Information Services Corporation and of Calgary Zoological Society, and has held a number of other audit committee seats and chaired other audit committees. She has also served as a senior officer of other listed issuers, and has had responsibility for the oversight of preparation of financial statements, disclosure controls, internal financial controls and certification of financial statements to the U.S. Sarbanes-Oxley 404 Standards.

*Paul A. Charette* is Chair of the Board of Directors. On October 7, 2011, Mr. Charette was appointed a member of the Audit Committee. Prior to September 2, 2011, Mr. Charette held non-independent director status as he had been the Chief Executive Officer of the Company until his retirement on September 2, 2008. In 2014, Mr. Charette resigned from the Audit Committee and was reappointed on May 9, 2015. With his 32 years of experience at the Company in a variety of senior management positions, including Chief Executive Officer, he has comprehensive understanding of accounting principles and financial analysis.

*D. Greg Doyle* has been on the Board of the Fund or the Company since May 2003, and has been a member of the Audit Committee since that time. Following the Audit Committee meeting on March 7, 2006, Mr. Doyle was appointed Chair of the committee. As former Managing Partner of KPMG LLP's Winnipeg office and as former Senior Partner at KPMG Polska, Mr. Doyle has a breadth of experience relating to the application of accounting principles, financial statement disclosure and understanding internal controls and procedures.

*Bonnie D. DuPont* has been on the Board of the Company since January 2011 and has been a member of the Audit Committee since that time. Having held a variety of positions at a senior management level during her working career, as well as being a graduate of the ICD Corporate Directors' Education Program, Ms. DuPont has a thorough understanding of accounting principles and financial analysis.

*Luc J. Messier* has been on the Board of the Company since February 2017 and a member of the Audit Committee since that time. Through his experience as Senior Vice-President Projects, Aviation and Chief Procurement Officer at ConocoPhillips, Mr. Messier has been closely involved with Enterprise Risk Management, including reviewing on a regular basis his global responsibilities with the Board Finance and Audit Committee. He has also served on the Board of Joint Venture Companies and subsidiaries of

ConocoPhillips. Mr. Messier serves on the Boards of Mercury and Da Camera, in Texas, and has been on the Finance and Audit Committee of Mercury.

*Ron D. Munkley* has been on the Board of the Company since October 2011 and has been a member of the Audit Committee since that time. Mr. Munkley retired in April 2009 as Vice Chairman and Head of the Power and Utility Business of CIBC World Markets. He had acted as an advisor on most Canadian utility transactions since joining CIBC World Markets in 1998. Prior to that, he was employed at Enbridge Consumers Gas for 27 years, culminating as Chairman, President and CEO. He led Enbridge Consumers Gas through deregulation and restructuring in the 1990s.

*Arni C. Thorsteinson* has been on the Board of the Fund or the Company since May 1991 and has been a member of the Audit Committee for most of that time. Mr. Thorsteinson is President of Shelter Canadian Properties Limited, a diversified real estate development and management company. He is also a director or trustee of Lanesborough Real Estate Investment Trust, Temple Hotels Inc. and Onex Corporation. Mr. Thorsteinson holds a Bachelor of Commerce (Honours) with a major in Accounting & Finance and a Doctor of Laws, *honoris causa*, from the University of Manitoba and is a Chartered Financial Analyst.

## 8.2 Pre-Approval Policies and Procedures

The Audit Committee has adopted specific policies and procedures for the engagement of non-audit services provided by the Company's external auditors. These procedures are contained in the Audit Committee Charter (included as Appendix B), which requires that the committee pre-approve, in accordance with applicable law, any non-audit services to be provided to the Company by the external auditor, with reference to compatibility of the service relative to the external auditor's independence.

## 8.3 External Auditor Service Fees (By Category)

Fees paid or payable to the external auditor for the last two fiscal years are summarized in the following table:

	2016	2015
Annual Audit Fees	\$ 405,000	\$ 393,000
Other Fees	41,729	-
Tax Fees	7,716	1,250
	<u>\$ 454,445</u>	<u>\$ 394,250</u>

Audit fees in 2016 and 2015 include fees for professional services rendered for the audit of the Company's annual financial statements.

Other fees incurred in 2016 relate to the development and audit of an enhanced ethical business practices program.

Tax fees incurred in 2016 and 2015 relate to advice provided on compliance matters.

## 8.4 Audit Committee Charter

See Appendix B for text of the Audit Committee Charter.

# 9. LEGAL PROCEEDINGS

In the normal course of business, the Company's wholly-owned operating entities engage in business activities that may expose it to potential legal proceedings. The Company and its operating entities are not currently party to legal proceedings that are considered material to the operations either individually or in the aggregate. Reasonable estimates for the cost of settlement of any known legal matters have been made by management and are included in the Company's consolidated financial statements for the year ended December 31, 2016.

# 10. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During 2016, Bird was involved in several construction contracts with Shelter Canadian Properties Limited or companies affiliated with them. Shelter Canadian Properties Limited is controlled by the family of Mr. A.C.

Thorsteinson, a Director of the Company. All contracts with Shelter Canadian Properties Limited or companies affiliated with them were completed on construction terms typical in the industry.

## **11. TRANSFER AGENTS AND REGISTRARS**

Computershare Trust Company of Canada  
Watermark Tower  
Suite 600, 530 8<sup>th</sup> Avenue SW  
Calgary, AB T2P 3S8

## **12. MATERIAL CONTRACTS**

There were no material contracts, other than contracts entered into in the ordinary course of business, entered into by the Company or its subsidiaries during the most recently completed financial year ended December 31, 2016 or before the most recently completed financial year but that are still in effect.

## **13. INTERESTS OF EXPERTS**

KPMG LLP are the auditors of the Company and have confirmed, with respect to the Company, that they are independent within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

## **14. ADDITIONAL INFORMATION**

Additional information, including information as to the Directors' and Officers' remuneration and principal holders of securities of the Company, as applicable, is contained in the Company's Management Information Circular for the Annual General Meeting of shareholders to be held on May 12, 2017. Additional financial information is provided in the Company's financial statements and MD&A for the year ended December 31, 2016. A copy of these documents may be obtained upon request from Karen Savich, Executive Administration, at 5700 Explorer Drive, Suite 400, Mississauga, Ontario L4W 0C6. Such reports have also been filed with applicable securities regulatory authorities and are available, along with additional information relating to the Company, on SEDAR at [www.sedar.com](http://www.sedar.com).

This Annual Information Form contains forward-looking statements, which involve risks and uncertainties that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include changes in government policy relating to the cyclical nature of the construction industry, changes in interest rates and general economic conditions, adverse weather, cost and availability of materials used to manufacture the Company's products, competitive developments affecting the building products industry, and the risk factors described from time-to-time in the reports and disclosure documents filed by the Company with Canadian Securities regulatory agencies and commissions. The list is not exhaustive of the factors that may impact the Company's forward-looking statements. These and other factors should be considered carefully and readers should not place undue reliance on the Company's forward-looking statements. As a result of the foregoing and other factors, no assurance can be given as to any such future results, level of activity or achievements and neither the Company nor any other person assumes responsibility for the accuracy and completeness of these forward-looking statements. The factors underlying current expectations are dynamic and subject to change. The Company undertakes no obligation to update forward-looking statements contained in this document.

## 15. BOARD OF DIRECTORS MANDATE - APPENDIX A

The following is the text of the Corporate Governance Guidelines and Board of Directors Mandate:

The Board of Directors (the "Board") of Bird Construction Inc. (the "Company" or "Bird") is elected by the Company's Shareholders (the "Shareholders") and is responsible for the stewardship of the investments, affairs and business of the Company in accordance with obligations under the articles of incorporation, by-laws and applicable law.

Within its stewardship responsibility, the Board's role is to preserve and enhance the viability of the Company and to ensure that it is managed with a view to the best interests of the Company. The Board delegates the responsibility for the day-to-day conduct of business to management of the Company, through its Chief Executive Officer ("CEO"), within a policy and budget framework established by the Board. In executing their responsibilities, each of the members of the Board is entitled to rely in good faith on the advice, reports and opinions of management of the Company.

### Core Responsibilities

#### Board of Directors

The core responsibilities of the Board include stewardship and oversight in the following areas:

*i. Strategic Planning and Annual Business Plan*

The Board ensures that the Company adopts a strategic and annual planning process to guide its activities. The Board meets periodically to review the plans. In addition, at each regular meeting, the Board reviews the Company's overall business strategies, its business plan, as well as major strategic initiatives to evaluate whether the Company's proposed actions are generally in accordance with its objectives.

*ii. Identification of Principal Risks*

The Board, directly and through the Audit and the Human Resources, Safety and Governance Committees, reviews the principal risks of the Company's business and the appropriateness of the systems put in place to manage these risks.

*iii. Selection and Remuneration of the CEO and the Senior Management Team*

The Board is responsible for selecting the CEO and for approving the selection of the members of the senior management team. Communication with the management team is through the CEO and the Board is responsible for judging the effectiveness of the CEO. The Board is also responsible for providing an effective system of remuneration. These functions are performed with the benefit of advice from the Human Resources, Safety and Governance Committee.

*iv. Succession Planning*

On a regular basis, the Board, acting through the HRS&G Committee, reviews a succession plan, developed by management, addressing the policies and principles for selecting a successor to the CEO and other key senior management positions, both in an emergency situation and in the ordinary course of business. The succession plan should include an assessment of the experience, performance, skills and planned career paths for possible successors to the CEO currently in the Company's senior management.

*v. Financial Reporting and Internal Controls*

The Board, acting through the Audit Committee, oversees the financial reporting and disclosures of the Company. This includes:

- a. Approval of the quarterly earnings press releases and related disclosure documents;
- b. Monitoring the implementation of appropriate internal control systems to ensure the accuracy and timeliness of the information;

- c. Monitoring and administration of the Whistleblower Policy, which provides for an anonymous method of delivering complaints with respect to accounting, internal control and auditing matters.
- vi. *Financial Planning and Investments*
  - a. Business Plan  
Review and approve the Company's Annual Business Plan, including the annual Operating and Capital Budgets. Review periodic financial forecasts.
  - b. Investment Opportunities  
Review and assess investment opportunities of a value exceeding management's authority, in accordance with procedures established by the Board from time-to-time.
  - c. Guidelines and Policies  
Review and approve guidelines and policies for the investing of cash in money market products and marketable securities and review reports from management on the results of such investments against established policies and benchmarks.
  - d. Additional Funds for Investment  
Review and assess management's plans with respect to raising additional funds, whether through debt or capital, in accordance with procedures established by the Board from time-to-time.

## **Board Composition**

### **Board Composition**

The composition of the Board should balance the following goals:

- i. The size of the Board should facilitate substantive discussions of the whole Board in which each Director ("Director") can participate meaningfully.
- ii. The composition of the Board should encompass a broad range of skills, expertise, industry knowledge, diversity of opinion and contacts relevant to the affairs and business of the Company.
- iii. Membership on the Board shall include an appropriate number of members whom the Board has determined have no material relationship with the Company or the Company's principal Shareholders and who are otherwise considered independent as contemplated by the corporate governance guidelines published by the Canadian Securities Administrators (the "CSA Guidelines") and under the rules of the Toronto Stock Exchange ("TSX").

### **Selection of Directors**

The Human Resources, Safety and Governance Committee is responsible for recommending to the Board, from time-to-time, a list of potential Directors meeting the Company's general criteria for Board membership, as well as suitable nominees to fill specific vacancies occurring between annual meetings of Shareholders. The processes used by the committee as well as the basis for its recommendations are outlined in the terms of reference for the Human Resources, Safety and Governance Committee. The Board is responsible for selecting nominees for election to membership on the Board for presentation at the annual meeting of Shareholders.

Following the attainment of age 75, a Director will offer to retire from the Board of Directors at the next annual meeting of shareholders. The Board of Directors will collectively evaluate the performance of the Director and may request that the Director continue in their capacity on the Board for an additional year. The process will be continued on an annual basis until such time as either the Board of Directors accept the member's offer to retire or the Board member elects to tender their resignation from the Board.

### **Orientation and Continuing Education**

The Human Resources, Safety and Governance Committee is responsible for the continuing education of Directors as outlined in the committee's terms of reference.

## **Board Committees**

### *Committees*

The standing committees of the Board are the Audit Committee and the Human Resources, Safety and Governance Committee. Each of these committees has written terms of reference (acting as a form of committee charter) satisfying at a minimum, applicable legislative and TSX rules.

All Directors, whether members of specific committees or not, may request attendance at any committee meeting and may make suggestions to committee Chairs for additions to the agenda of the committee or to request that an item from a committee agenda be considered by the Board. Each committee Chair will give periodic reports of the committee's activities to the Board.

### *Assignment of Committee Members*

The Board is responsible for recommending the assignment of Board members to its committees and the selection of the committee Chairs.

## **Board Meeting Procedures**

### *Frequency of Meetings*

The Board holds regularly scheduled meetings on a quarterly basis as well as additional special meetings to consider particular issues. Special meetings may be called from time-to-time as determined by the needs of the Company.

### *Selection of Agenda Items for Board Meetings*

The Chair establishes the agendas for Board meetings. Any Board member, however, may recommend the inclusion of specific agenda items. The agenda is distributed in advance of a meeting to each Director.

### *Board Materials Distributed in Advance*

Information, data and presentation materials that are important to the Board's understanding of the affairs and business of the Company are distributed in writing to the Board before each meeting. Management of the Company should provide materials that are as concise as possible while giving Directors sufficient information, and time for review (subject to availability of time sensitive materials), to make informed decisions. Under certain circumstances, written materials may be unavailable to Directors in advance of a meeting, and certain items to be discussed at Board meetings may be of a sensitive nature such that the distribution of materials on these matters prior to the Board meeting would not be appropriate.

### *Management at Meetings*

The Board may invite members of management of the Company, in addition to the President and Chief Executive Officer ("CEO") and the Chief Financial Officer ("CFO"), to attend Board meetings and to make presentations and provide additional insight into the various issues brought before the Board.

### *In Camera Meetings*

To encourage free and open discussion and communication among the independent members of the Board, the Directors meet during, or at the end of each regularly scheduled Board meeting or as required at each special Board meeting, without non-independent Directors and members of management present.

## **Expectations of Directors**

### *Commitment and Attendance*

All Directors should make every effort to attend all meetings of the Board and meetings of committees of which they are members. Although attendance in person is encouraged, members may attend by telephone or videoconference to mitigate schedule conflicts.

### Participation in Meetings

Each Director should be sufficiently familiar with the affairs and business of the Company, including its financial statements and capital structure, and the risks it faces, to facilitate active and effective participation in the deliberations of the Board and of each committee on which he or she serves.

### Financial Knowledge

One of the most important roles of the Board is to monitor financial performance. A Director must know how to read financial statements, and should understand the use of financial ratios and other indices for evaluating financial performance.

### Ethical Business Conduct

The Company has adopted a written code of ethics. All Directors are made aware that they are expected to exhibit high standards of personal integrity, honesty and ethical business conduct, disclose any potential conflict of interest and abide by the Company's trading blackout period policies.

### Other Directorships

The Company values the experience Directors bring from other Boards on which they serve, but recognizes that those Boards may also present demands on a Director's time and availability, and may also present conflicts or legal issues. Directors should advise the Chair of the Human Resources, Safety and Governance Committee before accepting any new membership on other Boards of directors or trustees or any other significant commitment involving an affiliation with other related businesses or governmental units.

### Contact with Management

All Directors are invited to contact the CEO at any time to discuss any aspect of the affairs or business of the Company. While respecting organizational relationships and lines of communication, Directors have complete access to members of management. There will be frequent opportunities for Directors to meet with the CEO, CFO and other members of management of the Company in Board and committee meetings and in other formal or informal settings.

### Confidentiality

The proceedings and deliberations of the Board and its committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her services.

## **Board Compensation**

The Board, acting through the Human Resources, Safety and Governance Committee, conducts a review on a regular basis of the components and amount of Board compensation in relation to other similar companies.

## **Chair of the Board**

### General Functions

The Chair of the Board (the "Chair") shall provide leadership to the Board with respect to its functions as described in these guidelines and as otherwise may be appropriate. The Chair shall act as chair of meetings of the Board and, for such purpose, shall determine the agenda for each meeting of the Board in consultation with the Corporate Secretary.

The Chair shall oversee the preparation for and management of, and he or she shall preside over, meetings of the Shareholders of the Company.

### Additional Responsibilities

The duties and responsibilities for the position of Chair shall also include the following:

- i. Establishing procedures to govern the Board's work including the location and time of meetings of the Board and the procedures to be followed with respect to meetings of the Board, including determining who may be present at such meetings in addition to the Directors and the Corporate Secretary.



- ii. Ensuring the Board has adequate resources, especially by way of full, timely and relevant information to support its decision-making requirements.
- iii. Working with the Chairs of the Board committees to coordinate the schedule of meetings for such committees.
- iv. Ensuring that delegated committee functions are carried out and reported to the Board.
- v. Attending, as required, all meetings of Board committees.
- vi. Meeting periodically with the Corporate Secretary to review governance issues including the level of communication between management and the Board.
- vii. Carrying out such other duties as may be reasonably requested by the Board as a whole, depending on its evolving needs and circumstances.

#### Appointment

The Chair shall be appointed by the Board after consideration of the recommendation of the Human Resources, Safety and Governance Committee. He or she shall hold office until the first meeting of the Directors following the Annual Meeting of Shareholders.

#### Resources

The Chair shall have sufficient resources to discharge the responsibilities of the Chair. The Chair shall be empowered to engage outside advisors, as may be appropriate from time-to-time, to provide advice with respect to his or her or the Board's duties and responsibilities and to approve the fees and retention terms for such outside advisors.

#### Lead Director

The Lead Director will assume the role of Chair of the Board in the absence of the Chair or when the Chair has a conflict of interest.

## 16. AUDIT COMMITTEE CHARTER - APPENDIX B

The following is the text of the Audit Committee Charter:

### Purpose

The Board of Directors of the Company (the "Board") has established an Audit Committee (the "Committee") to take steps on its behalf as are necessary to assist the Board in fulfilling their oversight responsibilities regarding the following financial matters:

- i. the integrity of the financial statements;
- ii. the internal control systems of the Company;
- iii. the external audit process;
- iv. the internal audit process, if any;
- v. risk management;
- vi. the Company's compliance with legal and regulatory requirements; and
- vii. any additional duties set out in this charter or otherwise delegated to the Committee by the Board.

### Composition & Qualifications

The Board of Directors will in each year, immediately following the Annual General Meeting or as required in the event of a vacancy, appoint a minimum of four (4) Directors as members of its Committee. All members of the Committee shall be non-management Directors who have not served as CEO of the Company within the past five years or as an executive of the Company within the past three years. In addition, the Committee will be comprised of independent Directors, as required by all applicable corporate, exchange and securities statutes, laws and regulations in Canada.

All members of the Committee shall be financially literate. While the Board shall determine the definition of and criteria for financial literacy, this shall, at a minimum, include the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Company's financial statements and as defined in Part 1, item 1.5 of Multilateral Instrument 52-110.

The Chief Executive Officer ("CEO") of the Company, the Chief Financial Officer ("CFO") of the Company, the external auditor and Directors who are not otherwise members of the Committee may be invited to attend all meetings of the Committee as a guest and shall not vote. The CEO and CFO shall not attend in-camera sessions.

### Duties & Responsibilities

The Committee shall have the following duties, where applicable:

#### *Financial Reporting and Disclosure*

##### *a) Annual Financial Statements*

Review with management of the Company and the external auditor, the audited annual consolidated financial statements of the Company, all related documents including Management's Discussion & Analysis ("MD&A"), Annual Information Form ("AIF"), Management Information Circular ("MIC"), and complete Annual Report, and recommend the approval of such documents to the Board.

##### *b) Quarterly Review*

Review the quarterly consolidated financial statements of the Company and the related MD&A and recommend the approval of such documents to the Board and also determine the extent of the involvement of the external auditor, if any, in reviewing quarterly financial statements.

*c) Certifications*

Review certification by the CEO and CFO as to the accuracy and completeness of the Company's reports and filings with the securities regulators and the TSX.

*d) Significant Accounting Principles and Disclosure Issues*

Review with management of the Company and the external auditor, significant accounting principles and disclosure issues, including complex or unusual transactions, highly judgmental areas such as reserves or cost to complete estimates, significant changes to accounting principles, and alternative treatments under Canadian GAAP for material transactions. This shall be undertaken with a view to understanding their impact on the consolidated financial statements, and to gaining reasonable assurance that the statements are accurate, complete, do not contain any misrepresentations, and present fairly the Company's financial position and the results of its operations in accordance with Canadian GAAP.

*e) Compliance*

Confirm through discussions with management of the Company that Canadian GAAP and all applicable laws or regulations related to financial reporting, statutory obligations and disclosure have been complied with.

*f) Legal Events*

Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Company's consolidated financial statements, and the manner in which these have been reflected in the consolidated financial statements.

*g) Off-Balance-Sheet Transactions*

Discuss with management of the Company, the effect of off-balance-sheet transactions, arrangements, obligations and other relationships with non-consolidated entities or other persons, if any, that may have a material current or future effect on the Company's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, distributable cash disclosures or significant components or revenues and expenses.

*h) Other Disclosures*

Satisfy itself that adequate procedures are in place for the review of the Company's public disclosure of financial information, other than the public disclosure of the information referred to above, and periodically assess the adequacy of those procedures.

*Oversight of Internal Controls*

*a) Review and Assessment*

Review and assess the adequacy and effectiveness of the Company's system of internal control and management information systems through discussions with management and the external auditor and include a review of any management letter prepared by the external auditor.

*b) Oversight*

Oversee system of internal control, by:

- reviewing with management of the Company, documentation and conclusion about the effectiveness of internal controls identified in the Company's ongoing review of the design and reliability of internal controls over financial reporting, including disclosures in the MD&A;
- reviewing with management of the Company, its philosophy with respect to internal controls and, on a regular basis, all significant control-related findings together with management's response;
- monitoring and reviewing policies and procedures for internal accounting, financial control and management information;
- consulting with the external auditor regarding the adequacy of the Company's internal controls; and

- obtaining from management of the Company adequate assurances that all statutory payments and withholdings have been made.
- c) *Fraud*  
Confirm investigations of alleged fraud and illegality relating to the Company's finances.
- d) *Complaints*
- Confirm with management of the Company that appropriate procedures exist for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters, the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters, and for the protection from retaliation of those who report such complaints in good faith.
  - Reviewing any complaints received by the Audit Committee Chair pursuant to the Company's Whistleblower Policy.

### *External Audit*

- a) *Appointment or Replacement*  
Recommend the appointment or replacement of the Company's external auditor to the Board, who will consider the recommendation prior to submitting the nomination to the shareholders for their approval.
- b) *Compensation*  
Review with management of the Company, and make recommendations to the Board, regarding the compensation of the external auditor. In making a recommendation with respect to compensation, the Committee shall consider the number and nature of reports issued by the external auditor, the quality of internal controls, the size, complexity and financial condition of the Company, and the extent of internal audit, if any, and other support provided by the Company to the external auditor.
- c) *Reporting Relationships*  
The external auditor will report directly to the Company's Audit Committee.
- d) *Performance*  
Review with management of the Company, on a regular basis, the terms of the external auditor's engagement, accountability, experience, qualifications and performance. Evaluate the performance of the external auditor.
- e) *Transition*  
Review management's plans for an orderly transition to a new external auditor, if required.
- f) *Audit Plan*  
Review the audit plan and scope of the external audit with the external auditor and management of the Company.
- g) *Audit Plan Changes*  
Discuss with the external auditor any significant changes required in the approach or scope of their audit plan, management's handling of any proposed adjustments identified by the external auditor, and any actions or inactions by management that limited or restricted the scope of their work.
- h) *Review of Results*  
Review, in the absence of management of the Company, the results of the annual external audit, the audit report thereon, the auditor's review of the related MD&A, AIF, MIC and any management letter prepared by the external auditor, and discuss with the external auditor the quality (not just the acceptability) of accounting principles used, major risk factors, any alternative treatments of financial information that have been discussed with management, the ramification of their use and the auditor's preferred treatment, and any other material communications with management. The auditors shall confirm to the Committee that no limitations were placed on the scope or nature of their audit procedures.

- i) Disagreements with Management*  
Resolve any disagreements between management of the Company and the external auditor regarding financial reporting.
- j) Material Written Communications*  
Review all other material written communications between the external auditor and management of the Company, including the post-audit management letter containing the recommendations of the external auditor, management's response and, subsequently, follow up identified weaknesses.
- k) Other Audit Matters*  
Review any other matters related to the external audit that are to be communicated to the Committee under generally accepted auditing standards.
- l) Meeting with External Auditor*  
Meet with the external auditor in the absence of management of the Company at least annually to discuss and review specific issues, as appropriate, as well as any significant matters that the auditor may wish to bring to the Committee for its consideration.
- m) Correspondence*  
Review with management of the Company and the external auditor any correspondence with regulators or governmental agencies, employee complaints or published reports that raise material issues regarding the Company's consolidated financial statements or accounting policies.
- n) Independence*  
At least annually, and before the external auditor issues its report on the annual consolidated financial statements, review and confirm the independence of the external auditor through discussions with the auditor on their relationship with the Company, including details of all non-audit services provided. Consider the safeguards implemented by the external auditor to minimize any threats to their independence, and take action to eliminate all factors that might impair, or be perceived to impair, the independence of the external auditor. Consider the number of years the lead audit partner has been assigned to the Company, and consider whether it is appropriate to recommend to the Board a policy of rotating the lead audit partner.
- o) Non-Audit/Audit Services*  
Pre-approve any non-audit services to be provided to the Company by the external auditor, with reference to compatibility of the service with the external auditor's independence.
- p) Hiring Policies*  
Review and approve the hiring policies of the Company regarding partners, employees and former partners and employees of the present or former external auditor.
- q) Personnel*  
Discuss with the external auditors, the competency of the Company's financial and accounting personnel.
- r) Management's Comments*  
Review with management of the Company, the responsiveness of the auditors to the Company's needs.

#### ***Internal Audit***

Review and approve management's decision relating to any potential need for internal auditing, including whether this function should be outsourced and if such function is outsourced, approve the supplier of such service.

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

##### **Adequacy of Policies and Procedures**

Review and assess annually, the adequacy of the Company's major financial risk management policies

and procedures with regard to identification of the Company's major financial risks. Review and assess the adequacy of the implementation of appropriate systems to mitigate and manage the risks, and report regularly to the Board.

### *Compliance*

- a) *Filings with Regulatory Authorities*  
Review with management of the Company, the Company's relationship with regulators, and the timeliness and accuracy of Company filings with regulatory authorities.
- b) *Code of Ethics*  
Review the Board's Code of Ethics and the Company's Employee Code of Ethics and confirm that adequate and effective systems are in place to enforce compliance.

### *Communication*

- a) *Communication Channels*  
Establish and maintain direct communication channels with management of the Company, the external auditor and the Board to discuss and review specific issues as appropriate.
- b) *Coordination with Management*  
The Committee will coordinate with management of the Company on audit and financial matters, and will:
  - meet privately with management of the Company at least quarterly to discuss any areas of concern to the Committee or management; and
  - review expenses incurred by the Chair of the Board and CEO of the Company. Ensure that the CEO reviews all expenses incurred by direct executive reports of the CEO.

### *Related Party Transactions*

Review with management of the Company all related party transactions and the development of policies and procedures related to those transactions.

### *Board Relationship and Reporting*

- a) *Adequacy of Charter*  
Review and assess the adequacy of the Audit Committee Charter annually and submit such amendments as the Committee propose to the Board.
- b) *Disclosure*  
Oversee appropriate disclosure of the Audit Committee Charter, and other information required to be disclosed by applicable legislation, in the Company's AIF, MD&A and MIC and all other applicable disclosure documents.
- c) *Reporting*  
Report regularly to the Board on Committee activities, issues and related recommendations.

### Chair

The Board will in each year appoint the Chair of its Committee. The Chair shall have accounting or related financial expertise. In the Chair's absence, or if the position is vacant, the Committee may select another member as Chair. The Chair will have the right to exercise all powers of the Committee between meetings but will attempt to involve all other members as appropriate prior to the exercise of any powers and will, in any event, advise all other members of any decisions made or powers exercised.

### Meetings

The Committee shall meet at the request of its Chair, but in any event they will meet at least four times a year and as many additional times as the Committee deems necessary. Notices calling meetings shall be sent to all Committee members, to the CEO and CFO of the Company, to the Chair of the Board and to all other Directors.

The external auditor or any member of the Committee may call a meeting of the Committee.

### **Quorum**

A majority of members of the Committee, whether present in person, by teleconferencing, or by videoconferencing will constitute a quorum.

### **Removal And Vacancy**

A member may resign from the Committee, may be removed and replaced at any time by the Board, and will automatically cease to be a member as soon as the member ceases to be a Director. The Board will fill vacancies on the Committee by appointment from amongst the Directors of the Board in accordance with the "Composition & Qualifications" section in this Charter. Subject to quorum requirements, if a vacancy exists on the Committee, the remaining members will exercise all the Committee's powers.

### **Experts And Advisors**

The Committee may retain or appoint, at the Company's expense, such experts and advisors as it deems necessary to carry out its duties, and to set and pay their compensation. The Committee shall provide notice to the Board of its actions in this regard.

### **Orientation**

The Committee shall adopt an orientation program for new Committee members. All committee members are encouraged to attend educational programs to enhance their Audit Committee membership, as they feel appropriate, and the costs of each program will be paid by the Company.

### **Secretary And Minutes**

The Chief Financial Officer of the Company, or such other person as may be appointed by the Chair of the Committee, will act as Secretary of the Committee. The minutes of the Committee will be in writing and duly entered into the books of the Company. The minutes of the Committee will be circulated to all members of the Board.

### **Other Advisors**

Subject to the prior approval of the Board, the Committee is granted the authority to investigate any matter or activity involving financial accounting and financial reporting, as well as the internal controls of the Company. In that regard, the Committee will have the authority to approve the retention of external professionals to render advice and counsel in such matters. All employees will be directed to cooperate with respect thereto as requested by members of the Committee.

### **Limitation On Committee's Duties**

While the Audit Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's consolidated financial statements and disclosures are complete and accurate and are in accordance with generally accepted accounting principles and applicable rules and regulations. These are the responsibilities of either management of the Company and/or the external auditor.

In discharging their duties, each member of the Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter, including designating any member of the Committee as an "audit committee financial expert" is intended, or should be determined to impose on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which all members of the Board are subject.

The essence of the Committee's responsibilities is to monitor and review the activities described in this Charter to gain reasonable assurance (but not to ensure) that such activities are being conducted properly and effectively by the Company.