



## **Fortress Paper Ltd.**

### **NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING AND MANAGEMENT INFORMATION CIRCULAR**

Time: May 23, 2017, at 3:00 p.m. (Vancouver Time)

Place: **1000 - 925 West Georgia Street  
Vancouver, British Columbia  
Canada**

**FORTRESS PAPER LTD.**

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**NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS  
TO BE HELD ON MAY 23, 2017**

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TO: The Shareholders of Fortress Paper Ltd.

NOTICE IS HEREBY GIVEN that the annual general and special meeting of shareholders of Fortress Paper Ltd. (the "**Corporation**") will be held at 1000 - 925 West Georgia Street, Vancouver, British Columbia, Canada, on Tuesday, May 23, 2017, at 3:00 p.m. (Vancouver time) (the "**Meeting**"), for the following purposes:

1. to receive the audited consolidated financial statements of the Corporation for the financial year ended December 31, 2016, together with the report of the auditors thereon;
2. to fix the number of directors of the Corporation to be elected at a maximum of six;
3. to elect directors of the Corporation for the ensuing year;
4. to appoint the auditors of the Corporation for the ensuing year and to authorize the directors to fix their remuneration;
5. to consider and approve an ordinary resolution ratifying, confirming and approving the adoption of a shareholder rights plan, as more fully described in the accompanying Management Information Circular; and
6. to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof.

Accompanying this Notice of Meeting is the management information circular, a form of proxy and a financial statement request form.

Registered shareholders who are unable to attend the Meeting are requested to complete, sign, date and return the enclosed form of proxy in accordance with the instructions set out therein and in the management information circular accompanying this Notice of Meeting. A proxy will not be valid unless it is received by Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s) thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.

DATED at Vancouver, British Columbia, this 21<sup>st</sup> day of April, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS**

/s/ Yvon Pelletier

Yvon Pelletier

Chief Executive Officer and President

*If you are a non-registered shareholder of the Corporation and receive these materials through your broker or through another intermediary, please complete and return the materials in accordance with the instructions provided to you by your broker or by the other intermediary. Failure to do so may result in your shares not being eligible to be voted by proxy at the Meeting.*

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## MANAGEMENT INFORMATION CIRCULAR

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*UNLESS OTHERWISE NOTED, INFORMATION IS PROVIDED AS AT APRIL 21, 2017 FOR THE ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS TO BE HELD ON MAY 23, 2017 (THE "MEETING").*

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**This management information circular (the "Information Circular") is furnished in connection with the solicitation of proxies by management of Fortress Paper Ltd. (the "Corporation") for use at the Meeting and at any adjournment(s) or postponement(s) thereof, at the time and place and for the purposes set forth in the accompanying notice of meeting dated April 21, 2017 (the "Notice of Meeting").**

It is expected that the solicitation will be primarily by mail. Proxies may also be solicited personally by officers of the Corporation at nominal cost. The cost of this solicitation will be borne by the Corporation. The Notice of Meeting, form of proxy (the "**Proxy**") together with a financial statement request form and this Information Circular will be mailed to beneficial owners of Class A common shares of the Corporation ("**Common Shares**") commencing on or about April 25, 2017. In this Information Circular, except where otherwise indicated, all dollar amounts are expressed in Canadian currency.

### RECORD DATE

The board of directors of the Corporation (the "**Board**") has set the close of business on April 18, 2017, as the record date (the "**Record Date**") for determining which shareholders of the Corporation shall be entitled to receive notice of and to vote at the Meeting. Only shareholders of record as of the Record Date are entitled to receive notice of and to vote at the Meeting, unless after the Record Date a shareholder of record transfers his, her or its Common Shares and the transferee (the "**Transferee**"), upon establishing that the Transferee owns such Common Shares, requests in writing, at least ten days prior to the Meeting or at any adjournment(s) or postponement(s) thereof, that the Transferee may have his, her or its name included on the list of shareholders entitled to vote at the Meeting. In such case, the Transferee, upon fulfilling the necessary requirements, will be entitled to vote such shares at the Meeting. Such written request by the Transferee shall be filed with the Corporate Secretary of the Corporation at 2<sup>nd</sup> Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2.

### APPOINTMENT OF PROXYHOLDERS

**The persons named in the accompanying Proxy as proxyholders are management's representatives. A shareholder of the Corporation wishing to appoint some other person or company (that need not be a shareholder of the Corporation) to represent him, her or it at the Meeting may do so either by striking out the printed names and inserting the desired person or company's name in the blank space provided in the Proxy or by completing another Proxy and, in either case, delivering the completed Proxy to the office of Computershare Investor Services Inc., 8<sup>th</sup> Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1 not less than 48 hours (excluding Saturdays, Sundays and holidays) before the time fixed for the Meeting or any adjournment(s) or postponement(s), thereof. The chairman of the Meeting has the discretion to accept proxies received after that time.**

### VOTING OF PROXIES

If the Proxy is completed, signed and delivered to the Corporation, the person(s) named as proxyholder therein shall vote or withhold from voting the Common Shares in respect of which they are appointed as proxyholder at the Meeting in accordance with the instructions of the shareholder of the Corporation appointing them, on any show of hands and/or on any ballot that may be called for, and if the shareholder specifies a choice with respect to any matter to be acted upon at the Meeting, the person(s) appointed as proxyholder shall vote accordingly. The Proxy confers discretionary authority upon the person(s) named therein with respect to: (a) each matter or group of matters identified therein for which a choice is not specified; (b) any amendment to or variation of any

matter identified therein; and (c) to transact such other business as may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Information Circular, the Board knows of no such amendments, variations or other matters to come before the Meeting, other than matters referred to in the Notice of Meeting. However, if other matters should properly come before the Meeting, the Proxy will be voted on such matters in accordance with the best judgment of the person(s) voting the Proxy.

**If no choice is specified by a shareholder of the Corporation with respect to any matter identified in the Proxy or any amendment or variation to such matter, it is intended that the persons designated by management in the Proxy will vote the shares represented thereby in favour of such matter.**

### **NON-REGISTERED HOLDERS**

**Only registered shareholders or duly appointed proxyholders are permitted to vote at the Meeting. Most shareholders of the Corporation are "non-registered shareholders" because the shares they own are not registered in their name but are instead registered in the name of the brokerage firm, bank or trust company through which they purchased their shares.** More particularly, a person is not a registered shareholder in respect of shares which are held on behalf of that person (the "**Non-Registered Holder**") but which are registered either: (a) in the name of an intermediary (an "**Intermediary**") that the Non-Registered Holder deals with in respect of the shares (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs, TFSA's and similar plans); or (b) in the name of a clearing agency or depository (such as The Canadian Depository for Securities Limited) of which the Intermediary is a participant. In accordance with the requirements of applicable securities laws, the Corporation has distributed copies of the Notice of Meeting, this Information Circular and the Proxy together with a financial statement request form (collectively, the "**Meeting Materials**") to the depositories and Intermediaries for onward distribution to Non-Registered Holders.

Intermediaries are required to forward the Meeting Materials to Non-Registered Holders unless a Non-Registered Holder has waived the right to receive them. Very often, Intermediaries will use service companies to forward the Meeting Materials to Non-Registered Holders. Generally, Non-Registered Holders who have not waived the right to receive Meeting Materials will either:

- (a) be given a Proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of shares beneficially owned by the Non-Registered Holder but which is otherwise not completed. Because the Intermediary has already signed the Proxy, this Proxy is not required to be signed by the Non-Registered Holder when submitting the Proxy. In this case, the Non-Registered Holder who wishes to submit the Proxy should otherwise properly complete the Proxy and deliver it to the offices of the Corporation; or
- (b) more typically, be given a voting instruction form which is not signed by the Intermediary and which, when properly completed and signed by the Non-Registered Holder and returned to the Intermediary or its service company, will constitute voting instructions (often called a proxy authorization form) which the Intermediary must follow.

In either case, the purpose of this procedure is to permit Non-Registered Holders to direct the voting of the shares which they beneficially own. Should a Non-Registered Holder who receives one of the above forms wish to vote at the Meeting in person, the Non-Registered Holder should strike out the names of the management proxyholders and insert the Non-Registered Holder's name in the blank space provided, or in the case of a proxy authorization form, follow the corresponding instructions on the form. **In either case, Non-Registered Holders should carefully follow the instructions of their Intermediary, including those regarding when and where the Proxy or proxy authorization form is to be delivered.**

## REVOCABILITY OF PROXY

Any shareholder of the Corporation returning the enclosed Proxy may revoke the same at any time insofar as it has not been exercised. In addition to revocation in any other manner permitted by law, a Proxy may be revoked by instrument in writing duly executed by the shareholder or by his attorney authorized in writing or, if the shareholder is a corporation, under its corporate seal or by an officer or attorney thereof duly authorized, and delivered either to Computershare Investor Services Inc. or to the registered office of the Corporation at any time up to and including the last business day preceding the day of the Meeting or any adjournment(s) or postponement(s) thereof, or with the chairperson of the Meeting prior to the commencement of the Meeting. A revocation of a Proxy will not affect a matter on which a vote is taken before the revocation.

## VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF

The Corporation's authorized capital consists of an unlimited number of Common Shares without par value and an unlimited number of Class B preferred shares with a par value of \$1,000 having the preferences, rights, conditions, restrictions, limitations and prohibitions set forth in the articles of the Corporation (the "**Articles**"). As at the Record Date, there were a total of 14,314,121 Common Shares of the Corporation outstanding. Each Common Share entitles the holder thereof to one vote. No Class B preferred shares were outstanding as at the Record Date.

The following table lists, to the knowledge of management of the Corporation, those persons or companies who beneficially own, directly or indirectly, or exercise control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to any class of voting securities of the Corporation as at the date hereof.

Name	Number of Common Shares	Percentage of Common Shares
Chadwick Wasilenkoff <sup>(1)</sup>	2,434,702	17.01%

<sup>(1)</sup> As at the date hereof, Mr. Wasilenkoff also has options to purchase 471,475 Common Shares, and 126,785 deferred share units representing one Common Share per unit.

## ELECTION OF DIRECTORS

At the meeting, the shareholders will be asked to consider and, if thought advisable, approve an ordinary resolution setting the number of directors to be elected at a maximum of six.

The Board is recommending six persons (the "**Nominees**") for election at the Meeting. Each of the Nominees whose name appears below is proposed by the Board to be nominated for election as a director of the Corporation to serve until the next annual general meeting of the shareholders or until the director sooner ceases to hold office.

In accordance with the rules of the Toronto Stock Exchange (the "**TSX**"), the Board has unanimously adopted a majority voting policy (the "**Majority Voting Policy**") whereby, at uncontested shareholder meetings, any nominee for director who has more votes withheld than are voted in favour of him or her shall submit his or her resignation to the Board for consideration following the meeting. The Corporate Governance and Environmental, Health and Safety Committee (the "**Corporate Governance Committee**") shall consider the offer of resignation and shall recommend to the Board whether or not to accept it. The Board shall review and act on the Corporate Governance Committee's recommendation within 90 days following the applicable meeting and shall promptly disclose, via press release, its decision whether to accept the director's resignation offer. If the Board declines to accept the resignation, it will include in the applicable press release the reasons for its decision. The Board will be expected to accept the resignation except in situations where exceptional circumstances would warrant the director to continue to serve on the Board. If a resignation is accepted, the Board may, in accordance with the *Business Corporations Act* (British Columbia) and the Articles and previously-passed shareholders' resolutions, appoint a new director to fill any vacancy created by the resignation.

or reduce the size of the Board. In the event that any director who received a majority withheld vote does not tender his or her resignation in accordance with the Majority Voting Policy, he or she will not be re-nominated by the Board.

On May 6, 2013, the Board adopted an advance notice policy (the "**Advance Notice Policy**") setting out requirements for director nominations and elections. On June 13, 2014, the shareholders of the Corporation approved the adoption of the Advance Notice Policy. See "*Corporate Governance – Advance Notice Policy*".

The following table states the names of each Nominee, all offices of the Corporation now held by him, his present principal occupation, the period of time for which he has been a director of the Corporation and the number of Common Shares of the Corporation beneficially owned by him, directly or indirectly, or over which he exercises control or direction, as at the date hereof.

Name, province and country of residence	Present principal occupation	Current and former position(s) with the Corporation (if applicable)	Director since	Number of securities held
Chadwick Wasilenkoff <sup>(1)</sup> California, USA	Executive Chairman of the Corporation	Executive Chairman	August 1, 2006	Common Shares: 2,434,702 Options: 471,475 Deferred Share Units: 126,785
Joe Nemeth <sup>(1)(2)(3)</sup> British Columbia, Canada	President and Chief Executive Officer of Catalyst Paper Corporation	Lead Director	October 17, 2012	Common Shares: 20,400 Deferred Share Units: 67,367
Anil Wirasekara <sup>(3)(4)</sup> British Columbia, Canada	Chief Financial Officer and Executive Vice President of Macdonald Dettwiler & Associates Ltd.	Director	May 3, 2013	Common Shares: 25,000 Deferred Share Units: 40,414
Terrence P. Kavanagh <sup>(1)(2)(3)(4)</sup> Ontario, Canada	Business consultant. Previously, Mr. Kavanagh held the position of President of Tembec SAS, a subsidiary of Tembec Inc.	Director	June 13, 2014	Deferred Share Units: 17,069
Gerald Gaetz <sup>(2)(4)</sup> Ontario, Canada	President and Chief Executive Officer of Payments Canada	Director	January 4, 2016	Common Shares: 8,000 Deferred Share Units: 10,543
Ezra Gardner <sup>(2)</sup> Colorado, USA	Partner and co-founder of Varana Capital LLC	Director	August 5, 2016	Common Shares: 1,391,115 <sup>(5)</sup>

(1) A member of the Capital Projects Committee.

(2) A member of the Compensation Committee.

(3) A member of the Corporate Governance Committee.

(4) A member of the Audit Committee.

(5) As at the date hereof, Mr. Gardner beneficially owns 27,300 Common Shares directly and exercises control and direction over 1,363,815 Common Shares through Varana Capital LLC ("**Varana**"). Mr. Gardner also beneficially owns \$100,000 principal amount of 7% convertible unsecured subordinated debentures due in 2019 (the "**Debentures**") directly and exercises control and direction over \$2,397,000 principal amount of Debentures through Varana.

## STATEMENT OF EXECUTIVE COMPENSATION

Pursuant to applicable securities legislation, the Corporation is required to provide a summary of all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries for the most recently completed financial year in respect of the individuals comprised of the President and Chief Executive Officer ("**CEO**"), the Chief Financial Officer ("**CFO**") and the other three most highly compensated executive officers of the Corporation whose individual total compensation for the most recently completed financial year exceeds \$150,000, and any individual who would have satisfied these criteria but for the fact that the individual was not serving as an executive officer at the end of the most recently completed financial year (the "**Named Executive Officers**" or "**NEOs**").

## Compensation Discussion and Analysis

The goal of the Corporation's executive compensation philosophy is to attract, motivate, retain and reward an energetic, goal driven, highly qualified and experienced management team and to encourage them to meet and exceed performance expectations within a calculated risk framework.

The compensation program is designed to reward each executive based on individual, business and corporate performance and is also designed to incentivize such executives to drive the annual and long-term business goals of the organization to enhance the sustainable profitability and growth of the Corporation.

The following key principles guide the Corporation's overall compensation philosophy:

- Compensation is designed to align executives to the critical business issues facing the Corporation;
- Compensation is fair and reasonable to shareholders and is set with reference to local and international markets and similar positions in comparable companies, and benchmarked against an international peer group;
- The compensation design supports and rewards executives for entrepreneurial and innovative efforts and results;
- A substantial portion of total compensation is at-risk and linked to individual efforts, as well as business and corporate performance. This ensures the link between executive pay and business performance;
- An appropriate portion of total compensation is equity-based, aligning the interests of executives with shareholders; and
- Compensation is transparent to the Board, executives and shareholders.

In achieving these principles, the Corporation strives to be flexible and progressive in its business strategies and must meet the challenges of growth, competition, foreign currency fluctuations and general economic conditions. Therefore, the Corporation's compensation programs aim to:

- Provide for an ongoing review and assessment of compensation practices to ensure that they align with the business strategy and performance;
- Maintain management focus, knowledge, stability and experience needed to execute business strategies in an intensely competitive environment;
- Encourage capital allocation decisions involving major long-term capital investments and acquisitions which shape and determine future growth and profitability; and
- Reward exceptional contributions to the performance of the Corporation based on achievements that are within management's control.

Specific components of the compensation program include, but are not limited to:

- Placing a significant amount of compensation at-risk in the form of short and long-term incentives;
- Setting specific performance metrics and targets that must be achieved in order for short-term incentives to be paid out;
- Capping potential payouts under the short-term incentive plan, subject to Board discretion;
- In the event of negative EBITDA performance, capping short-term incentive payouts at no more than 50% of applicable targets;

- Regularly reviewing the applicability and relevance of the peer group used to benchmark executive compensation;
- Modest benefits and perquisites that are set at competitive levels, but represent a small portion of total executive compensation;
- Regularly reviewing the risk inherent in the Corporation's compensation programs to ensure they do not encourage excessive risk-taking;
- Having employment agreements in place with all NEOs to protect knowledge obtained while at the Corporation;
- Not allowing stock options to be re-priced once they have been granted; and
- Having non-excessive severance obligations for NEOs commensurate with their position.

### Elements of Executive Compensation

The elements of compensation earned by the NEOs for the financial year ended December 31, 2016 included annual compensation in the form of base salary, annual cash bonus, perquisites and a benefits package, as well as long-term compensation in the form of restricted share units ("RSUs").

The following tables outline how each element of compensation aligns with the Corporation's compensation philosophy.

#### *Short-term Compensation*

Element of compensation	Summary and purpose of element
Base Salary	<p>Base salary is the foundation of the compensation program and is intended to compensate competitively relative to the Corporation's peer group. Base salary is a fixed component of the compensation program and is used as the base to determine elements of incentive compensation and benefits.</p> <p>The desire is for base salary to be high enough to secure talented personnel which, when coupled with performance based compensation, provides for a direct correlation between individual accomplishment and the success of the Corporation as a whole.</p>
Annual Bonus	<p>Annual bonuses are variable components of compensation, designed to reward executives for corporate, business and individual achievements. It is expressed in terms of a percentage of base salary and paid out at the end of the fiscal year based on individual and business performance results. Annual bonuses are discretionary and are designed to reflect the Corporation's or business segment's annual achievement of the business strategy as well as the individual's achievements.</p> <p>Annual bonus opportunities are positioned at or above median against the peer group, to reflect the Corporation's commitment to pay for performance.</p>
Other Compensation (Perquisites, Benefits and Pension Plan)	<p>The Corporation's executive benefits program includes supplementary life, medical, dental and disability insurance.</p> <p>The Corporation's Switzerland-based executives participate in a defined benefit pension plan based on earnings and length of service. The President of the Fortress Specialty Cellulose Inc. ("FSC") mill (the "FSC Mill") and other Québec-based executives, including but not limited to the CEO of the Corporation, and the CEO of the Landqart mill participate in a defined contribution pension plan.</p> <p>The Executive Chairman and CFO of the Corporation are not eligible to participate in any pension plans.</p> <p>Perquisites are provided to executives in certain instances, based on individual circumstances.</p> <p>Benefits and perquisites are designed to be market competitive, but not to form a meaningful component of total compensation.</p>



### Long-term Compensation

Element of compensation	Summary and purpose of element
RSUs	<p>The Corporation believes that RSUs promote ownership in the Corporation and serve to align the interests of executives with shareholders. They also help the Corporation motivate and retain the executive team, while providing a full share value unit in the business.</p> <p>Each RSU represents one notional Common Share that can be exchanged for Common Shares issued from treasury once certain performance and/or vesting criteria have been met. RSUs generally vest in the short to medium term, subject to the discretion of the Board. RSUs may contain performance-based vesting conditions which are determined based upon the strategic objectives for the growth and business goals of the Corporation and sometimes include the operating performance of the Corporation and other organizational indicators and individual achievements that demonstrate a contribution by the executive to the Corporation. RSUs could be decreased or forfeited altogether, if performance targets are not met.</p>
Stock Options	<p>The Corporation believes that this long-term incentive vehicle aligns executives with shareholders by driving growth in the share price and increasing long-term value of the Corporation.</p> <p>Stock options ("<b>Options</b>") issued pursuant to the Corporation's Amended and Restated Stock Option Plan (the "<b>SOP</b>") are intended to help the Corporation attract, motivate and retain an energetic, goal driven management team, and to build long-term employee loyalty and retention.</p> <p>The Corporation issues Options to encourage executives to have equity participation through the acquisition of Common Shares. Options granted may have vesting conditions and generally have a term of five to ten years. No Options were issued in the 2016 fiscal year, however certain Options were issued in 2017 to the Executive Chairman. See "<i>2016 Compensation Decisions – Executive Chairman</i>".</p>

Pursuant to the Corporation's Insider Trading Policy and administrative policies, directors and executive officers including the NEOs are restricted from purchasing financial instruments (including prepaid variable forward contracts, equity swaps, collars or units of exchange funds) designed to hedge or offset a decrease in the market value of equity securities granted as compensation or held, directly or indirectly, by the director, executive officer or NEO where such individual does not own the underlying security. Further, such individuals are required to "pre-clear" any trade in the Corporation's securities with the CFO to ensure the Corporation is not in a blackout period where trading would be restricted.

### Compensation Risk Management

The Corporation has taken steps to ensure its executive compensation program does not incentivize risk outside the Corporation's acceptable risk management threshold. Some of the risk management initiatives employed by the Corporation in respect of the 2016 financial year are as follows:

- Appointing a Compensation Committee comprised of independent directors to oversee the executive compensation program and ensure certain initiatives are undertaken by management to monitor its risk profile;
- Retaining advisors, as necessary, to provide advice on compensation structure for executives;
- Setting performance hurdles and milestones for granting and payout of RSUs and bonuses;
- The use of deferred equity compensation to encourage a focus on long-term corporate performance versus short-term results;
- Paying out performance related equity compensation only when performance results or milestones are achieved;
- Setting caps on incentive programs, subject to Board discretion; and
- Use of discretion in adjusting bonus payments up or down as the Compensation Committee deems appropriate and recommends.

### Annual Compensation Review Process

Each year, the Compensation Committee reviews and recommends to the Board for approval the compensation of the CEO and CFO. The Compensation Committee also reviews and recommends to the Board the compensation of other executives, which includes the NEOs.

The Compensation Committee follows a process for establishing compensation for its executive team. In making its compensation recommendations, the Compensation Committee considers competitive market data based on the Corporation's peer group and the size and scope of the executive roles. The Compensation Committee has, from time to time, retained independent executive compensation and governance advisory firms to provide additional analysis and assessment to ensure the compensation program is fair and competitive. Board input is also solicited and taken into consideration in the Compensation Committee's decision making.

Executive compensation for the NEOs in 2016 was based on market data and an assessment of corporate and individual performance. These factors support compensation levels with the aim to ensure the Corporation remains competitive and continues to attract, retain and motivate high caliber leaders.

The Compensation Committee may also rely on other information and considerations in formulating its recommendations to the Board.

### *Peer Group*

The Corporation is an international company, unique in the products and services it offers. Executives are benchmarked to a global peer group of companies from the dissolving pulp and security papers/banknotes sectors as well as companies of similar size from other related industries such as commercial services and supplies, containers and packaging and real estate investment trusts. This approach reflects the global aspect of the Corporation's operations, and the need to attract executives from a global talent pool. It also recognizes that executives can come from multiple industries. The primary peer group is reviewed annually based on criteria including the similarity in size to the Corporation (primarily from the perspective of total assets and total revenue, but also considering other factors such as market capitalization) and the similarity in scope of operations in terms of industry and geographic location. Primary peer group companies for 2016 included Rayonier Inc., Canfor Pulp Products Ltd., De La Rue plc, Tembec Inc., Mercer International Inc., Western Forest Products Inc., Catalyst Paper Corporation, Orient Paper, Inc., Conifex Timber Inc., Acadian Timber Corp., Rentech, Inc., Neenah Paper, Inc. and Interfor Corporation.

### Role of the Compensation Committee and 2016 Work Plan

The role of the Compensation Committee is to discharge the Board's duties related to executive compensation. In 2016, the Compensation Committee held four scheduled meetings and over 10 ad hoc subcommittee meetings. The Compensation Committee meets both independently of management of the Corporation and with management present. In 2016, the Compensation Committee completed the following:

- Negotiated and settled the employment agreement with the current Executive Chairman (see "*2016 Compensation Decisions – Executive Chairman Compensation*"); and
- Negotiated and settled the employment agreement with the newly appointed President of the Corporation's Dissolving Pulp Segment (see "*2016 Compensation Decisions – President of Dissolving Pulp Segment Compensation*").

### Role of the Executive Officers

The Executive Chairman and the CEO completed a review of the individual performance of each of the other NEOs and made recommendations to the Compensation Committee in respect of 2016 bonuses and equity compensation for each of the other NEOs, which was taken into consideration by the Compensation Committee in completing its review and making recommendations to the Board. Each NEO is provided with annual performance milestones specific to such individual's role with the Corporation, against which the review is conducted and recommendations made. Corporate performance may also impact compensation decisions, with negative Operating EBITDA (defined below) results potentially limiting variable compensation to up to 50% of the target amount. See *"2016 Compensation Decisions"*.

### 2016 Compensation Decisions

The Corporation's business strategy is to enhance its market position as a leading niche manufacturer of specialty products, to evaluate and execute strategic transactions and to improve operating results and margins.

Overall, 2016 was a challenging year for the Corporation while showing substantial improvements relative to 2015. Significant accomplishments included:

- Successfully negotiating and completing the sale and leaseback of the lands and buildings of Fortress' wholly owned subsidiary, Landqart AG ("**Landqart**"), for the aggregate purchase price of CHF 44.5 million (approximately CDN \$59 million), subject to customary conveyancing adjustments;
- Successfully negotiating and completing the sale of the buildings, equipment and other ancillary property relating to the non-operating pulp mill and sawmill, as well as the energy generation, connection and transmission plant and related equipment, located in Lebel-sur-Quévillon, Québec for an aggregate purchase price of \$15.4 million (the "**LSQ Sale**");
- In connection with the LSQ Sale, successfully negotiating the assignment and transfer of a \$7.0 million note, paid as part of the purchase price, to a lender as early repayment of principal amounts due in 2017 in respect of its outstanding loan at the FSC Mill. In addition, securing with such lender the deferral of interest on the loan until April 1, 2018 and a further deferral of an aggregate of \$6.3 million of quarterly principal payments otherwise payable in 2017, without penalty or interest accruing on such amounts until the one year anniversary of each such principal payment due date;
- Continued improvement in the financial performance of the Dissolving Pulp Segment (\$17.2 million Operating EBITDA improvement in fiscal 2016 compared to 2015); and
- FSC Mill net improvement due to a reduction in sales discounts and deductions.

The Corporation considers operating net income before interest, income taxes, depreciation, amortization, non-operating income and expenses and stock based compensation ("**Operating EBITDA**") as an indicative measure of operating performance and a good metric to evaluate profitability, provided that an appropriate capital budget responsibility is held within a conservative variance. The Corporation initiated a Compensation Philosophy in March 2014 whereby, subject to existing contractual agreements, annual bonuses shall be limited to 50% of target for all NEOs if the Corporation fails to achieve positive Operating EBITDA in such year, unless the Board approves otherwise. The CEO of Landqart is eligible for an annual bonus in accordance with the terms of his employment agreement based on the performance of the Landqart mill and the overall company. Operating EBITDA for the Corporation was \$21.3 million for the year ended December 31, 2016, compared to Operating EBITDA of \$10.4 million for the year ended December 31, 2015.

Certain previously granted awards containing performance conditions relating the Corporation's financial results for the year are reviewed and assessed.

#### *President of Dissolving Pulp Segment Compensation*

FSC entered into an employment agreement with Mr. Giovanni Iadeluca whereby, effective October 3, 2016, Mr. Iadeluca assumed the role of President of the Corporation's Dissolving Pulp Segment. The agreement provides for a base salary of \$350,000, eligibility for a discretionary annual target bonus of up to 40% of his base salary, subject to Board discretion, and a one-time award of RSUs valued at \$200,000 upon the achievement of certain performance goals relating to the FSC Mill's capacity utilization rates and production cost averages based on operating results for the period from April 1, 2017 to September 30, 2017. The President of the Dissolving Pulp Segment will also be eligible to participate in the Corporation's long-term incentive programs as determined by the Board. Mr. Yvon Pelletier, the previous President of the Dissolving Pulp Segment, continued as President and CEO of the Corporation following Mr. Iadeluca's appointment.

#### *Executive Chairman Compensation*

In accordance with the terms of a services agreement dated July 20, 2015 (the "**Services Agreement**"), Mr. Chadwick Wasilenkoff, the Executive Chairman of the Corporation, was entitled to receive an annual salary of \$750,000 from October 1, 2015 to September 30, 2016 and an annualized amount of \$350,000 thereafter until September 30, 2020, for providing certain consulting services to the Corporation. In September 2016, the Corporation entered into an amendment to the Services Agreement (the "**Amended Services Agreement**") where the Corporation extended Mr. Wasilenkoff's salary of \$750,000 to December 31, 2016. All other terms under the Services Agreement remained the same. The Board also had the discretion to determine, in respect of each financial year or portion thereof, the amount, if any, of variable compensation to be awarded to Mr. Wasilenkoff, whether in cash, securities, long-term incentive plan awards, or any combination thereof. In respect of the 2016 fiscal year, the Board awarded Mr. Wasilenkoff a cash bonus of \$200,000. The bonus was determined on the basis of Mr. Wasilenkoff's involvement in financing transactions that were initiated in the 2016 fiscal year and subsequently completed, that constituted value creation opportunities for the Corporation by providing financial flexibility and balance sheet improvements, partially offset by the overall negative financial impact of other transactions of the Corporation, such as the LSQ Sale.

Additionally, pursuant to the terms of an employment agreement between Mr. Wasilenkoff and FTP Capital LLC ("**FTP Capital**") dated July 20, 2015 (the "**FTP Employment Agreement**"), Mr. Wasilenkoff was employed as FTP Capital's Chairman, President and Chief Executive Officer and was entitled to receive an annual salary of US\$100,000. Such expense was payable by FTP Ventures Limited Partnership (the "**Partnership**"), a limited partnership owned 51% by the Corporation and 49% by Mr. Wasilenkoff, for services performed by Mr. Wasilenkoff on FTP Capital's behalf pursuant to a management services agreement. As incentive compensation under the FTP Employment Agreement, Mr. Wasilenkoff was entitled to receive US\$50,000 for every US\$2,500,000 of cumulative after tax free cash flow generated by the Partnership prior to September 30, 2019, subject to a maximum cumulative payment of US\$1,000,000, subject to certain conditions. As the Partnership did not generate the required cash flow, Mr. Wasilenkoff did not receive any incentive compensation under the FTP Employment Agreement in respect of the 2016 fiscal year.

On September 30, 2016, Mr. Wasilenkoff received the Second Tranche (defined below) of the FTP Obligation (defined below) pursuant to the terms of a transition agreement dated July 20, 2015 between Mr. Wasilenkoff and the Corporation (the "**Transition Agreement**"). The Transition Agreement was entered into as a result of the termination of Mr. Wasilenkoff's previous employment agreement, and was designed to defer 80% of the \$5 million amount that would otherwise have been due to Mr. Wasilenkoff upon a change in title, pursuant to his previous employment agreement. See "*Termination and Change of Control Benefits and Employment Contracts – Chadwick Wasilenkoff*".

In 2016, the Corporation negotiated and entered into a new four year employment agreement with Mr. Wasilenkoff for an expanded role on a full time basis as Executive Chairman of the Corporation, commencing on January 1, 2017 (the "**Executive Chairman Agreement**"). Pursuant to the agreement, the Executive Chairman shall receive a base salary of US\$550,000. He is also entitled to receive in 2017, Options with a value of up to 150% of his base salary (the "**Equity Bonus**"), which will vest upon the Corporation meeting share price targets of \$10 and \$15 within two years of the date such Options are granted. The Executive Chairman shall also be eligible to receive a long-term cash incentive of up to US\$7,425,000 (the "**Cash Incentive**") based upon the Corporation meeting specific common share price targets ranging from \$15 to over \$30 per common share by December 31, 2020, which shall vest or expire, as the case may be, on December 31, 2020. Accordingly, key elements of the Executive Chairman's compensation package are aligned to the long-term success of the Corporation. The Executive Chairman is eligible to receive an annual cash target bonus of up to 100% of his base salary, subject to Board discretion, up to a maximum of 150% of base salary if certain corporate and individual performance milestones are achieved or materially exceeded in any given financial year. Under the new Executive Chairman Agreement, the Corporation deferred the remaining payment of \$3,000,000 due pursuant to the FTP Obligation until the end of the term of the Executive Chairman Agreement or earlier if the Executive Chairman leaves the Corporation or is terminated under certain circumstances. In connection with the entering into of the Executive Chairman Agreement, effective January 1, 2017, the Services Agreement, the Amended Services Agreement, the FTP Employment Agreement and the Transition Agreement were cancelled and the Partnership structure was dissolved and all related agreements terminated.

In negotiating the new employment agreement with the Executive Chairman, the Compensation Committee retained Global Governance Advisors ("**GGA**") to provide independent compensation advice to the Committee and the Board. GGA is an internationally recognized, independent advisory firm that provides counsel to boards of directors on matters relating to executive compensation and governance. The Compensation Committee considered data from custom compensation surveys prepared by GGA based on the Corporation's peer group and the size and scope of the executive's role. Additional analysis and assessment was provided by GGA to ensure the compensation and performance criteria provided under the agreement is fair and competitive. For a further discussion on the services provided by GGA in 2016, see "*Compensation Governance*".

#### *Determination of Base Salary*

The Compensation Committee determines each executive's base salary with reference to relevant industry norms, experience, past performance and level of responsibility. In doing so, the Compensation Committee considers the recommendations made by the Executive Chairman and the President and CEO for increases to base salary from levels set in applicable employment agreements. Salary levels are reviewed yearly and the Compensation Committee may recommend adjustments, if warranted, as a result of salary trends in the marketplace, competitive positioning or an increase in responsibilities assumed by an executive.

#### *Determination of Annual Bonus*

The NEOs are eligible for annual cash bonuses and potentially supplemental bonuses in cash or through stock-based compensation, taking into consideration financial performance and attainment of corporate, business and individual objectives. Extraordinary corporate events are also considered. All awards are at the discretion of the Board.

From time to time, the Board may declare an additional cash bonus or stock-based compensation in favour of one or more executive officers in circumstances where it is determined that the executive in question has made an exceptional contribution to the performance of the Corporation in a particular year.

#### *Determination of Long-Term Incentive Plan Award*

The Compensation Committee also considers making awards under the Corporation's Long-Term Incentive Plan (the "**LTIP**"), and grants of Options under the SOP to be important components of executive compensation. The objective of making grants under the LTIP or the SOP is to encourage employees to acquire an ownership

interest in the Corporation over a period of time, thus better aligning the interests of employees with the interests of shareholders, and to retain key employees. When determining possible future grants under the LTIP and the SOP, the Compensation Committee considers past grants. The Black-Scholes model is used to determine the fair value at grant date of the Options. Option pricing models require the input of subjective assumptions, particularly as to the expected volatility of the stock. Expected volatility is based on historical stock performance of the Corporation. Changes in these assumptions can materially affect the fair value estimate and therefore it is management's view that the existing models may not provide a single reliable measure of the fair value of the Corporation's Option grants. The Corporation uses an option-pricing model because there is no market for which Options may be freely traded. Readers are cautioned not to assume that the value derived from the model is the value that a holder of Options might receive if the Options were freely-traded, nor to assume that these amounts are the same as those reported by the executive as income received for tax purposes. For financial statement purposes, the fair value of Options is contributed surplus over the vesting period, whereas for the purpose of this Information Circular the fair value is shown in totality on the date of grant.

### **Compensation Governance**

The Corporation has a Compensation Committee, currently entirely comprised of independent directors, which is responsible for the development, implementation and monitoring of the Corporation's compensation policy for executive officers and members of the Board. The Compensation Committee is currently comprised of Terrence Kavanagh (Chair), Joe Nemeth, Gerald Gaetz and Ezra Gardner. Mr. Gardner joined the Compensation Committee on September 1, 2016. Mr. Kavanagh replaced Mr. Nemeth as Chair of the Compensation Committee and Mr. Wirasekara resigned from the Compensation Committee on March 17, 2017. The Compensation Committee is able to retain consultants to assist them in the determination of executive compensation decisions if they deem necessary.

The members of the Compensation Committee have direct experience relevant to executive compensation from their broad business experience and are well-versed in executive compensation matters. The Chair of the Compensation Committee has direct experience, through his experience as a practicing executive, of recommending executive compensation structures and individual pay decisions. The members similarly bring a wide range of skills and experience that helps them make decisions in respect of the Corporation's compensation policies and practices and assess performance on both an individual and an organizational level. These skills and experiences include, but are not limited to:

- Industry knowledge;
- Operational and human resources experience;
- Financial knowledge; and
- International business experience.

The Compensation Committee is responsible for making recommendations to the Board on the following items:

- Directors' compensation, including the adequacy and form of compensation and models used so that director compensation appropriately reflects the responsibilities and risks of being a director and/or member of a committee;
- Executive compensation policy, including the relative balance of fixed and variable elements of compensation for executive officers and other terms and conditions of employment of executive officers;
- Supplemental or deferred compensation and direct incentive compensation arrangements for executive officers; and
- Value awards made to an executive officer under a performance-based plan, allowing adjustment for actual performance.

The Compensation Committee has the authority and access to the resources that are necessary to discharge its duties and responsibilities, including the authority to select, retain, terminate and approve the fees and other retention terms of special counsel or other experts or consultants.

The Corporation utilized GGA to perform the following services in 2016:

- A review and design of the new compensation structure for the Executive Chairman due to the Corporation's determination to employ the Executive Chairman on a full-time basis and clearly defining the roles of the Executive Chairman and the President and CEO on the basis of, among other things, strategic related guidance versus operational and management oversight;
- As part of the compensation structure review, conducted a comprehensive competitive compensation review and pay-for-performance analysis of the Executive Chairman's compensation and performance levels against approved peer groups, analyzed long-term incentive plan design alternatives, stress tested such plan designs, summarized market analysis of severance provisions, reviewed the Executive Chairman role in comparison to the President and CEO role, and submitted a compensation review and recommendations report and service agreement terms to the Compensation Committee and the Board; and
- Developing an executive compensation philosophy for the Corporation.

For its services, the Corporation paid GGA \$25,632 in fees in 2016. GGA did not provide any other services to the Corporation or to management in the 2016 fiscal year. Subsequent to year end, GGA provided a comprehensive report on the Corporation's executive compensation strategy and its comparison to market benchmarks. The comparison was conducted in respect of certain Canadian based employees of the Corporation in 2016 and concluded that compensation levels are generally competitive. Fees paid to GGA for this report were \$24,000, which amount is not reflected in the table below as it was incurred subsequent to the 2016 fiscal year end. The Compensation Committee reviews all fees and the terms of consulting services provided by its compensation consultant.

In 2016, apart from GGA, the Compensation Committee also retained independent employment and tax law advisors to provide advice to the Compensation Committee and to the Board in respect of the Executive Chairman Agreement and other related matters.

Fees paid to GGA for assisting in determining compensation during the 2016 and 2015 fiscal years set forth in the table below.

Year	Executive compensation-related fees (\$)	All other fees (\$)
2016	25,632	Nil
2015	Nil	Nil

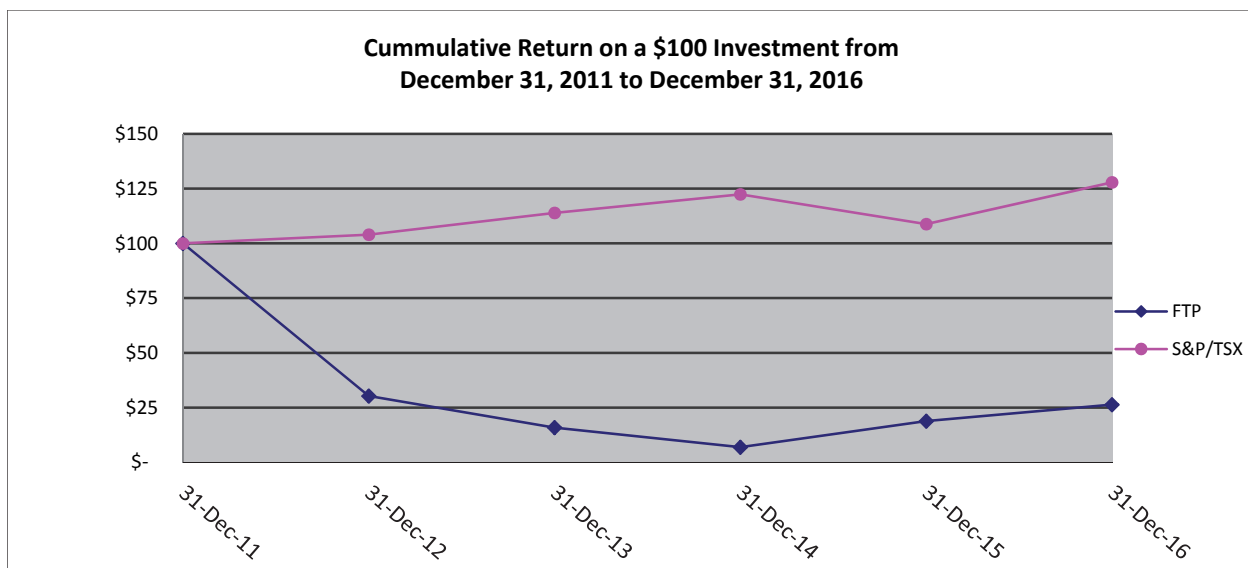
The Compensation Committee reviews all fees and the terms of consulting services provided by its compensation consultants and other advisors.

The foregoing report is submitted by:

Terrence Kavanagh (Chair)  
Joe Nemeth  
Gerald Gaetz  
Ezra Gardner

## Performance Graph

The Common Shares commenced trading on the TSX under the symbol "FTP" on June 28, 2007. The following graph compares the Corporation's cumulative total shareholder return on its Common Shares with the cumulative total return on the S&P/TSX Composite Index for the period from December 31, 2011 to December 31, 2016. The graph illustrates the cumulative return on a \$100 investment in the Corporation's Common Shares made on December 31, 2011 as compared with the cumulative return on a \$100 investment in the S&P/TSX Composite Index (assuming the reinvestment of dividends). The performance of the Common Shares as set out in the graph below does not necessarily indicate future price performance. The NEOs' compensation is determined in accordance with the principles set forth above and is not specifically based on the performance of the Common Shares on the TSX, since the price of the Common Shares is affected by external factors beyond the Corporation's and the NEOs' control. Consequently, the Corporation cannot establish a direct relation between executive compensation and the price of the Common Shares over the period covered by the performance graph. During such period, NEOs' salaries reflect their respective scope of responsibilities, skills, experience and contribution to the Corporation's performance.



### *Comparison of Cumulative Total Return*

As at December 31,	2011	2012	2013	2014	2015	2016
FTP	\$100	\$30	\$16	\$7	\$19	\$26
S&P/TSX COMPOSITE INDEX	\$100	\$104	\$114	\$122	\$109	\$128



## Summary Compensation Table for Named Executive Officers

The following table (and notes thereto) states the name of each NEO, his annual compensation, consisting of salary, bonus and other annual compensation, and long-term compensation, for example Options and LTIP awards granted, for the most recently completed financial year of the Corporation.

Name and principal position	Year	Salary (\$)	Share-based awards (\$) <sup>(1)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation	Total compensation (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans			
Chadwick Wasilenkoff <sup>(4)</sup> Executive Chairman	2016	882,480 <sup>(5)</sup>	Nil	Nil	200,000	Nil	N/A	1,000,000 <sup>(6)</sup>	2,082,480
	2015	970,885	Nil	Nil	1,000,000	Nil	N/A	1,000,000	2,970,885
	2014	1,000,000	30,875	Nil	25,000	Nil	N/A	N/A	1,055,875
Yvon Pelletier Chief Executive Officer and President	2016	420,071	Nil	Nil	180,000	75,000 <sup>(7)</sup>	16,638	N/A	691,709
	2015	386,596	Nil	Nil	Nil	Nil	15,652	N/A	402,248
	2014	389,423	83,325	Nil	15,000	Nil	15,652	N/A	503,400
Kurt Loewen Chief Financial Officer	2016	285,000	Nil	Nil	114,000	Nil	N/A	N/A	399,000
	2015	285,000	99,998	Nil	157,000	Nil	N/A	N/A	541,998
	2014	260,000	118,522	Nil	66,200	Nil	N/A	N/A	444,722
Axel Wappler Chief Executive Officer, Landqart	2016	484,200 <sup>(8)</sup>	40,192 <sup>(9)</sup>	Nil	94,150 <sup>(8)(9)</sup>	Nil	45,750 <sup>(8)</sup>	51,648 <sup>(8)(10)</sup>	715,940
	2015	478,296	Nil	Nil	189,405	Nil	38,370	49,424	755,495
	2014	434,808	28,435	Nil	121,746	Nil	27,639	N/A	612,628
Marco Veilleux VP of Business Development & Strategic Projects	2016	215,322	29,999 <sup>(11)</sup>	Nil	53,831	Nil	12,211	N/A	311,363
	2015	215,250	29,998	Nil	26,906	Nil	11,673	N/A	283,827
	2014	223,287	29,999	Nil	31,541	Nil	12,167	N/A	296,994

<sup>(1)</sup> The closing price of the Common Shares on the date of grant was used to determine fair value.

<sup>(2)</sup> The Black-Scholes valuation methodology was used to determine fair value on the date of grant. See "*Compensation Discussion and Analysis – Determination of Long-Term Incentive Plan Award*" for a description of the key assumptions and estimates used in the pricing model.

<sup>(3)</sup> Amounts represent annual cash bonuses awarded to the NEO in respect of the financial year.

<sup>(4)</sup> As Executive Chairman of the Corporation, Mr. Wasilenkoff does not collect any director fees relating to his role as a director of the Corporation.

<sup>(5)</sup> Amount indicated includes compensation received under the terms of the FTP Employment Agreement and the Services Agreement. See "*Compensation Discussion and Analysis – 2016 Compensation Decisions – Executive Chairman Compensation*". The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period January 1, 2016 to December 31, 2016 being \$1.3248 to each United States dollar based on rates provided by the Bank of Canada.

<sup>(6)</sup> Under the terms of the Transition Agreement, Mr. Wasilenkoff received the Second Tranche (defined below) of the FTP Obligation (defined below) owed to such NEO by the Corporation as a result of his transition from Chairman, CEO and President to Executive Chairman. See "*Termination and Change of Control Benefits and Employment Contracts – Chadwick Wasilenkoff*".

<sup>(7)</sup> Under the terms of his employment agreement, Mr. Pelletier was granted an annual retention cash bonus in the amount of \$75,000 for the 2016 year. See below "*Termination and Change of Control Benefits and Employment Contracts – Yvon Pelletier*".

<sup>(8)</sup> Mr. Wappler received his salary, annual bonus and perquisites from Landqart in Swiss francs. The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period January 1, 2016 to December 31, 2016 being \$1.3450 to each Swiss franc based on rates provided by the Bank of Canada.

<sup>(9)</sup> Mr. Wappler was granted an annual bonus in the amount of \$134,342 for the 2016 financial year. Mr. Wappler was paid \$94,150 immediately in cash and was granted 4,860 RSUs which were each valued at \$8.27 and of which one third vest on June 22, 2017, and two thirds on March 22, 2020.

<sup>(10)</sup> Mr. Wappler receives a car allowance and expense allowance as per the terms of his employment agreement. The amounts indicated include \$24,210 in car allowance and \$27,438 in an expense allowance that Mr. Wappler received for the 2016 financial year.

<sup>(11)</sup> Mr. Veilleux was granted a total of 8,571 RSUs in respect of the 2016 financial year which were valued at \$3.50 and vest on April 23, 2019.

### Outstanding Share-based Awards and Option-based Awards for Named Executive Officers

Name and principal position	Option-based awards				Share-based awards		
	Number of securities underlying unexercised Options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money Options (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)	Market or payout value of vested share-based awards not paid out or distributed (\$)
Chadwick Wasilenkoff Executive Chairman	117,350 87,325 100,000 200,000	8.00 8.00 8.00 15.41	April 4, 2017 May 1, 2017 October 31, 2017 August 30, 2022	Nil	126,785	887,495	N/A
Yvon Pelletier Chief Executive Officer and President	Nil	N/A	N/A	N/A	Nil	N/A	N/A
Kurt Loewen Chief Financial Officer	16,250	8.00	May 1, 2017	Nil	44,330	310,310	N/A
Axel Wappler Chief Executive Officer, Landqart	Nil	N/A	N/A	N/A	8,067	56,469	N/A
Marco Veilleux VP of Business Development & Strategic Projects	Nil	N/A	N/A	N/A	30,849	215,943	N/A

The table above states, as at December 31, 2016, the number of Options available for exercise, the Option exercise price, the expiration date for each Option, the number of units under the LTIP that were outstanding and unvested and the market value thereof, for each NEO named therein. As at December 31, 2016, the value of in-the-money unexercised and outstanding Options held by the NEOs was nil and the value of unvested and outstanding units under the LTIP was \$1,470,217.

### Incentive Plan Awards - Value Vested or Earned for the Financial Year for Named Executive Officers

Name and principal position	Option-based awards – value vested during the year (\$) <sup>(1)</sup>	Share-based awards – value vested during the year (\$) <sup>(2)</sup>	Non-equity incentive plan compensation – value earned during the year (\$) <sup>(3)</sup>
Chadwick Wasilenkoff Executive Chairman	Nil	Nil	200,000
Yvon Pelletier Chief Executive Officer and President	N/A	N/A	255,000
Kurt Loewen Chief Financial Officer	Nil	151,270	114,000
Axel Wappler Chief Executive Officer, Landqart	N/A	Nil	94,150 <sup>(4)</sup>
Marco Veilleux VP of Business Development & Strategic Projects	N/A	14,767	53,831

<sup>(1)</sup> The amount represents the aggregate dollar value that would have been realized if the Options had been exercised on the vesting date, based on the difference between the closing price of the Common Shares on the TSX and the exercise price on such vesting date.

<sup>(2)</sup> The amount represents the aggregate dollar value of units under the LTIP that vested during the 2016 financial year.

<sup>(3)</sup> The amount represents the annual bonus received by the NEOs, as well as any retention bonuses received by certain NEOs in respect of the 2016 fiscal year.

<sup>(4)</sup> The amount reported represents the approximate Canadian dollar equivalent, converted at the average daily noon exchange rate for the period January 1, 2016 to December 31, 2016 being \$1.3450 to each Swiss Franc based on rates provided by the Bank of Canada.

During the most recently completed financial year, the NEOs did not exercise Options to purchase Common Shares of the Corporation under the SOP.

During the most recently completed financial year there were 8,571 RSUs awarded to key employees under the LTIP. As at December 31, 2016, there were 160,761 RSUs and nil performance share units ("PSUs") outstanding under the LTIP. The fair value of RSU awards is determined based upon the number of Common Shares underlying such units and the closing price of the Common Shares, as quoted on the TSX, on the date immediately prior to the date of grant. RSUs generally vest over the short to medium term, however the fair value of each tranche is measured at the date of grant.

#### **Pension Plan Benefits - Defined Benefit Plan for Named Executive Officers**

The Corporation maintains a defined benefit pension plan in Switzerland providing pension benefits based on earnings and length of service. The amounts reported in the table below represent the approximate Canadian Dollar equivalent translated at the average exchange rate for the 2016 financial year, as reported by the Bank of Canada, being \$1.3450 to each Swiss Franc.

Name and principal position	Number of years credited service (#)	Annual benefits payable (\$)		Opening present value of defined benefit obligation (\$)	Compensatory change (\$) <sup>(1)</sup>	Non-compensatory change (\$)	Closing present value of defined benefit obligation (\$)
		At 2016 year end	At age 65				
Axel Wappler Chief Executive Officer, Landqart	3.5	9,086	29,275	97,027	21,868	23,081	141,976

<sup>(1)</sup> Please refer "Employee Future Benefits" in the Corporation's audited annual financial statements for the year ended December 31, 2016, available on SEDAR at [www.sedar.com](http://www.sedar.com), for valuation methods and actuarial assumptions.

#### **Pension Plan Benefits - Defined Contribution Plan for Named Executive Officers**

The Corporation maintains a defined contribution plan at the FSC Mill and for certain employees of the Landqart mill providing pension benefits based on earnings and length of service. The plan at the FSC Mill provides that an employee may contribute up to 8% of his or her salary and the employer will contribute 50% of the employee's contribution plus 3% to a maximum of 7% of the employee's salary. The plan at the Landqart mill provides that the employee and employer each contribute 2.5% of pensionable earnings as well as a risk contribution calculated based on an individual basis for each employee based on age, level of benefit covered and other factors. The amounts reported for Mr. Wappler in the table below represent the approximate Canadian Dollar equivalent translated at the average exchange rate for the 2016 financial year, as reported by the Bank of Canada, being \$1.3450 to each Swiss Franc.

Name and principal position	Accumulated value at start of year (\$)	Compensatory (\$)	Accumulated value at year end (\$)
Yvon Pelletier Chief Executive Officer and President	72,884	16,638	97,922
Axel Wappler Chief Executive Officer, Landqart	60,912	23,882	85,273
Marco Veilleux VP of Business Development & Strategic Projects	145,129	12,211	169,988

## Termination and Change of Control Benefits and Employment Contracts

### *Chadwick Wasilenkoff*

Mr. Wasilenkoff transitioned from his role as Chairman, Chief Executive Officer and President of the Corporation to Executive Chairman of the Corporation, effective September 30, 2015, in accordance with the terms of the Transition Agreement. Effective January 1, 2017, Mr. Wasilenkoff became employed pursuant to the terms of the Executive Chairman Agreement, and the Transition Agreement and related agreements were terminated. Pursuant to the Transition Agreement, the Corporation paid Mr. Wasilenkoff \$1,000,000 (the "**First Tranche**") on September 30, 2015 and \$1,000,000 (the "**Second Tranche**") on September 30, 2016 as a result of his termination as Chairman, Chief Executive Officer and President of the Corporation. The remaining \$3,000,000 (the "**Third Tranche**" and, collectively with the First Tranche and the Second Tranche, the "**FTP Obligation**") payable pursuant to the Transition Agreement has been deferred pursuant to the Executive Chairman Agreement until the end of the term of the Executive Chairman Agreement, or earlier if Mr. Wasilenkoff leaves the Corporation or is terminated under certain circumstances. For a description of the terms of the Executive Chairman Agreement and the termination of prior agreements with Mr. Wasilenkoff, see "*Compensation Discussion and Analysis – 2016 Compensation Decisions – Executive Chairman Compensation*".

In the event that Mr. Wasilenkoff is terminated as Executive Chairman in connection with a change of control or upon expiry of the Executive Chairman Agreement, subject to any extensions, the outstanding balance of the FTP Obligation shall become immediately due and payable, and Mr. Wasilenkoff shall be entitled to all accrued and unpaid base salary, benefits and vacation pay, all vested equity awards, including the vested portion of the Equity Bonus, if any, a pro-rated annual bonus and all vested cash awards, including the vested Cash Incentive, if any. Further, the Board may determine in such event that Mr. Wasilenkoff shall be fully vested in all unvested equity awards, including the unvested portion of the Equity Bonus, if any, at such time.

In the event of termination for cause or termination by Mr. Wasilenkoff on six months' notice, Mr. Wasilenkoff shall be entitled to receive the outstanding balance of the FTP Obligation, accrued and unpaid base salary, benefits and vacation pay, all vested equity awards, including the vested portion of the Equity Bonus, if any, and any earned annual bonus, with all unvested equity and cash awards, including the unvested portion of the Equity Bonus, if any, and the unvested Cash Incentive, if any, forfeited. Upon the death or disability of Mr. Wasilenkoff, any outstanding balance of the FTP Obligation shall become due and payable, and Mr. Wasilenkoff will be entitled to receive any accrued and unpaid base salary, benefits and vacation pay, all vested equity awards, including the vested portion of the Equity Bonus, if any, a pro-rated annual bonus, and all vested cash awards including, provided such termination occurs subsequent to the 24 month anniversary of the Executive Chairman Agreement, the vested Cash Incentive as modified to be calculated based on the market price of the Common Shares as of the date of such termination, if any. Upon termination by the Corporation of the Executive Chairman without cause, if prior to the second anniversary of the Executive Chairman Agreement, the Company will provide six months' notice (or payment in lieu thereof) and Mr. Wasilenkoff shall be entitled to receive the outstanding balance of the FTP Obligation less five months' base salary, any accrued but unpaid base salary, benefits and vacation pay, all vested equity awards, including the vested portion of the Equity Bonus, if any, a pro-rated annual bonus, and all vested cash awards including, provided such termination occurs subsequent to the 24 month anniversary of the Executive Chairman Agreement, the vested Cash Incentive as modified to be calculated based on the market price of the Common Shares as of the date of such termination, if any. If the Corporation terminates the Executive Chairman without cause after the second anniversary of the Executive Chairman Agreement, the Corporation will provide 30 days' notice (or payment in lieu thereof) and Mr. Wasilenkoff shall be entitled to receive the outstanding balance of the FTP Obligation, any accrued but unpaid base salary, benefits and vacation pay, all vested equity awards, including the vested portion of the Equity Bonus, if any, a pro-rated annual bonus, and all vested cash awards including, provided such termination occurs subsequent to the 24 month anniversary of the Executive Chairman Agreement, the vested Cash Incentive as modified to be calculated based on the market price of the Common Shares as of the date of such

termination, if any. The Corporation shall not be required to pay Mr. Wasilenkoff the remaining portion of the FTP Obligation if he engages in intentional misconduct pertaining to financial reporting requirements that result in the Corporation having to file an accounting restatement, or if he engages in any fraud, theft, misappropriation, embezzlement, intentional misrepresentation or dishonesty to the material detriment of the Corporation's financial results.

Assuming a discontinuance of Mr. Wasilenkoff's services on December 31, 2016 pursuant to the terms of the Executive Chairman Agreement, and assuming the Executive Chairman Agreement was entered into on December 31, 2016, Mr. Wasilenkoff would have received a cash payment of up to \$3,000,000 and Common Shares valued at an aggregate of \$887,495 assuming the vesting of all previously held LTIP units and the exercise of all previously held Options on such date, applying the closing price of the Common Shares on the TSX on such date.

#### *Yvon Pelletier*

Mr. Yvon Pelletier entered into an employment agreement with the Corporation dated July 20, 2015 and assumed the position of President and CEO of the Corporation on October 1, 2015. Pursuant to his employment agreement Mr. Pelletier will receive: (i) an annual base salary of \$420,000, subject to an annual review; (ii) an annual discretionary target bonus of up to 60% of his base salary, subject to Board discretion (in the event that the Corporation's Operating EBITDA for the applicable year is less than zero, after paying any bonuses, the maximum discretionary annual bonus payout shall be 50% of Mr. Pelletier's target discretionary annual bonus, subject to Board discretion); (iii) an annual retention bonus (the "**Retention Bonus**") of \$75,000, payable on each of September 30, 2016, 2017 and 2018; (iv) an annual performance based award of up to \$200,000, (the "**Performance Bonus**") to be paid in PSUs or cash, which shall be earned in accordance with the achievement of three year performance targets based upon the achievement of Corporation's Operating EBITDA targets and appreciation in the closing price of the Common Shares over the three year period ending September 30, 2018, 2019 and 2020, respectively, as determined by the Board in its absolute discretion; and (v) certain perquisites. The Performance Bonus shall be paid and vest at the time of release of the Corporation's annual audited financial statements for the financial years ended December 31, 2018, 2019 and 2020, as applicable.

If Mr. Pelletier's employment is terminated in contemplation of, at the time of, or within 12 months after the consummation or completion of an event constituting a change of control, Mr. Pelletier shall be entitled to: (A) a lump sum cash payment immediately following such termination equal to two times his then current base salary plus two times his target annual bonus (based on a target annual bonus level of 60% of his base salary); (B) any accrued benefits; and (C) a *pro rata* Retention Bonus based on time elapsed and *pro rata* Performance Bonus based on performance targets achieved. In addition, in the event of a change of control, immediately effective as of the date of such change of control, Mr. Pelletier shall be fully and immediately vested in any unvested Options, PSUs or other equity awards granted by the Corporation to Mr. Pelletier that are unvested as of such date such that all such Options and/or equity awards are fully and immediately exercisable by him.

If Mr. Pelletier's employment is terminated other than for just cause or in connection with a change of control, Mr. Pelletier shall be entitled to: (A) a severance amount equal to the sum of two times his then current base salary plus two times his target annual bonus (based on a target annual bonus level of 60% of his base salary), which severance shall be payable in substantially equal instalments over 12 months in accordance with the Corporation's standard payroll practice; (B) any accrued benefits; and (C) a *pro rata* Retention Bonus based on time elapsed and *pro rata* Performance Bonus based on performance targets achieved. Furthermore, effective as of the date of termination, Mr. Pelletier shall be immediately vested in any unvested RSUs, which would have vested one year from such date of termination, and any unvested Options so that all such RSUs and Options are fully and immediately exercisable by him.

Assuming a discontinuance of Mr. Pelletier's services if a change of control took place on December 31, 2016, Mr. Pelletier would have received a cash payment of \$1,462,750.

*Kurt Loewen*

Mr. Loewen, the CFO of the Corporation, has entered into an amended employment agreement with the Corporation dated January 1, 2013, pursuant to which Mr. Loewen was to receive: (i) an annual base salary of \$235,000 in 2013, \$260,000 in 2014 and \$285,000 in 2015, subject to an annual review; (ii) an annual discretionary bonus of up to 40% of his base salary, subject to Board discretion; (iii) equity compensation of \$100,000 per year payable in RSUs or PSUs under the LTIP or the cash equivalent if such RSUs or PSUs are unavailable, subject to an annual review; and (iv) certain perquisites. In December 2015 the Corporation notified Mr. Loewen that he was to receive, for the period January 1 to December 31, 2016: (i) an annual base salary of \$285,000; and (ii) an annual discretionary bonus as determined by the Board in its sole discretion. No new grants of equity compensation were to be awarded. If Mr. Loewen's employment is terminated upon a change in control, other than for cause, in contemplation of, at the time of, or within 18 months after a change of control, Mr. Loewen will be entitled to a lump sum cash payment immediately following such termination equal to his then current annual base salary, equity compensation and annual discretionary bonus equal to the respective amounts last awarded to Mr. Loewen. In addition, in the event of a change in control, immediately effective as of the date of such change of control, Mr. Loewen shall be fully and immediately vested in any unvested Options other equity awards granted by the Corporation to Mr. Loewen that are unvested as of such date so that all such Options and/or equity awards are fully and immediately exercisable by him.

If Mr. Loewen's employment is terminated for any reason other than for cause or in connection with a change of control, or as a result of significant modifications of Mr. Loewen's duties and responsibilities, he will be entitled to nine months compensation calculated on the basis of his pro-rated base salary, pro-rated equity compensation and last awarded annual bonus. If the Corporation terminates Mr. Loewen's employment by giving him the required notice or payment in lieu thereof: (i) Mr. Loewen's entitlement to vesting of any Options and other equity awards will continue during the applicable 9 month notice period; and (ii) on the day following the expiration of such notice period, Mr. Loewen shall be fully and immediately vested in any unvested Options and other equity awards so that any such Options and other equity awards shall be fully and immediately exercisable by him. In the event of significant modification of the duties and responsibilities of Mr. Loewen by the Corporation, Mr. Loewen may at his sole discretion consider such event termination by notice.

Assuming a discontinuance of Mr. Loewen's services if a change of control took place on December 31, 2016, Mr. Loewen would have received a cash payment of \$342,000 and Common Shares valued at an aggregate of \$310,310 assuming the vesting of all units under the LTIP and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

*Axel Wappler*

Mr. Wappler entered into an amended employment agreement with Landqart effective July 1, 2015, pursuant to which he serves as the Chief Executive Officer of the Landqart mill. The agreement provides for an annual base salary of CHF 360,000 subject to an annual review. Mr. Wappler is also entitled to receive a discretionary annual target bonus of up to 50% of his base salary, subject Board discretion, on quantitative (50%) and qualitative (50%) performance criteria, payable in 70% cash and 30%, at the Corporation's option, in either: (i) RSUs, of which 1/3 will vest in three months following the issue date and 2/3 will vest in 36 months following the issue date; or (ii) cash, of which 1/3 of such cash amount will vest in three months following the bonus determination date and 2/3 of such cash amount will vest in 36 months following the bonus determination date. Upon termination of his employment by the Corporation without cause, if he does not receive six months' notice of such termination, Mr. Wappler will receive his base salary, car allowance and expense allowance for a period of six months, as well as compensation for any untaken vacation entitlements. Additionally, upon termination of his employment, Mr. Wappler is entitled to his annual discretionary bonus on a pro-rated basis. Upon a termination of Mr. Wappler's employment, he would receive \$388,974 assuming the maximum annual discretionary bonus.

Assuming a discontinuance of Mr. Wappler's services if a change of control took place on December 31, 2016, Mr. Wappler would have received Common Shares valued at an aggregate of \$56,469 assuming the vesting of all units under the LTIP, on such date, applying the closing price of the Common Shares on the TSX on such date.

### *Marco Veilleux*

Mr. Veilleux, the VP of Business Development and Strategic Projects of the Corporation, entered into an employment agreement with the Corporation dated April 23, 2012, pursuant to which Mr. Veilleux will receive: (i) an annual base salary of \$210,000, subject to an annual review; (ii) an annual discretionary target bonus of up to 25% of his base salary, subject to Board discretion; (iii) equity compensation of \$30,000 per year payable in RSUs pursuant to the LTIP or the cash equivalent if such RSUs are not available; and (iv) certain perquisites. If Mr. Veilleux's employment is terminated upon a change in control, other than for cause, in contemplation of, at the time of, or within 18 months after a change of control, Mr. Veilleux shall be entitled to a lump sum cash payment immediately following such termination equal to one half of the aggregate of his: (a) then current base salary, (b) equity compensation, and (c) a bonus equal to the amount last awarded to Mr. Veilleux. In addition, in the event of a change of control, immediately effective as of the date of such change of control, Mr. Veilleux shall be fully and immediately vested in any unvested Options or other equity awards granted by the Corporation to Mr. Veilleux that are unvested as of such date so that all such Options and/or equity awards are fully and immediately exercisable by him.

If Mr. Veilleux's employment is terminated for any reason other than for cause or in connection with a change of control, he will be entitled to four and one half months compensation calculated on the basis of his pro-rated base salary, pro-rated equity compensation and last awarded annual bonus. If the Corporation terminates Mr. Veilleux's employment by giving him the required notice or payment in lieu thereof comprised of pro-rated current salary, including pro-rated equity compensation and bonus based on the respective amounts last awarded to Mr. Veilleux prior to such termination, and all unvested rights in any stock options and any other equity awards will vest in full and become immediately exercisable. In the event of significant modification of the duties and responsibilities of Mr. Veilleux by the Corporation, Mr. Veilleux may at his sole discretion consider such event termination by notice.

Assuming a discontinuance of Mr. Veilleux's services if a change of control took place on December 31, 2016, Mr. Veilleux would have received a cash payment of \$136,114 and Common Shares valued at an aggregate of \$59,997 assuming the vesting of all LTIP units under the LTIP and the exercise of all Options on such date, applying the closing price of the Common Shares on the TSX on such date.

### **Compensation of Directors**

Pursuant to the Corporation's Amended Directors' Compensation Policy dated November 4, 2016, the Corporation's non-executive directors are paid according to the following schedule:

<b>Director Retainers (Cash and Equity)</b>	
Lead Director Retainer	\$50,000
Board Member Retainer	\$26,000
Payable in Deferred Share Units ("DSUs") subject to availability under the LTIP, failing which will be paid in Cash	\$16,000
<b>Per-Meeting Fees (in person attendance)</b>	
Board meeting (scheduled)	\$2,250 per meeting per day
Board meeting (unscheduled)	\$1,500 per meeting per day
<b>Committee Retainers</b>	
Audit Committee Chair	\$10,000
Audit Committee Member	\$2,000
Compensation Committee Chair	\$5,000

Compensation Committee Member	\$2,000
Corporate Governance Committee Chair	\$5,000
Corporate Governance Committee Member	\$2,000
<b>Committee Per-Meeting Fees (in person attendance)</b>	
Audit, Compensation and Corporate Governance Committee or ad hoc meeting	\$1,000 per meeting
Capital Projects Committee and Investment Committee	\$1,500 per meeting
<b>Conference calls (Board and/or Committee attendance) (scheduled or unscheduled)</b>	
Conference call less than 1 hour	\$250 per call
Conference call greater than 1 hour and less than two hours	\$500 per call
Conference call greater than two hours	\$1,500 per call (Board) \$750 per call (Committee)

Non-executive directors owning, or exercising control or direction with respect to voting or investment power over, more than 9% of the Corporation's issued and outstanding common shares may elect to receive their equity retainer in cash even if DSUs are available under the LTIP.

In 2014, the Compensation Committee recommended and the Board approved a reduction in director fees to support the Corporation's efforts to conserve cash over the short term. The reductions included, for each independent director:

- A 10% decrease in annual retainer; and
- An election to receive a minimum of 50% of their director's compensation in DSUs provided that such DSUs were available to be granted.

In November 2016, the Board rescinded the reduction of director fees and the requirement to receive a minimum of 50% of such fees in DSUs.

#### *Deferred Share Units*

Under the LTIP, a DSU is a right granted to a director to receive one Common Share, from treasury, on a deferred basis. See "*Securities Authorized for Issuance under Equity Compensation Plans – Long-Term Incentive Plan*" for a description of DSUs under the LTIP which have substantially the same terms as the outstanding DSUs.

Pursuant to the provisions of the LTIP, directors may elect to receive DSUs in lieu of fees. The number of DSUs is calculated by dividing the amount of fees by the immediately preceding five-day volume weighted average trading price of a Common Share for the preceding five trading days to the grant date, provided that, if no such shares traded in this period, the average of the closing bid and ask prices during this period shall be used instead of the closing price. The grant date shall be the 10<sup>th</sup> business day following each financial quarter end.

The DSUs may only be redeemed upon a director ceasing to act as a director of the Corporation. DSUs may be redeemed in cash or Common Shares or a combination of both. The value of DSUs redeemed for cash is equal to the market unit price (as defined in the LTIP) of the Common Shares on the TSX on the trading day immediately following the date the participant ceases to be a director.



The following table states the name of each non-management director and the fees earned for the most recently completed financial year.

Name	Fees Earned (\$)	Share-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value (\$)	All other compensation (\$)	Total (\$)
Joe Nemeth	47,957	46,125	N/A	N/A	N/A	N/A	94,082
Anil Wirasekara	45,850	33,943	N/A	N/A	N/A	N/A	79,793
Terrence Kavanagh	33,660	37,099	N/A	N/A	N/A	N/A	70,759
Gerald Gaetz	11,124	55,808	N/A	N/A	N/A	N/A	66,932
Ezra Gardner	30,793	Nil	N/A	N/A	N/A	N/A	30,793
Richard O'C. Whittall <sup>(1)</sup>	795	Nil	N/A	N/A	N/A	N/A	795

(1) Mr. Whittall retired from the Board on January 4, 2016.

Under the Corporation's Amended Travel and Entertainment Policy, both management and non-management directors are entitled to reimbursement of reasonable travel and other expenses incurred in the conduct of the Corporation's business.

### Outstanding Share-Based Awards and Option-Based Awards for Directors

Currently, non-management directors hold no Option-based awards.

The table below states the name of each non-management director, the number of share-based awards and the value of the awards if the directors were to have retired on December 31, 2016.

Name	Share-based awards	
	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested (\$)
Joe Nemeth	66,094	462,658
Anil Wirasekara	39,622	277,354
Terrence Kavanagh	16,067	112,469
Gerald Gaetz	8,988	62,916
Ezra Gardner	Nil	N/A

In respect of the most recently completed financial year, there were 27,638 DSUs awarded under the LTIP to non-management directors. As at December 31, 2016, there were a total of 243,795 DSUs awarded under the LTIP outstanding. On January 4, 2016, in connection with Mr. Whittall's retirement from the Board, 44,814 DSUs vested and an equivalent number of Common Shares were issued to him. The value of the DSUs vested on such date was \$224,070 calculated based on the closing price of the Common Shares on the previous trading day closing price.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

### Equity Compensation Plan Information

The following table sets out information relating to the SOP and the LTIP as at December 31, 2016.

Equity compensation plans approved by security holders	Number of securities to be issued upon exercise of outstanding Options, warrants and rights (a)	Weighted-average exercise price of outstanding Options, warrants and rights (b)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)) (c)
Amended and Restated Stock Option Plan	390,725	\$8.00	433,328
	200,000	\$15.41	
2016 Long-Term Incentive Plan	404,556	N/A	
Total	995,281		433,328

### Long-Term Incentive Plan

On March 8, 2016, the Board adopted the LTIP which was approved by the shareholders on April 21, 2016. The purpose of the LTIP is to align the interests of Eligible Persons (as defined below) with those of the Corporation and its shareholders and to assist in attracting, retaining and motivating key employees of the Corporation by making a significant portion of the incentive compensation of participating employees directly dependent upon the achievement of key strategic, financial and operational objectives that are critical to ongoing growth and increasing the long-term value of the Corporation.

The LTIP is available to directors and certain officers and employees, as determined by the Board (the "**Eligible Persons**"). The aggregate number of Common Shares issuable under the LTIP, together with Common Shares reserved for issuance under all of the Corporation's other security-based compensation arrangements, shall not exceed 10% of the issued and outstanding Common Shares. The total number of Common Shares issuable to any participant under the LTIP, at any time, together with any other security-based compensation arrangements of the Corporation, shall not exceed 5% of the issued and outstanding Common Shares. The total number of Common Shares issued to insiders within any one-year period and issuable at any given time under the LTIP, together with any other security-based compensation arrangement of the Corporation, shall not exceed 10% of the issued and outstanding Common Shares. The total number of Common Shares issuable to non-executive directors under the LTIP shall not exceed 1% of the issued and outstanding Common Shares, and the fair value of awards granted under the LTIP to any non-executive director cannot exceed \$150,000 annually. Except as otherwise determined by the Board, neither awards nor any rights under any such awards shall be assignable or transferable other than pursuant to a will or by the laws of descent and distribution.

The Board may at any time, in its sole discretion and without the approval of shareholders, suspend, terminate or discontinue the LTIP and may amend the terms and conditions of any grants thereunder, subject to (a) any required approval of any applicable regulatory authority or the TSX, and (b) approval of shareholders of the Corporation, provided that shareholder approval shall not be required for the following amendments and the Board may make changes which may include but are not limited to: (i) amendments of a "housekeeping" nature; (ii) any amendment for the purpose of curing any ambiguity, error or omission in the LTIP or to correct or supplement any provision of the LTIP that is inconsistent with any other provision of the LTIP; (iii) any amendments which are necessary to comply with applicable law or stock exchange requirements; (iv) amendments respecting administration and eligibility for participation under the LTIP, provided that such amendments do not increase the limits on participation imposed on non-executive directors (v) changes to terms and conditions on which awards may be or have been granted pursuant to the LTIP, including changes to the vesting provisions and terms of any awards; (vi) amendments which alter, extend or accelerate the terms of vesting applicable to any award; and (vii) changes to the termination provisions of an award or the LTIP which do not entail an extension beyond the original fixed term.

The Board may waive any conditions or rights under, or amend any terms of, any awards, provided that no such amendment or alteration shall be made which would impair the rights of any participant, without such participant's consent, unless the Board determines that such amendment or alteration either: (a) is required or advisable in order to conform to any law, regulation or accounting standard; or (b) is not reasonably likely to diminish the benefits provided under such award.

The following types of awards are available under the LTIP. Such awards may be granted alone or in addition to, in tandem with, or in substitution for any other award or any award granted under any other security-based compensation agreement of the Corporation.

#### *Restricted Share Units*

RSUs are rights awarded to participants to receive a payment in Common Shares, and are subject to such restrictions that the Board may establish in the applicable award agreement. Each RSU shall represent one Common Share, and the RSUs shall generally vest and become payable by the issuance of Common Shares in the short to medium term at the end of the restriction period if all applicable restrictions have lapsed, subject to the discretion of the Board.

As soon as practicable after each vesting date of an award of RSUs, the Corporation shall issue from the treasury to the participant or, if applicable, the participant's estate, a number of Common Shares equal to the number of RSUs credited to the participant's account that become payable on the vesting date. As of the vesting date, the RSUs in respect of which such shares are issued shall be cancelled.

The LTIP provides that, in the event of a change of control, all RSUs granted to a participant under the LTIP will continue to vest in accordance with the terms under which such RSUs were granted, unless otherwise approved by the Board. Upon the death of a participant, any RSUs granted to the participant, which, prior to the participant's death have not yet vested, will immediately vest in the participant's estate.

The LTIP provides that, in the event of a participant's termination by the Corporation or a subsidiary thereof for cause or without cause, or in the event of a participant's voluntary termination by the participant, any RSUs granted to the participant under the LTIP will immediately terminate without payment as of the termination date of such units. In the event of a participant's termination due to retirement or in connection with a disability, all RSUs will continue to vest in accordance with the terms of such RSUs and the applicable restriction period. Likewise, in the case of directors, if a participant ceases to be a director for any reason, any RSUs granted to the participant under the LTIP that have not yet vested will continue to vest in accordance with the terms of such RSUs and the applicable restriction period. Upon termination of a participant's employment, the participant's eligibility to receive further grants of awards of RSUs under the LTIP shall cease as of the termination date of such units.

#### *Performance Share Units*

PSUs are rights awarded to participants to receive a payment in Common Shares. Each PSU shall represent one Common Share, and shall vest and become payable to the extent that all performance criteria established by the Board, which may include criteria based on the participant's personal performance and/or financial performance of the Corporation and its subsidiaries, set forth in the award agreement are satisfied for the performance cycle, normally a three-year period as specified in the award agreement, the determination of which satisfaction shall be made by the Board on the determination date. An award agreement may provide the Board with the right to revise such performance criteria and the award amounts if unforeseen events occur that will make the application of the performance criteria unfair unless a revision is made.

After the determination date for the applicable award, and within 95 days after the last day of such award's performance cycle, the Corporation shall issue from the treasury to the participant or, if applicable, the

participant's estate, a number of Common Shares equal to the number of PSUs that have vested. As of the vesting date, the PSUs in respect of which such shares are issued shall be cancelled.

The LTIP provides that, in the event of a change of control, unless otherwise approved by the Board, the Board shall determine, in its sole discretion, the number of the participant's PSUs that will vest based on the extent to which the applicable performance criteria set forth in the award agreement have been satisfied in the period of the performance cycle that has lapsed.

The LTIP provides that upon death of a participant, all PSUs granted to a participant shall become fully vested in such participant or, if applicable the participant's estate, without regard to the attainment of any performance criteria.

The LTIP provides that, in the event of a participant's termination by the Corporation or a subsidiary for cause or without cause, all PSUs granted to the participant under the LTIP will immediately terminate without payment. In the event of a participant's termination due to retirement or in connection with a disability, the Board shall determine, in its sole discretion, the number of the participant's PSUs that will vest and will be based on the extent to which the applicable performance criteria have been satisfied in that portion of the performance cycle that has lapsed. Upon termination of a participant's employment, the participant's eligibility to receive further grants of awards of PSUs under the LTIP shall cease as of the termination date.

#### *Deferred Share Units*

DSUs are rights available to directors in lieu of fees, to receive on a deferred basis a payment in either Common Shares or cash. After the effective date the participant ceases to be a director, the participant shall be entitled to receive either that number of Common Shares equal to the number of DSUs credited to the participant's account, such Common Shares to be issued from treasury, or a cash payment in an amount equal to the number of DSUs credited to the participant's account multiplied by the volume weighted average trading price of the Common Shares for the preceding five days to the date upon which the participant ceases to be a director, net of applicable withholdings. If no such shares traded in this period, the average of the closing bid and ask prices during this period shall be used instead of the closing price. Further, in the event that this value would be determined with reference to a period commencing at a fiscal quarter end of the Corporation and ending prior to the public disclosure of interim financial statements for the quarter (or annual financial statements in the case of the fourth quarter), the cash payment of the value of the DSUs will be made to the participant with reference to the five trading days immediately following the public disclosure of the interim financial statements for that quarter (or annual financial statements in the case of the fourth quarter).

Each director may elect to receive any or all of his or her cash fees in DSUs. The number of such DSUs to be credited to the participant's account shall be calculated by dividing the amount of fees selected by a director by the volume weighted average trading price of a Common Share for the preceding five trading days to the grant date, provided that, if no such shares traded in this period, the average of the closing bid and ask prices during this period shall be used instead of the closing price. The grant date shall be the 10<sup>th</sup> business day following each financial quarter end. If, as a result of the foregoing calculation, a participant shall become entitled to a fractional DSU, the participant shall only be credited with a full number of DSUs (rounded down) and no payment or other adjustment will be made with respect to the fractional DSU.

Upon the death of a participant, the participant's estate shall be entitled to receive, within 120 days after the participant's death and at the sole discretion of the Board, a cash payment or Common Shares, net of applicable withholdings, that would have otherwise been payable to the participant upon such participant ceasing to be director.

As of at the date hereof, there are 375,571 issued and outstanding units under the LTIP, representing approximately 2.62% of the total issued and outstanding Common Shares.

## Stock Option Plan

The Board has adopted the SOP which was approved by the shareholders on April 21, 2016, for the Corporation's directors, officers, employees, insiders and service providers. The SOP provides that Options may be granted to eligible persons on terms determined within the limitations set out in the SOP. The maximum number of Common Shares to be reserved for issuance at any one time under the SOP and any other employee incentive plan is 10% of the issued and outstanding Common Shares. Under the terms of the SOP, the maximum number of Common Shares which, together with any other Common Shares subject to a security-based compensation arrangement with a participant may be: (i) reserved for issuance to participants who are insiders shall not exceed 10% of the number of Common Shares then outstanding; (ii) issued to participants who are insiders within a one-year period shall not exceed 10% of the number of Common Shares then outstanding; (iii) issued to any one participant who is an insider and the associates of such participant within a one-year period shall not exceed 5% of the number of Common Shares then outstanding; (iv) reserved for issuance to any one participant shall not exceed 5% of the number of Common Shares then outstanding; and (v) issued to any one participant who is a non-executive director within a one-year period shall not have an aggregate market price in excess of \$150,000, and the maximum number of Options issued to any one participant who is a non-executive director under the SOP within a one-year period shall not have an aggregate market price in excess of \$100,000. The exercise price for an Option granted under the SOP may not be less than the closing price of the Common Shares on the TSX on the trading day immediately preceding the date of grant. Options granted may be subject to vesting requirements.

The SOP allows Option holders to exchange their Options (the "**Exchanged Options**") for a right (the "**Substituted Right**") to acquire Common Shares, from time to time, at any time, and permits the Corporation to require the Option holder to exchange its Options for a Substituted Right under certain circumstances. The Substituted Right will entitle the holder to acquire Common Shares on exercise in accordance with the following formula:

$$\text{Number of Common Shares} = \text{Number of Common Shares under the Exchanged Options} \times \frac{(\text{Current Price} - \text{Exercise Price})}{\text{Current Price}}$$

"Current Price" means the closing price of the Common Shares immediately prior to exercise or exchange of the Options and "Exercise Price" means the exercise price of the Exchanged Options.

Options will be granted for a period which may not exceed ten years from the date of grant but will expire within 90 days of a participant ceasing to be a director, officer, employee, insider or service provider of the Corporation, unless that participant ceases to be a director, officer, employee, insider or service provider of the Corporation for cause, in which case no Option held by such participant shall be exercisable. The Board shall determine, in accordance with the SOP, the number of Common Shares to be made subject to each Option, as well as any other terms, including the expiry date and any vesting provisions, restrictions, or conditions that may be applicable. No rights under the SOP and no Option awarded pursuant to the provisions of the SOP are assignable or transferable by any participant. Subject to any applicable employment agreement, upon the death of an optionee, any person who legally receives the rights of any Option granted to such optionee may exercise such Option within 365 days of the death of the optionee or prior to the expiration of the applicable option period, whichever is sooner, but only to the extent such optionee was entitled to exercise the Option at the date of such optionee's death.

The Board may from time to time in its absolute discretion amend, modify and change the provisions of an Option or the SOP without obtaining approval of shareholders to: (i) make amendments of a "housekeeping" nature; (ii) change vesting provisions of an Option or the SOP; (iii) change the termination provisions of an Option or the SOP which does not entail an extension beyond the original expiry date of the Option or the SOP; (iv) change the termination provisions of an Option or the SOP which does entail an extension beyond the original expiry date of the Option or the SOP for a participant who is not an insider; (v) remove or change any

restriction or condition attached to a Common Share; (vi) implement a cashless exercise feature, payable in cash or securities, provided that such feature provides for a full deduction of the number of Common Shares from the number of Common Shares reserved under the SOP; and (vii) make any other amendments of a nonmaterial nature which are approved by the TSX.

All other amendments, modifications or changes shall only be effective upon such amendment, modification or change being approved by the shareholders of the Corporation. Specifically, shareholder approval shall be required to amend, modify or change any provision in the SOP to: (i) increase the number of Common Shares reserved for issuance under the SOP; (ii) reduce the exercise price per share for an Option granted under the SOP, or permit the Board to cancel and reissue Options granted under the SOP; (iii) extend the period under which Options granted under the SOP may be exercised; (iv) permit discretionary participation in the SOP by non-executive directors, or increase the limits on non-executive director participation in the SOP; (v) permit the assignment or transfer of Options granted under the SOP, other than for normal estate settlement purposes; and (vi) permit changes to the amendment provisions in the SOP. Any amendment, modification or change of any provision of the SOP shall be subject to approval, if required, by any regulatory body having jurisdiction.

The SOP is administered by the Corporation's Compensation Committee. The SOP is subject to the rules and policies of the TSX, including the requirement for shareholder approval of all unallocated Options every three years following institution.

As at the date hereof, there are 557,525 issued and outstanding Options, representing approximately 3.89% of the total issued and outstanding Common Shares.

### **Automatic Share Disposition Plan**

In December 2010, the Corporation adopted an automatic share disposition plan (the "**ASDP**") to allow its directors and senior executive officers the opportunity to satisfy their tax liabilities resulting from the receipt of equity compensation or to diversify their investments and meet investment planning goals by selling, on an automatic basis through an independent third party securities broker (the "**Broker**"), certain of their Common Shares, including Common Shares issuable upon the vesting of units under the LTIP and the exercise of Options. Sales of Common Shares under the ASDP are made in the open market through the facilities of the TSX by the Broker in accordance with a pre-determined quarterly sales schedule and could include circumstances when participants would ordinarily not be permitted to sell their Common Shares due to restrictions under Canadian securities laws or trading blackouts imposed under the Corporation's Insider Trading Policy. Participants are subject to meaningful restrictions on their ability to modify or terminate their participation in the ASDP. The ASDP was not utilized in 2016.

### **Employee Share Purchase Plan**

In August 2011, the Corporation adopted an employee share purchase plan (the "**ESPP**") to encourage share ownership and provide its employees with financial assistance to purchase Common Shares through earnings, contributions by the Corporation, and dividend reinvestment. Any employee who has completed six full months of employment with the Corporation or any of its subsidiaries is eligible to participate in the ESPP. This may include an employee who is on leave of absence, but, unless authorized by the Board, does not include officers or directors of the Corporation, contract or probationary employees, part-time employees, temporary full-time employees, or temporary part-time employees.

A participant will make personal contributions to the ESPP of not more than ten percent, in whole percentages, of his or her Earnings (as such term is defined in the ESPP) up to a maximum aggregate personal contribution per calendar year of \$10,000 or the equivalent in local currency for non-Canadian resident participants, as may be determined by the Board from time to time. Accordingly, the Corporation will contribute to the ESPP an amount equal to \$0.15 for every \$1.00 contributed by a participant for any pay period (to a maximum of \$1,500 annually). A participant may make four withdrawals from his or her account in any calendar year.

An administrative agent will use all funds received by it from contributions to purchase the Common Shares and will make such purchases from time to time at its discretion. The administrative agent will purchase such Common Shares on the open market through the facilities of the TSX. The Corporation may amend or suspend at any time, and from time to time, all or any of the provisions of the ESPP at its sole and complete discretion, except that no such amendment shall, in the opinion of the Corporation, operate so as to deprive a participant of any Common Shares credited to a participant's account(s) prior to the date thereof.

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

As at the date of this Information Circular, no individual who is or was a director, executive officer or employee of the Corporation or any of its subsidiaries, any proposed nominee for election as a director of the Corporation or any associate of such director or officer, is or was, at the end of the most recently completed financial year, indebted to the Corporation or any of its subsidiaries since the beginning of the most recently completed financial year of the Corporation, or is or has been indebted to another entity that is or has been the subject of a guarantee, support agreement, letter of credit or other similar arrangement or understanding provided by the Corporation or any of its subsidiaries during that period.

### **MANAGEMENT CONTRACTS**

To the best of the knowledge of the directors and officers of the Corporation, management functions of the Corporation are not, to any substantial degree, performed by a person other than the directors and executive officers of the Corporation.

### **AUDIT COMMITTEE**

For information regarding the Corporation's Audit Committee, please refer to the Corporation's Annual Information Form for the year ended December 31, 2016 under the heading "*Directors and Executive Officers – Audit Committee*", available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **CORPORATE GOVERNANCE**

#### **Board of Directors**

The directors are responsible for managing and supervising the management of the business and affairs of the Corporation. Each year, the Board must review the relationship that each director has with the Corporation in order to satisfy themselves that the relevant independence criteria have been met.

Other than interests arising from shareholdings in the Corporation, Messrs. Nemeth, Wirasekara, Kavanagh, Gaetz and Gardner are independent directors within the meaning set out in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") in that they are free from any interest which could reasonably interfere with their exercise of independent judgment as directors of the Corporation. Mr. Wasilenkoff, is currently employed as Executive Chairman of the Corporation and is also a significant shareholder, making him therefore not independent. The Corporation had, in the 2016 fiscal year, has and will have a Board comprised of a majority of independent directors.

In order to facilitate its exercise of independent judgment in carrying out its responsibilities, the Board may establish informal committees on an as-needed basis consisting solely of independent directors to evaluate certain matters to be considered by the Board. The Board, or any committee, may also seek advice from outside advisors. The Board also follows a practice whereby any director who has an interest in a matter the Board is considering will either abstain from voting on the matter or exit the Board meeting.

The following directors of the Corporation hold or, in 2016, held, directorships in other reporting issuers or the equivalent in other jurisdictions as set out below:

Name of director	Name of other reporting issuer
Joe Nemeth	Catalyst Paper Corporation

The independent directors hold regularly scheduled meetings at which non-independent directors and members of management are not in attendance. However, in order to facilitate open and candid discussion among independent directors, communication among the independent directors also occurs on an informal and ongoing basis as such need arises. During 2016, the independent Directors held three meetings independent of management and non-independent directors.

The Board does not have a Chairman independent of management. Mr. Wasilenkoff, the Executive Chairman of the Board, is the Corporation's former Chief Executive Officer and President and is currently a significant shareholder and employed by the Corporation. Mr. Nemeth is the Board's Lead Director and is independent of management. The Board believes that this structure best reflects the entrepreneurial leadership of the Corporation. The Board is satisfied that the autonomy of the Board and its ability to function independently of management are protected through measures such as the Audit Committee, the Compensation Committee and the Corporate Governance Committee being composed of all or a majority of independent directors. In order to provide leadership for its independent directors, an independent Lead Director has been appointed. In addition, the independent members of the Board meet separately from the non-independent member(s) and the Board encourages its independent members to seek the advice of financial, legal or other consultants when necessary.

Board committees assist in the effective functioning of the Board. All Board committees are currently comprised of either all or a majority of independent directors, which ensures that the views of independent directors are effectively represented. The Board currently has four committees: the Compensation Committee, the Corporate Governance Committee, the Audit Committee and the Capital Projects Committee. Special committees may be formed from time to time as required to review particular matters or transactions.

The Compensation Committee is responsible for the development, implementation and monitoring of the Corporation's compensation policy for executive officers and members of the Board.

The following are the current members of the Compensation Committee:

Terrence Kavanagh (Chair)  
Joe Nemeth  
Gerald Gaetz  
Ezra Gardner

The Corporate Governance Committee's overall responsibility is for ensuring that the Corporation meets applicable legal, regulatory and self-regulatory business principles and "codes of best practice" of corporate behavior and conduct.

The following are the current members of the Corporate Governance Committee:

Terrence Kavanagh (Chair)  
Joe Nemeth  
Anil Wirasekara

The Audit Committee is responsible for monitoring: (1) the integrity of the financial statements of the Corporation; (2) the compliance by the Corporation with the legal and regulatory requirements; and (3) the independent performance of the Corporation's external auditors, which external auditors shall report directly to the Audit Committee.



The following are the current members of the Audit Committee:

Anil Wirasekara (Chair)  
Terrence Kavanagh  
Gerald Gaetz

The Capital Projects Committee is responsible for overseeing, reviewing, evaluating, monitoring and assessing the execution of significant capital projects of the Corporation.

The following are the current members of the Capital Projects Committee:

Joe Nemeth (Chair)  
Terrence Kavanagh  
Chad Wasilenkoff

The following table sets forth the number of Board and committee meetings held and attendance by directors for the most recently completed financial year, but does not include ad hoc meetings attended by Board members or sub-committee meetings. Mr. Gardner joined the Compensation Committee on August 5, 2016. On March 17, 2017, Mr. Kavanagh was appointed to the Compensation Committee and replaced Mr. Wirasekara and was appointed the Chair of such committee.

Director	Scheduled Board meetings	Unscheduled Board meetings	Compensation Committee meetings	Corporate Governance Committee meetings	Audit Committee meetings	Capital Projects Committee	Investment Committee <sup>(1)</sup>
Chadwick Wasilenkoff	4/4	7/7				15/15	
Joe Nemeth <sup>(2)</sup>	4/4	7/7	4/4	4/4		15/15	
Anil Wirasekara	4/4	7/7	4/4	4/4	5/5		1/1
Terrence Kavanagh	4/4	7/7		4/4	5/5	15/15	
Gerald Gaetz	4/4	7/7	4/4		5/5		
Ezra Gardner <sup>(2) (3)</sup>	2/2	3/3	1/1				1/1

<sup>(1)</sup> The Investment Committee was formed on April 20, 2016 and was originally comprised of Mr. Wirasekara and Mr. Nemeth. The Investment Committee was dissolved on March 17, 2017.

<sup>(2)</sup> On November 4, 2016, Mr. Gardner was appointed to and replaced Mr. Nemeth on the Investment Committee.

<sup>(3)</sup> Mr. Gardner joined the Board on August 5, 2016.

The table below summarizes the number of Board and committee meetings held during 2016 (includes scheduled and unscheduled meetings, including meetings held by telephone conference call).

Meeting type	Totals
Board of Directors	11
Compensation Committee	4
Corporate Governance Committee	4
Audit Committee	5
Capital Projects Committee	15
Investment Committee	1
<b>Total number of meetings held</b>	<b>40</b>

The Corporation's current Board mandate, which is reviewed on an annual basis, is attached hereto as Appendix "A". The Board has not developed written descriptions for the Lead Director, CEO or the chairs of each

committee of the Board. The CEO's responsibilities are described in his employment agreement. The chairs of each committee of the Board follow the charter for the respective committee. The Executive Director's responsibilities are described in his employment agreement. The Board is developing a position description for the Lead Director.

### **Orientation and Continuing Education**

The Corporation does not have a formal process of orientation and education for new members of the Board. The current directors are experienced in boardroom procedure and corporate governance and generally have a good understanding of the business. As necessary, new members of the Board are provided with information about the Corporation, the role of the Board, the Board's committees, the Board's directors and the Corporation's industry. In addition, the Corporation provides continuing education for its directors as such need arises.

### **Ethical Business Conduct**

The Corporation adopted a Code of Business Conduct and Ethics (the "**Code**") in May 2007, which is available under the Corporation's profile at [www.sedar.com](http://www.sedar.com). The Code sets out the principles that should guide the behavior of the Corporation's directors, officers and employees. The Code addresses issues such as the following:

- (a) conflicts of interest, including transactions and agreements in respect of which a director or executive officer has a material interest;
- (b) protection and proper use of corporate assets and opportunities;
- (c) fair dealing with the Corporation's security holders, customers, suppliers, competitors and employees;
- (d) compliance with laws, rules and regulations; and
- (e) reporting of any illegal or unethical behavior.

The Board is responsible for monitoring compliance with the Code. One tool used for monitoring compliance is the Corporation's Whistleblower Policy. Any person can report complaints or concerns, which may be on an anonymous basis, through the procedures of the Whistleblower Policy.

To ensure directors of the Corporation exercise independent judgment in considering transactions, agreements or decisions in respect of which a director or executive officer has declared a material personal interest (in accordance with relevant corporate law requirements), the Board follows a practice whereby any such Board member must be absent during any Board discussion pertaining thereto and not cast a vote on any such matter. Significant contracts that may be deemed to be in conflict are also reviewed and approved by the Audit Committee.

In addition, the Board must comply with conflict of interest provisions in Canadian corporate law and relevant securities regulatory instruments in order to ensure that directors exercise independent judgment in considering transactions and agreements in respect of which a director or executive officer has a material interest.

### **Nomination of Directors**

Although the Corporation does not have a nominating committee to propose new Board nominees, the Corporate Governance Committee is responsible for advising the Board with respect to the filling of vacancies on the Board and making recommendations as to nominees for the Board and uses an informal consultative process.

The Corporate Governance Committee analyzes the needs of the Board when vacancies arise and identifies and proposes new nominees who have the necessary competencies and characteristics to meet such needs. New candidates are introduced to the Board by members of the Corporate Governance Committee.

In order to foster an objective nomination process, the independent members of the Board are encouraged to recommend nominees for the Board.

### **Director Term Limits**

The Corporation has not established a formal policy on term limits for the directors on the Board. The Corporate Governance Committee and the Board last considered whether to implement a term limit policy at its February 19, 2015 meeting. While the Corporation considered the benefits of fresh perspectives on its Board, the Board considered the potential drawbacks of losing directors with significant institutional knowledge, experience and understanding of the Corporation's unique aspects of its businesses and operational history. The Corporate Governance Committee and the Board considered whether the goals of providing for board renewal and succession planning would be best served by formal term limits and retirement policies or the evaluations of individual directors' skills and performance. The Corporate Governance Committee will continue to perform assessments of each director's performance annually (See "*Assessments*"). These reviews would address the director's level of preparedness for meetings, pro-active contributions, follow through on action items and commitments in a timely manner, overall contribution and candid feedback on areas for improvement. The average tenure of the Corporation's current Board is 4.2 years. Excluding the Executive Chairman, the remaining independent Board members have an average tenure of 2.82 years.

### **Diversity and Representation of Women**

The Corporation has not established a formal policy on gender diversification. The Corporation is committed to providing equal opportunity for individuals who have the necessary qualifications for employment and advancement within the Corporation. When considering board nominees and appointments to senior levels of management, the Corporation takes in to account a broad variety of factors including experience, independence, financial literacy, industry knowledge, skills, talent and merit. The Corporation recognizes the benefits from creating and maintaining a diverse and inclusive culture within our workforce, including exposure to different perspectives and due consideration is given to diversity.

The Corporation supports efforts of gender diversity, but has determined that adopting a formal policy requiring certain levels of representation of women on the Board or in senior management is not in the best interests of the Corporation at this time. Rather, the Corporate Governance Committee and the Board have determined that the Corporation could best support gender diversity, at this time, by conducting an annual review of gender diversity throughout the Corporation. The Corporation shall make gender diversity an explicit consideration in all nominees to the Board and candidates for senior management positions.

For clarity, "diversity" means any element or quality that can be used to differentiate groups and people from one another, including differences based on age, race, colour, creed, religion, disability, marital status, gender, sexual orientation, national origin, or other legally protected status, as required by law, as defined in the Corporation's Code of Conduct.

### **Compensation**

The Compensation Committee is appointed by the Board to, among other things, discharge the Board's responsibilities relating to compensation of the Corporation's directors and officers. The Compensation Committee periodically reviews the adequacy and form of compensation to ensure it realistically reflects the responsibilities and risks involved in being an effective director or officer and that the compensation allows the Corporation to attract qualified candidates. Such review includes an examination of publicly available data as well as independent compensation surveys.

The Compensation Committee annually reviews and approves corporate goals and objectives relevant to the compensation of the NEOs and other senior executives, evaluates the NEOs and other executives' performance in light of those goals and objectives and sets the NEOs and other executives' compensation level based on this evaluation. The Compensation Committee meets without the presence of the NEOs or other executive officers when approving the NEOs and other executives' compensation.

The Compensation Committee is comprised of only independent directors. In order to ensure an objective process for determining compensation, the Compensation Committee reviews independent materials such as pay survey data and industry reports. The Compensation Committee benchmarks against other companies using peer group studies compiled for the Compensation Committee. In addition, the Compensation Committee may consult with outside advisors and independent compensation advisory firms if it deems advisable.

### **Assessments**

The Board is responsible for keeping management informed of its evaluation of the performance of the Corporation and its senior officers in achieving and carrying out the Board's established goals and policies, and is also responsible for advising management of any remedial action or changes which it may consider necessary. Additionally, directors are expected to devote the time and attention to the Corporation's business and affairs as necessary to discharge their duties as directors effectively.

The Corporate Governance Committee administers evaluations of performance, effectiveness and composition of the Board's committees and also of the Board as a whole. The Board and the Board's committees evaluate performance by asking each director to complete questionnaires. The results of the questionnaires are collated and evaluated by the Corporate Governance Committee and then discussed at a meeting of the full Board. In addition to the assessments, the Board considers the following in order to gauge performance:

- (a) input from directors, where appropriate;
- (b) attendance of directors at meetings of the Board and any committee;
- (c) the charter of each committee; and
- (d) the competencies and skills each individual director is expected to bring to the Board and each committee.

### **Advance Notice Policy**

Pursuant to the Advance Notice Policy, any additional director nominations for the Meeting must have been received by the Corporation no later than the close of business on April 21, 2017. No such nominations were received by such date. The advance notice provisions provide shareholders, directors and management of the Corporation with a clear framework for nominating directors. The Advance Notice Policy is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Share Ownership Policy**

On March 17, 2017, the Board, at the recommendation of the Corporate Governance Committee, adopted a share ownership policy, whose purpose is to better align the financial interests of the Corporation's Executive Chairman, CEO, CFO, directors, the CEO of the Landqart Mill and the President of the FSC Mill (collectively, the "**Participants**") with those of the Corporation's shareholders. The Participants are required pursuant to the policy to own Common Shares which have a fair market value equal to the following multiples of the Participant's base salary (or, in the case of a non-executive director, the annual retainer paid to such director in cash or equity, not including retainers for Board committees):

Executive Chairman	3x annual base salary
CEO	3x annual base salary
CFO	2x annual base salary
CEO of the Landqart Mill and President of the FSC Mill	1x annual base salary
Non-Executive Directors	3x annual retainer

In determining share ownership, unexercised Options will be excluded and LTIP units will be included. Each year, the Corporate Governance Committee will determine whether a Participant meets the policy guidelines. In the event the market value of the Common Shares owned by a Participant falls below the original purchase price actually paid for such shares, the original purchase price may be used when calculating his or her share ownership. In the event of an increase in a Participant's base salary or annual retainer, he or she will have five years to acquire additional shares to meet the guidelines. Each Participant is expected to meet the applicable guidelines within five years of first becoming subject to the guidelines pursuant to the policy, subject to the Corporate Governance Committee's discretion, and to maintain the applicable guidelines thereafter.

While the Participant is not in compliance with his or her ownership requirement, the Participant must retain an amount equal to 50% of his or her net shares received as a result of the exercise of Options or the vesting of any LTIP units, after deducting any shares sold to pay any applicable exercise price, in the case of Options, and to satisfy any tax obligations arising in connection with the exercise of Options or vesting of LTIP units. If the Participant falls below the applicable guideline solely as a result of a decrease in the value of the Common Shares based on their market price, the Participant will not be required to acquire additional shares to meet the guidelines, but will be required to retain all shares then held (excluding shares withheld to pay withholding taxes or the exercise price of Options) until such time as he or she again attains the target multiple.

## APPOINTMENT OF AUDITORS

Management of the Corporation will recommend at the Meeting that shareholders reappoint PricewaterhouseCoopers LLP, Chartered Accountants, as auditors of the Corporation until the next annual meeting of shareholders and to authorize the directors to fix their remuneration. PricewaterhouseCoopers LLP were first appointed as auditors of the Corporation on October 24, 2006.

## PARTICULARS OF MATTERS TO BE ACTED UPON

### Approval of Shareholder Rights Plan

At the Meeting, shareholders will be asked to consider and, if thought advisable, approve an ordinary resolution ratifying, confirming and approving the adoption of a shareholder rights plan (the "**Rights Plan Resolution**"). The Board has determined that the Rights Plan (as hereinafter defined) is in the best interest of the Corporation and unanimously recommends that the shareholders vote for the approval of the Rights Plan Resolution.

#### *Background and Summary of the Rights Plan*

The Corporation and Computershare Investor Services Inc. (the "**Rights Agent**") entered into a shareholder rights plan agreement (the "**Rights Plan**") dated as of January 16, 2017. The Corporation's previous shareholder rights plan expired in 2016. A summary of the key features of the Rights Plan follows. This summary is qualified in its entirety by reference to the text of the Rights Plan, as it may be amended from time to time in accordance with its terms, which is available on SEDAR at [www.sedar.com](http://www.sedar.com). Capitalized terms used in this summary without express definition have the meanings ascribed thereto in the Rights Plan.

### *Issue of Rights*

The Corporation issued one right (a "**Right**") in respect of each Common Share outstanding at the close of business on January 16, 2017 (the "**Record Time**"). The Corporation will issue Rights on the same basis for each Common Share issued after the Record Time but prior to the earlier of the Separation Time (as defined below) and the Expiration Time (as defined below).

### *Rights Certificates and Transferability*

Before the Separation Time, the Rights will be evidenced by the registered ownership of the Common Shares (whether or not evidenced by a certificate representing such Common Shares) and the Rights will not be transferable separate from the Common Shares. From and after the Separation Time, the Rights will be evidenced by separate Rights Certificates which will be transferable separate from and independent of the Common Shares.

### *Exercise of Rights*

Rights are not exercisable before the Separation Time. After the Separation Time and before the Expiration Time, each Right entitles the holder (other than holders described below) to acquire that number of Common Shares having an aggregate Market Price on the date of the occurrence of the Flip-in Event (as defined below) equal to twice the Exercise Price for an amount in cash equal to the Exercise Price of five times the Market Price per Common Shares determined as of the Separation Time (subject to certain anti-dilution adjustments). Effectively, this means that a shareholder of the Corporation, other than an Acquiring Person (as defined below) and certain persons related to such Acquiring Person as further described in the Rights Plan, can acquire additional Common Shares from treasury at half their Market Price after the Separation Time.

### *Definition of "Acquiring Person"*

Subject to certain exceptions, an Acquiring Person is a person who is the Beneficial Owner (as defined below) of 20% or more of the outstanding Common Shares.

### *Definition of "Beneficial Ownership"*

Under the Rights Plan, a person shall be deemed the "Beneficial Owner" of, and to have "Beneficial Ownership" of, and to "Beneficially Own":

1. any securities of which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person is the owner in law or equity; and
2. any securities as to which such person or any Affiliate or Associate of such person or any other person acting jointly or in concert with such person has the right to acquire upon the conversion, exchange or exercise of any Convertible Securities or pursuant to any agreement, arrangement, pledge or understanding, subject to certain exceptions, in each case if such right is exercisable immediately or within a period of 60 days thereafter.

However, a person is not deemed the "Beneficial Owner" of, or to have "Beneficial Ownership" of, or to "Beneficially Own" securities under the Rights Plan where:

1. such securities have been deposited or tendered pursuant to a Take-over Bid made by such person or any of such person's Affiliates or Associates pursuant to a Permitted Lock-up Agreement (as defined below), unless those securities have been taken up or paid for;

2. by reason of the holders of such securities having agreed to deposit or tender such securities to a Take-over Bid pursuant to a Permitted Lock-up Agreement;
3. such person is an investment fund or mutual fund manager, a trust company, a statutory body established to manage funds of public bodies, an agent of the crown for the management of public assets, a pension fund or a pension fund administrator or trustee, as long as such person is not making a Take-over Bid or acting jointly or in concert with a person who is making a Take-over Bid, the whole as more fully described in the Rights Plan and subject to certain exceptions set forth therein; or
4. such person is a registered holder of securities as a result of carrying on the business of or acting as a nominee of a securities depository.

*Definition of "Separation Time"*

The Separation Time occurs on the tenth trading day after the earlier of the following dates, or such later date as may be determined by the Board:

1. the first date of public announcement of facts indicating that a person has become an Acquiring Person;
2. the date of the commencement or announcement of the intent of a person to commence a Take-over Bid (other than a Permitted Bid (as defined below)); and
3. the date on which a Permitted Bid ceases to qualify as such.

However, if any such Take-over Bid expires, is cancelled, is terminated, or is otherwise withdrawn prior to the Separation Time, then the Take-over Bid shall be deemed never to have been made for purposes of determining the Separation Time.

*Definition of "Expiration Time"*

The Expiration Time occurs on the date being the earlier of:

1. the time at which the right to exercise Rights is terminated under the terms of the Rights Plan; and
2. if the Corporation does not request that its shareholders confirm the Rights Plan in accordance with the terms of the Rights Plan or if a majority of votes cast by Independent Shareholders who vote in respect of the resolution to approve the Rights Plan are voted against the Rights Plan, immediately upon the confirmation by the chairman of such shareholders' meeting of the result of the vote on such resolution.

*Definition of a "Flip-in Event"*

A Flip-in Event occurs when a person becomes an Acquiring Person. Upon the occurrence of a Flip-in Event, any Rights that are beneficially owned by an Acquiring Person or by certain persons related to the Acquiring Person or by persons to whom the Acquiring Person has transferred its Rights, will become null and void. As a result, the Acquiring Person's investment in the Corporation would be greatly diluted if a substantial portion of the Rights are exercised after a Flip-in Event occurs.

*Definition of "Permitted Bid"*

A Permitted Bid is a Take-over Bid made by an Offeror by way of a Take-over Bid circular that complies with the following conditions:

1. the Take-over Bid is made to all registered holders of Common Shares (other than Common Shares held by the Offeror);
2. the Offeror agrees that no Common Shares and/or Convertible Securities will be taken up or paid for under the bid for 105 days following the commencement of the bid, or such shorter period that a take-over bid (that is not exempt from the general take-over bid requirements of National Instrument 62-104 *Take-Over Bids and Issuer Bids* ("NI 62-104")) must remain open for deposits of securities thereunder in the applicable circumstances at such time, pursuant to NI 62-104, and that no Common Shares and/or Convertible Securities will be taken up or paid for unless more than 50% of the outstanding Common Shares, if the Take-over Bid is for Common Shares only, held by Independent Shareholders have been deposited or tendered pursuant to the bid and not withdrawn;
3. the Offeror agrees that the Common Shares and, if applicable, Convertible Securities may be deposited to the Take-over Bid at any time before the date of the first take-up of or payment for Common Shares and, if applicable, Convertible Securities, unless the Take-over Bid is withdrawn, and Common Shares deposited to the Take-over Bid may be withdrawn at any time until taken up or paid for; and
4. if the condition in paragraph 2 above is satisfied, the bid shall remain open for an additional period of at least 10 days to permit the remaining shareholders to tender their Common Shares and, if applicable, Convertible Securities.

A Permitted Bid also includes a Competing Permitted Bid (as defined below).

*Definition of "Competing Permitted Bid"*

A Competing Permitted Bid is a Take-over Bid that:

1. is made while another Permitted Bid is in existence; and
2. satisfies all the requirements of a Permitted Bid and contains a condition that no Common Shares and/or Convertible Securities shall be taken up or paid for under the Competing Permitted Bid prior to a date that is no earlier than the date on which Common Shares may be taken up or paid for under any other Permitted Bid that preceded the Competing Permitted Bid that is then in existence for the Common Shares.

*Definition of "Permitted Lock-up Agreement"*

A Permitted Lock-up Agreement is an agreement between a person making a Take-over Bid (the "**Lock-up Bid**") and one or more holders (each, a "**Locked-up Person**") of Common Shares and/or Convertible Securities pursuant to which such Locked-up Persons agree to deposit or tender Common Shares or Convertible Securities to the Lock-up Bid and where the agreement:

1. permits the Locked-up Person to withdraw Common Shares or Convertible Securities in order to tender or deposit such Common Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Common Share or Convertible Security offered that exceeds, or provides a value for each Common Share or Convertible Security offered that is greater than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; or
2. (i) permits the Locked-up Person to withdraw Common Shares or Convertible Securities in order to tender or deposit such Common Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) that represents an offering price for each Common Share or Convertible Security offered that exceeds, or provides a value for each Common Share or Convertible Security offered that is greater than, the offering price or value represented by or proposed to be represented by, the Lock-up Bid by as much or more than a specified amount not greater than 7% of the offering price or value that



is represented by the Lock-up Bid; or (ii) permits the Locked-up Person to withdraw Common Shares or Convertible Securities in order to tender or deposit such Common Shares or Convertible Securities to another Take-over Bid (or terminate the agreement in order to support another transaction) if the number of Common Shares or Convertible Securities to be purchased under such other Take-over Bid or transaction exceeds the number of Common Shares or Convertible Securities offered to be purchased under the Lock-up Bid by as much or more than a specified number of Common Shares or Convertible Securities not greater than 7% of the number of Common Shares or Convertible Securities offered to be purchased under the Lock-up Bid, at an offering price for each Common Share or Convertible Security that is not less, or provides a value for each Common Share Convertible Security that is not less than, the offering price or value represented by or proposed to be represented by the Lock-up Bid; and

3. provides for no "break-up" fees, "top-up" fees, penalties, payments, expenses or other amounts that exceed in the aggregate the greater of: (i) the cash equivalent of 2.5% of the price or value payable under the Lock-up Bid to the Locked-up Person, and (ii) 50% of the amount by which the price or value payable under another Take-over Bid or another transaction to a Locked-up Person exceeds the price or value of the consideration that such Locked-up Person would have received under the Lock-up Bid, to be payable, directly or indirectly, by such Locked-up Person pursuant to the agreement if any Locked-up Person fails to tender Common Shares or Convertible Securities pursuant thereto or withdraws Common Shares or Convertible Securities previously tendered thereto in order to tender such Common Shares or Convertible Securities to another Take-over Bid or support another transaction.

#### *Fiduciary Duties of Directors*

The Rights Plan will not detract from or lessen duties of the Board, including the duty to act honestly and in good faith with a view to the best interests of the Corporation and its shareholders. The Board will continue to have the duty and power to take such actions and make such recommendations to the Corporation's shareholders as are considered appropriate.

#### *Redemption of Rights*

The Rights may be redeemed by the Board at its option with the prior approval of the shareholders at any time prior to the later of the Stock Acquisition Date and the Separation Time at a redemption price of \$0.00001 per Right. In addition, the Rights will be redeemed automatically in the event of a successful Permitted Bid, Competing Permitted Bid or a bid for which the Board has waived, in accordance with the provisions of the Rights Plan, the operation of the Rights Plan.

#### *Waiver*

Before a Flip-in Event occurs, the Board may waive the application of the Flip-in provisions of the Rights Plan to any prospective Flip-in Event which would occur by reason of a Take-over Bid made by a Take-over Bid circular to all registered holders of Common Shares. However, if the Board waives the Rights Plan with respect to a particular bid, it will be deemed to have waived the Rights Plan with respect to any other Take-over Bid made by Take-over Bid circular to all registered holders of Common Shares before the expiry of that first bid.

The Board may also waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Board has determined that the Acquiring Person became an Acquiring Person through inadvertence and on the condition that such Acquiring Person reduces its ownership to such a level that it is no longer an Acquiring Person.

Finally, the Board may waive the "Flip-in" provisions of the Rights Plan in respect of any Flip-in Event provided that the Acquiring Person has reduced its ownership or has entered into a contractual arrangement with the Corporation or other acceptable undertaking to do so such that at the time the waiver becomes effective such person is no longer an Acquiring Person.

Other waivers of the "Flip-in" provisions of the Rights Plan will require prior approval of the shareholders of the Corporation.

#### *Term of the Rights Plan*

If the Rights Plan is ratified by shareholders at the Meeting, the Rights Plan will expire at the termination of the Corporation's annual general meeting of shareholders to be held in 2020, unless earlier terminated or unless extended upon reconfirmation by the shareholders at such meeting. Subsequently, the Rights Plan must be reconfirmed by the shareholders every three years thereafter.

#### *Amending Power*

Except for minor amendments to correct clerical or typographical errors and amendments to maintain the validity of the Rights Plan as a result of a change in any applicable legislation, regulations or rules, consent of shareholders is required for amendments to the Rights Plan before the Separation Time. Consent of the holders of Rights is required for amendments to the Rights Plan after the Separation Time and before the Expiration Time.

#### *Rights Agent*

Computershare Investor Services Inc.

#### *Holders of Rights not Shareholders*

Until a Right is exercised, the holder thereof as such will have no rights as a shareholder of the Corporation.

#### *Objectives of the Rights Plan*

The Rights Plan is not being proposed by management in anticipation of any pending or threatened take-over bid, nor to deter take-over bids generally. The primary objectives of the Rights Plan are to seek to ensure that, in the context of a bid for control of the Corporation through an acquisition of Common Shares, all shareholders have an equal opportunity to participate in the bid. The Rights Plan is not intended to prohibit a change of control of the Corporation in a transaction that is procedurally fair to shareholders. The rights of shareholders to seek a change in the Board or to influence or promote action of the Board in a particular manner will not be affected by the Rights Plan. The Rights Plan is not designed to alter, diminish or reduce the fiduciary duties of our directors if faced with a potential change of control transaction or restrict the potential actions that might be taken by the directors in such circumstances.

In adopting the Rights Plan, the Board considered a number of factors, including the following concerns arising from the existing securities law framework that applies to take-over bids in Canada after the changes to NI 62-104 were implemented in 2016.

Under the previous take-over bid regime in Canada, a take-over bid was only required to remain open for 35 days. Shareholder rights plans were utilized to effectively extend such time period, which allowed the board of the target company to solicit white knights or pursue other alternative transactions. As a result of recent amendments to the take-over bid regime under NI 62-104, a formal take-over bid must now remain open for a minimum of 105 days, subject to certain exceptions, and this time period also applies under the Rights Plan.

While existing Canadian securities legislation has established a number of procedural requirements for the conduct of take-over bids, which generally require that a take-over bid be made to all shareholders and that a bidder offer identical consideration to all shareholders, the take-over bid regime includes exemptions to the formal bid requirements that could operate to allow control of an issuer to be acquired without the making of a

formal take-over bid to all shareholders. Specifically, Canadian securities legislation allows a small group of securityholders to dispose of their securities pursuant to a private agreement at a premium to market price, which premium is not shared with other securityholders. In addition, a person may slowly accumulate securities through stock exchange acquisitions which may result, over time, in an acquisition of control without payment of fair value for control or a fair sharing of a control premium among all securityholders. It may also be possible to engage in transactions outside of Canada without regard to these protections. The Rights Plan addresses these concerns by applying to all acquisitions that would result in a person owning 20% or more of the Common Shares (subject to certain limited exceptions), thereby generally precluding a person from acquiring a control interest in the Corporation without making a Permitted Bid to all shareholders.

A shareholder may feel pressured to tender to a bid that the shareholder considers to be inadequate out of a concern that failing to tender may result in the shareholder being left with illiquid or minority discounted securities in the Corporation. This is particularly so in the case of a partial bid for less than all securities of a class, where the bidder wishes to obtain a control position but does not wish to acquire all of the Common Shares. The Rights Plan provides a mechanism in the Permitted Bid provision that is intended to address this concern by requiring that a take-over bid remain open for acceptance for at least a further 10 days following public announcement that more than 50% of the Common Shares held by Independent Shareholders have been deposited and not withdrawn. This mechanism is intended to lessen any undue pressure to tender that may be encountered by a shareholder, as the shareholder will have the ability to tender during a subsequent offering period after learning that a majority of the other shareholders of the Corporation have tendered to the offer.

#### *General Impact of the Rights Plan*

It is not the intention of the Board, in approving the Rights Plan, to secure the continuance of existing directors or management in office, nor to avoid a bid for control of the Corporation in a transaction that is procedurally fair. For example, through the Permitted Bid mechanism, shareholders may tender to a bid that meets the Permitted Bid criteria without triggering the exercise of Rights under the Rights Plan, regardless of the value of the consideration being offered under the bid. The Rights Plan should not preclude any shareholder from utilizing the proxy mechanism under the *Business Corporations Act* (British Columbia) ("**BCBCA**") and securities laws to promote a change in the management or direction of the Corporation, or the Board, and is designed to have no effect on the rights of holders of outstanding Common Shares to requisition a meeting in accordance with the provisions of the BCBCA, or to enter into agreements with respect to voting their Common Shares. The definitions of "Acquiring Person" and "Beneficial Ownership" have been developed to minimize concerns that the Rights Plan may be inadvertently triggered or triggered as a result of an overly broad aggregation of holdings of institutional shareholders and their clients. Persons who beneficially own, within the meaning of the Rights Plan, as of the Record Time, more than 20% of the Common Shares are known as "Grandfathered Persons" under the Rights Plan. Such ownership will not trigger the exercise of rights under the Rights Plan unless such persons increase their beneficial ownership of Common Shares by more than two percent, subject to certain exceptions under the Rights Plan. As of the Record Time, Mr. Wasilenkoff would be considered a "Grandfathered Person". The Rights Plan is not expected to interfere with the day-to-day operations of the Corporation. The issuance of the Rights does not in any way alter the financial condition of the Corporation, impede its business plans or alter its financial statements. In summary, the Board believes that the dominant effect of the Rights Plan will be to ensure equal treatment of all shareholders in the context of an acquisition of control.

#### *Approval*

At the Meeting, shareholders will be asked to consider and, if thought advisable, ratify, confirm and approve the adoption of the Rights Plan. The following is the text of the Rights Plan Resolution to be considered at the Meeting:

**"BE IT RESOLVED THAT:**

1. The Rights Plan, as set forth in the Shareholder Rights Plan Agreement between the Corporation and Computershare Investor Services Inc. dated as of January 16, 2017, and the issuance of all rights issued pursuant to such Rights Plan, be, and is hereby, ratified, confirmed and approved; and
2. Any director or officer of the Corporation be, and is hereby, authorized to take such further actions and to execute and deliver all such further instruments and documents, in the name of and on behalf of the Corporation, as may be necessary proper or advisable in order to carry out and give effect to the foregoing."

The Board has determined that passing the Rights Plan Resolution is in the best interest of the Corporation and its shareholders and recommends that the shareholders vote **IN FAVOUR** of the Rights Plan Resolution. In accordance with the terms of the TSX Company Manual, in order to be approved, the Rights Plan Resolution must be passed by not less than: (i) a majority of the votes cast at the Meeting; and (ii) a majority of votes cast by shareholders, without giving effect to any votes cast (a) by any shareholder that would be considered a "Grandfathered Person" under the Rights Plan; and (b) by the associates, affiliates and insiders of any person referred to in (a) above. Accordingly, as Mr. Wasilenkoff is considered a "Grandfathered Person" pursuant to the terms of the Rights Plan, at the Meeting, the Corporation will ask the shareholders to approve the Rights Plan Resolution by a vote that excludes the Common Shares beneficially owned, or under control or direction, by Mr. Wasilenkoff, as well as a vote that does not exclude such Common Shares. **In the absence of a contrary instruction, the persons designated by management of the Corporation in the enclosed Proxy intend to vote FOR the Rights Plan Resolution.**

**INTEREST OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON**

Except as otherwise disclosed herein, no director, executive officer or proposed nominee for election as a director of the Corporation, or any of their associates or affiliates, has any material interest, direct or indirect, by way of beneficial ownership of Common Shares or otherwise, in any matter to be acted upon at the Meeting, other than the election of directors or the appointment of auditors of the Corporation.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed herein, no insider of the Corporation, nor the proposed nominees for election as directors of the Corporation, nor any associate or affiliate of such insider or proposed nominees, has any material interest, direct or indirect, in any transaction since the beginning of the last financial year of the Corporation, or in any proposed transaction which has materially affected or will materially affect the Corporation or any of its subsidiaries.

**REGISTRAR AND TRANSFER AGENT**

The registrar and transfer agent of the Corporation is Computershare Investor Services Inc., 510 Burrard Street, 2nd Floor, Vancouver, British Columbia V6C 3B9.

**OTHER BUSINESS**

Management of the Corporation knows of no other matters to come before the Meeting other than as referred to in the Notice of Meeting. However, if any other matter(s) which are not known to management of the Corporation shall properly come before the Meeting, the Proxy given pursuant to the solicitation by management of the Corporation will be voted on such matter(s) in accordance with the best judgment of the person(s) voting the Proxy.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation is available on SEDAR at [www.sedar.com](http://www.sedar.com). Shareholders may contact the Corporation to request copies of the Corporation's financial statements and management's discussion and analysis ("**MD&A**") by sending a written request to 2nd Floor, 157 Chadwick Court, North Vancouver, British Columbia, Canada V7M 3K2, Attention: Corporate Secretary. Financial information is provided in the Corporation's comparative financial statements and MD&A for its fiscal year ended December 31, 2016, which are also available on SEDAR.

**APPROVAL OF INFORMATION CIRCULAR**

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the directors of the Corporation.

DATED at Vancouver, British Columbia, Canada, this 21st day of April, 2017.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
FORTRESS PAPER LTD.**

*/s/ Yvon Pelletier*

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Yvon Pelletier  
Chief Executive Officer and President

## **APPENDIX "A"**

### **FORTRESS PAPER LTD.**

#### **BOARD OF DIRECTORS' MANDATE**

##### **1. PURPOSE**

- 1.1 The Board of Directors (the "Board") of Fortress Paper Ltd. (the "Company") wishes to formalize the guidelines pursuant to which the Board governs the business of the Company. The guidelines are intended to be flexible and are intended to provide parameters and direction to the Board in conjunction with its obligations and mandate to oversee and direct the affairs of the Company.
- 1.2 The Board is responsible for the overall stewardship of the Company and for managing and supervising the management of the Company. The Board does not conduct day-to-day management of the Company; that is the responsibility of the Officers. The Board shall at all times act in the best interests of the Company.

##### **2. RESPONSIBILITIES**

- 2.1 In discharging its responsibility, among other things, the Board should:
  - (i) require management to develop and maintain a strategic planning process which takes into account, among other things, the opportunities and risks of the Company's business and to bring its strategic and operating plans to the Board for review and approval on an annual basis or such other basis as may be required by the Board;
  - (ii) approve all capital plans and establish priorities in the allocation of funds for major capital projects on an annual basis or such other basis as may be required by the Board;
  - (iii) identify the principal risks of the Company's business and require management to implement appropriate procedures and systems to manage such risks;
  - (iv) plan for senior management succession, including the appointment of and monitoring of senior management's performance;
  - (v) require senior management to develop and maintain a strategy to communicate effectively with its security holders, investment analysts and the public generally and to accommodate and address feedback from security holders;
  - (vi) require management to maintain internal control and management information systems and, through Board committees or otherwise, to monitor these systems as it considers fit;
  - (vii) require senior management to implement systems to ensure the Company operates within applicable laws and regulations;
  - (viii) review actual results achieved by the Company against the objectives contained in the Company's plans and implement or cause to be implemented corrective action where indicated;
  - (ix) arrange for the operating results of the Company to be presented by management to the Board on a regular basis;

- (x) require that the Board be kept reasonably informed of the Company's activities and performance and take appropriate action to correct inadequate performance;  
  
establish principles and policies of environment, health and safety and sustainability stewardship for the Company;  
  
require senior management to regularly provide the Board with adequate reporting for the Board to monitor the compliance by the Company with its principles and policies relating to environment, health and safety and sustainability stewardship;
- (xi) authorize the issuance of equity and debt securities of the Company;
- (xii) approve all public disclosure by the Company including press releases, financial results, management's discussion and analysis, material change reports, registration statements, prospectuses and other public continuous disclosure documents, other than: (a) press releases and public disclosure in the ordinary course of the Company's operations which do not include any earnings announcements, which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel; and (b) press releases resulting from emergency or urgent situations which may be approved by the Company's Chief Executive Officer, President and Chief Financial Officer, in consultation with the Company's legal counsel;
- (xiii) review and consider all reports and recommendations of the Compensation Committee and approve all compensation of Officers (including the Chief Executive Officer) and Directors;
- (xiv) require that proper procedures are established for the protection of shareholder value;
- (xv) ensure policies and procedures are in place to ensure the Company's compliance with applicable law, including timely disclosure of relevant corporate information and regulatory reporting; and
- (xvii) to the extent feasible, satisfy itself as to the integrity of the Chief Executive Officer and other executive officers and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the Company.

2.2 The Board will give direction and guidance to management and will also keep management informed of its evaluation of the performance of the Company and of its senior Officers in achieving and carrying out the Board's established goals and policies, and in advising management of any remedial action or changes which it may consider to be necessary.

### **3. ORGANIZATION OF THE BOARD**

- 3.1 The composition of the Board shall comply with applicable corporate and securities laws.
- 3.2 Each year the Board shall review the relationship that each member of the Board has with the Company in order to satisfy itself that the relevant independence criteria have been met.
- 3.3 The Board members are expected to devote the time and attention to the Company's business and affairs necessary to discharge their duties as members of the Board effectively, which includes, but is not limited to, attendance at Board meetings and the review of any materials prepared in connection with such meetings. Subject to this requirement, the Board members shall not be subject to any restrictions with respect to their activities outside of their relationship with the Company, including their services as directors of other corporations or charitable organizations so long as such is in accordance with all of the Company's other policies and charters.

3.4 The Board may:

- (i) appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the *Business Corporations Act* (British Columbia) (the "Act"), a committee of the Board has no authority to exercise;
- (ii) appoint a Chairman or Executive Chairman of the Board and prescribe his or her powers and duties;
- (iii) appoint a Lead Director of the Board and prescribe his or her powers and duties;
- (iv) appoint a Chief Executive Officer and prescribe his or her powers and duties;
- (v) appoint a President and prescribe his or her powers and duties; and
- (vi) in conjunction with the Chief Executive Officer, appoint the Officers of the Company and prescribe their powers and duties.

3.5 The Board may appoint a day or days in any month or months for regular meetings of the Board at a place and hour to be named.

3.6 In the event of a change of the status or credentials underlying a Board member's appointment to the Board, the member so affected should, on his or her own initiative, discuss the change with the Chairman so that there is an opportunity for the Board to review the continued appropriateness of Board membership under his or her new circumstances. Each case will be dealt with on its own merits, but as a rule, a member of the Board is expected to tender his or her resignation if there is a change in his or her credentials and circumstances.

3.7 Unless specified otherwise, the following procedural rules apply to committees of the Board:

- (i) The Board may appoint one or more committees of the Board, however designated, and delegate to any such committee any of the powers of the Board except those which pertain to items which, under the Act, a committee of the Board has no authority to exercise;
- (ii) The powers of a committee of the Board may be exercised by a meeting at which a quorum is present or by resolution in writing signed by all members of such committee who would have been entitled to vote on that resolution at a meeting of the committee. Meetings of any such committee may be held at any place in or outside Canada;
- (iii) The Board may from time to time appoint such advisory bodies as it may deem advisable; and
- (iv) Each committee and advisory body shall have the power to fix its quorum at not less than a majority of its members, to elect its chairman, and to regulate its procedure.

3.8 The Board currently consists of six directors. The Board shall have a minimum of three (3) and a maximum of twenty (20) directors, the number of directors within that range to be fixed by resolution of the Board from time to time. The size of the Board should enable its members to effectively and responsibly discharge their responsibilities to the Company.

3.9 Except as set out in the Articles of the Company, Board members shall be elected at the annual meeting of shareholders of the Company each year and shall serve until their successors are duly elected.



#### **4. RESOURCES, MEETING AND REPORTS**

- 4.1 The Board shall have adequate resources to discharge its responsibilities. The Chairman shall be empowered to engage advisors as may be appropriate from time to time to advise the Chairman on the Board with respect to duties and responsibilities.
- 4.2 The Board shall meet not less than four times per year.
- 4.3 The meetings of the Board shall ordinarily include the Chief Executive Officer (if not a Director) and shall periodically include other senior officers as may be appropriate and as may be desirable to enable the Board to become familiar with the Company's management team and affairs.
- 4.4 The Chairman shall act as, or appoint a Secretary, who shall keep minutes of its meetings in which shall be recorded all actions taken by the Board. Such minutes shall be made available to the Directors and shall be approved by the Board for entry in the records of the Company.
- 4.5 Each Director is expected to be diligent in preparing for and attending meetings of the Board and any Committee of which he or she is a member. A Director who is unable to attend a Board or Committee meeting may participate by teleconference.
- 4.6 Members of the Board shall have the right, for the purposes of discharging their respective powers and responsibilities, to inspect the relevant records of the Company and its subsidiaries.
- 4.7 Members of the Board, subject to approval of the Chair to the Corporate Governance and Environmental, Health and Safety Committee, may retain separate counsel to deal with issues relating to their responsibilities as members of the Board.

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