

**Management Information Circular**

**CLARKE INC.**

**April 11, 2016**



**CLARKE INC.**

**NOTICE OF ANNUAL GENERAL MEETING**

**TO BE HELD ON THE 6th DAY OF MAY, 2016**

NOTICE IS HEREBY GIVEN that the Annual General Meeting (the "Meeting") of the shareholders of Clarke Inc. (the "Company" or "Clarke") will be held at the offices of Bennett Jones LLP located at 3400 One First Canadian Place, Toronto, Ontario, M5X 1A4 on May 6, 2016 at 9:00 a.m. EST to:

1. receive the consolidated financial statements of the Company for the year ended December 31, 2015 and the auditors' report thereon;
2. elect the directors of the Company;
3. appoint the auditors of the Company and authorize the directors to fix their remuneration; and
4. transact such further or other business as may properly come before the Meeting or any adjournments thereof.

Shareholders who are unable to be present personally at the Meeting are requested to sign and return, in the envelope provided for that purpose, the form of proxy accompanying this notice. Only holders of common shares of record at the close of business on April 1, 2016 will be entitled to attend the Meeting and to vote in person or by proxy, except to the extent that (a) the shareholder has transferred the ownership of such shares after such date and (b) the transferee of such shares produces a properly endorsed share certificate or otherwise establishes that he or she owns such shares and demands no later than 48 hours before the Meeting that his or her name be included in the list of shareholders entitled to vote at the Meeting.

**Dated at Halifax, Nova Scotia this 11th day of April, 2016.**

By Order of the Board

(Signed): "Michael Rapps"

Michael Rapps  
President and Chief Executive Officer

## **CLARKE INC.**

### **MANAGEMENT INFORMATION CIRCULAR**

#### **MANAGEMENT SOLICITATION**

**The information contained in this Management Information Circular (the "Circular") is furnished in connection with the solicitation of proxies by the management of Clarke Inc. (the "Company" or "Clarke")** for use at the Annual General Meeting (the "Meeting") of shareholders of the Company ("Shareholders") to be held at the offices of Bennett Jones LLP located at 3400 One First Canadian Place, Toronto, Ontario, M5X 1A4 on May 6, 2016 at 9:00 a.m. EST for the purposes set out in the enclosed Notice of Meeting. This solicitation of proxies may be carried out by mail, telephone or personally by officers, employees or representatives of the Company. The cost of solicitation will be borne by the Company.

Information in this Circular is given as at April 11, 2016 unless otherwise specified.

#### **APPOINTMENT AND REVOCATION OF PROXIES**

**THE ENCLOSED PROXY IS SOLICITED BY THE MANAGEMENT OF THE COMPANY. A SHAREHOLDER HAS THE RIGHT TO APPOINT A PERSON TO REPRESENT HIM OR HER, OTHER THAN THE PERSON NAMED IN THE PROXY, BY INSERTING THE NAME OF SUCH PERSON IN THE SPACE INDICATED IN THE PROXY.**

A proxy may be revoked by the Shareholder giving such proxy at any time before it is voted by an instrument in writing executed by the Shareholder or by his or her duly authorized attorney, or if the Shareholder is a corporation, under its corporate seal or by an officer or attorney duly authorized, and in any such case, deposited either at the head office of the Company up to and including the last business day preceding the Meeting, or with the chairman of the Meeting on the day of the Meeting or adjournment thereof or in any other manner permitted by law.

#### **VOTING OF PROXIES**

The shares represented by proxies in favour of management nominees will be voted at the Meeting, except on those matters for which they have been directed to refrain from voting. Where any matter listed on the form of proxy indicates a choice of action, the shares will be voted in accordance with the choice specified by the Shareholder.

**IN RESPECT OF PROXIES IN WHICH SHAREHOLDERS HAVE NOT SPECIFIED THE MANNER IN WHICH VOTES ARE TO BE CAST, THE SHARES REPRESENTED BY SUCH PROXIES WILL BE VOTED IN FAVOUR OF ALL SUCH MATTERS SPECIFIED THEREIN.**

The form of proxy also confers discretionary authority upon the persons named therein with respect to amendments or variations of the matters identified in the Notice of Meeting and other matters which may properly come before the Meeting. Management knows of no matters to come before the Meeting other than those identified in the Notice of Meeting. However, if any other matters that are not known to management should properly come before the Meeting, the shares represented by proxies in favour of management's nominees will be voted on such matters in the discretion of the proxy nominee, unless prohibited by law or regulation.

## **Notice to Beneficial Holders of Common Shares**

The information set forth in this section is of significant importance to those many Shareholders who do not hold common shares in their own name (referred to in this document as "Beneficial Shareholders"). Beneficial Shareholders should note that only proxies deposited by Shareholders whose names appear on the records of the Company as the registered holders of the common shares of the Company ("Common Shares") can be recognized and acted upon at the Meeting. If Common Shares are listed in an account statement provided to a Shareholder by a broker or other intermediary, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Company. Such Common Shares will more likely be registered under the name of the Shareholders' broker or their agent. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares held by brokers or their nominees can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder. Without specific instructions, the broker or their nominee is prohibited from voting Common Shares for their clients. The Company does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires brokers or other intermediaries to seek voting instructions from Beneficial Shareholders in advance of shareholders' meetings. Every broker or other intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Common Shares are voted at the Meeting. Often, the form of proxy supplied to a Beneficial Shareholder by its broker is similar to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (e.g. the broker or its nominee) how to vote on behalf of the Beneficial Shareholder.

The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions ("Broadridge"). Broadridge typically prepares a machine-readable voting instruction form, mails those forms to Beneficial Shareholders and asks Beneficial Shareholders to return the forms to Broadridge, or otherwise communicate voting instructions to Broadridge (by way of the Internet or telephone, for example). Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of shares to be represented at the Meeting. A Beneficial Shareholder who receives a Broadridge voting instruction form cannot use that form to vote shares directly at the Meeting. The voting instruction forms must be returned to Broadridge (or instructions respecting the voting of shares must otherwise be communicated to Broadridge) well in advance of the Meeting in order to have the shares voted.

Since the Company does not have access to the names of its Beneficial Shareholders, if a Beneficial Shareholder attends the Meeting, the Company will have no record of their shareholdings or of their entitlement to vote, unless the broker or other intermediary has appointed such Beneficial Shareholder as proxy holder. Therefore, a Beneficial Shareholder who wishes to vote in person at the Meeting should follow the instructions provided on the voting instruction form sent to him or her by the broker or other intermediary, which typically are to insert their own name in the space provided on the voting instruction form sent to them by the broker or other intermediary. By doing so, the broker or other intermediary is instructed to appoint the Beneficial Shareholder as proxyholder. Then the Beneficial Shareholder should follow the signing and return instructions provided by their broker or other intermediary.

The Company is not using "notice-and-access" to send its proxy-related materials to Shareholders, and paper copies of such materials will be sent to all Shareholders. The Company will send proxy-related materials directly to non-objecting Beneficial Shareholders, through the services of Broadridge. The Company intends to pay for the broker or other intermediary to deliver to objecting Beneficial Shareholders the proxy-related materials and Form 54-101F7 – *Request for Voting Instructions Made by Intermediary* of National Instrument 54-101.

If you have any questions respecting the voting of shares held through a broker or other intermediary, please contact that broker or other intermediary for assistance.

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

Management is not aware of any material interest of any director or senior officer of the Company, any person who has held such a position since the beginning of the last completed financial year of the Company, any proposed nominee for director of the Company, or of any associate or affiliate of any of the foregoing, in respect of any matter to be acted on at the Meeting, other than the election of directors or the appointment of auditors.

## **VOTING SHARES AND PRINCIPAL HOLDERS THEREOF**

The only voting shares of the Company are its Common Shares. On April 11, 2016, there were 15,626,175 issued and outstanding Common Shares. Each Common Share carries the right to one vote.

Only Shareholders who are the registered holders of Common Shares in the Company record maintained by Computershare Investor Services Inc., Halifax, Nova Scotia at the close of business on April 1, 2016 will be entitled to attend and to vote at the Meeting except to the extent that (a) the Shareholder has transferred the ownership of such Common Shares after such date; and (b) the transferee of such Common Shares produces a properly endorsed share certificate or otherwise establishes that he or she owns such Common Shares and demands not later than 48 hours before the Meeting that his or her name be included in the list of Shareholders entitled to vote at the Meeting.

To the knowledge of the directors and officers of the Company, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to all issued and outstanding shares of the Company on a fully diluted basis, other than Mr. Armoyan, who exercises control or direction over 7,277,665 Common Shares, which is 46.6% of the issued and outstanding Common Shares. Mr. Armoyan has control or direction over 2,577,665 Common Shares through Geosam Capital Inc. In addition, Geosime Capital Inc. and Scotia Learning Centres Incorporated, companies controlled by an immediate family member of Mr. Armoyan, own 3,000,000 and 1,700,000 Common Shares, respectively.

## **PARTICULARS OF MATTERS TO BE ACTED UPON**

### **1. Consolidated Financial Statements and Auditors' Report**

The audited consolidated financial statements of the Company for the year ended December 31, 2015 and the auditors' report thereon will be received at the Meeting. The financial statements and the auditors' report can be obtained from Clarke's website at [www.clarkeinc.com](http://www.clarkeinc.com) and they have been reported online on SEDAR at [www.sedar.com](http://www.sedar.com).

### **2. Election of Directors**

Each of the persons whose names appear hereunder is proposed to be elected as a director of the Company to serve until the next annual general meeting of Shareholders or until his successor is elected or appointed.

The board of directors of the Company (the "Board") has adopted a majority voting policy to the effect that if a director nominee in an uncontested election receives a greater number of votes "withheld" than votes "for", he or she must immediately tender his or her resignation to the Board. The Board shall accept the resignation unless there are exceptional circumstances, and the resignation will be effective when accepted by the Board. The Board shall make its final determination within 90 days after the date of the shareholder meeting and promptly announce that decision (including, if applicable, the exceptional circumstances for rejecting the resignation) in a news release. A director who tenders his or her resignation pursuant to the majority voting policy will not participate in any meeting of the Board or any committee of the Board at which the resignation is considered. The majority voting policy does not apply to the election of directors at contested meetings; that is, where the number of directors nominated for election is greater than the number of seats available on the Board.

**IT IS INTENDED THAT THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT'S NOMINEES, EXCEPT THOSE DIRECTED TO BE WITHHELD, WILL BE VOTED IN FAVOUR OF THE ELECTION OF SUCH PERSONS AS DIRECTORS OF THE COMPANY.**

| <b>Name</b>   | <b>Office and Principal Occupation</b>   | <b>Served as a Director Since</b> | <b>Shares Beneficially Owned, Controlled or Directed</b> |
|---|--|-----------------------------------|--|
| George Armoyan<br>Halifax, Nova Scotia,<br>Canada                   | President of Geosam Capital Inc. and Executive Chairman of Clarke Inc.; Former President and Chief Executive Officer of Clarke Inc.      | June 12, 2014 <sup>(2)</sup>      | 7,277,665 Common Shares <sup>(3)</sup>                   |
| Blair Cook <sup>(1)</sup><br>Halifax, Nova Scotia,<br>Canada        | Financial Consultant; Former Vice President Instructional Design and Education Delivery, Smartfirm Interactive Learning (Smartfirm Inc.) | May 15, 2012                      | NIL  |
| Brian Luborsky <sup>(1)</sup><br>Toronto, Ontario,<br>Canada        | Chairman and Chief Executive Officer, Beauty Express Canada Inc.   | June 12, 2014                     | 219,508 Common Shares                                    |
| Charles Pellerin <sup>(1)</sup><br>Victoriaville, Quebec,<br>Canada | President, Pellerin Potvin Gagnon S.E.N.C.R.L.   | May 14, 2010                      | 195,000 Common Shares                                    |
| Michael Rapps<br>Toronto, Ontario,<br>Canada                        | President and Chief Executive Officer of Clarke Inc.; Former Managing Director of Geosam Capital Inc.                                    | May 15, 2012                      | 42,000 Common Shares <sup>(4)</sup>                      |

(1) Member of the Audit Committee. Mr. Cook is the Chairman of the Audit Committee.

(2) Mr. Armoyan was previously a director of Clarke from December, 2001 to January, 2010.

(3) See "Voting Shares and Principal Holders Thereof".

(4) Mr. Rapps also holds options to purchase 250,000 Common Shares. See "Securities Authorized for Issuance Under Equity Compensation Plans" for material terms and conditions of Clarke's Stock Option Plan.

To the knowledge of the Company, except as disclosed below, none of the proposed directors:

- (a) is or was within the last 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company, including Clarke, that,
  - (i) was subject to a cease trade order or similar order, or an order that denied the issuer access to any exemptions under securities legislation, that was in effect for a period of more than 30 consecutive days, while that person was acting in that capacity;
  - (ii) was subject to a cease trade order or similar order or an order that denied the issuer access to an exemption under securities legislation, for a period of more than 30 consecutive days, after that person ceased to be a director, chief executive officer or chief financial officer, and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer; or
- (b) is or was within the last 10 years before the date of this Circular, a director or executive officer of any company, including Clarke, that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings,

arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except as follow:

- (i) Mr. Armoyan, Executive Chairman of the Company, served as a member of the board of directors of Shermag Inc. ("Shermag"), which on May 5, 2008 announced that it had obtained protection under the *Companies' Creditors Arrangement Act* (Canada) ("CCAA") in the Québec Superior Court. Shermag emerged from CCAA protection in October 2009; and
- (ii) Brian Luborsky, a director of the Company, was an officer and director of Trade Secret Inc. and its subsidiaries, and Pure Beauty Salons & Boutiques Inc., both of which were Delaware corporations with operations in the United States, when they filed a petition for bankruptcy under chapter 11 of title 11, United States Code ("Chapter 11") in the United States Bankruptcy Court for the District of Delaware in July of 2010 and October of 2011 respectively. A final decree was issued in January of 2011 closing the Chapter 11 case of Trade Secret Inc. and Pure Beauty Salons & Boutiques Inc. Mr. Luborsky's family members were the indirect owners of 100% of the common stock of both entities. Additionally, Mr. Luborsky was also an officer and director of Premier Salons Ltd., an Ontario corporation, which filed for bankruptcy in Ontario on December 5, 2014. Mr. Luborsky's family were the indirect owners of 39% of the common stock of this entity; or
- (c) has, within the 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the proposed director; or
- (d) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or
- (e) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in deciding whether to vote for a proposed director.

### **3. Appointment of Auditors**

PricewaterhouseCoopers LLP ("PWC") was appointed as auditor of the Company by the Board on March 19, 2015. Management proposes that the Shareholders ratify, confirm and approve the appointment of the current auditors of the Company, PWC, as the auditor of the Company until the next annual general meeting of the Shareholders, or until a successor is otherwise appointed prior thereto, and to authorize the Board to fix the auditor's remuneration.

In order to be effective, the resolution to appoint PWC as our auditor must be passed by a majority of the votes cast in person or by proxy at the Meeting.

**IT IS INTENDED THAT THE SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT'S NOMINEES, EXCEPT THOSE DIRECTED TO BE WITHHELD, WILL BE VOTED IN FAVOUR OF THE APPOINTMENT OF THE FIRM OF PRICEWATERHOUSECOOPERS LLP AS AUDITOR OF THE COMPANY.**

## STATEMENT OF EXECUTIVE COMPENSATION

### 1. Compensation Discussion and Analysis

This section is intended to provide Shareholders with a description of the policies and programs regarding compensation of the named executive officers ("NEOs") for the financial year ended December 31, 2015. The NEOs are the Executive Chairman, President and Chief Executive Officer, Chief Financial Officer, Vice President of Investments and Vice President of Taxation, as listed in the Summary Compensation Table below.

The Company's executive compensation program is administered by the Board, or as necessary, a sub-committee comprised of independent directors appointed thereby. The Board has responsibility for the remuneration of the President and Chief Executive Officer and also approves the remuneration of the other executive officers, after considering the recommendations of the President and Chief Executive Officer. The Board evaluates the performance of the Company's executive officers and continually reviews the design and competitiveness of the Company's incentive compensation programs.

On August 7, 2014, the Board approved a new management compensation plan for the NEOs ("Compensation Plan"), other than Mr. Armoyan, whose compensation program is described under the heading "Supplementary Retirement Plan".

The Company did not retain the services of any compensation consultant during 2015. There is no formal policy in relation to whether a director or NEO is permitted to purchase financial instruments designed to hedge or offset a decrease in market value of Common Shares of the Company.

#### *Objectives of the Compensation Program*

The Company's compensation philosophy is to pay NEOs competitive base salaries while tying a significant portion of the NEO's total compensation to financial and share price performance in the form of an annual cash incentive and options ("Options") to purchase Common Shares under Clarke's Stock Option Plan dated August 7, 2014 (the "Stock Option Plan").

#### *Elements of the Compensation Program*

NEO compensation (other than Mr. Armoyan's compensation) is comprised of the following three components: base salary, short-term incentive in the form of an annual performance-based cash bonus and long-term incentive in the form of Option grants.

Mr. Armoyan does not receive a base salary or an annual incentive but he is eligible to receive compensation pursuant to a defined benefit plan and a supplementary retirement plan.

#### *Base Salaries*

The Company believes that a competitive base salary is a necessary element for attracting and retaining qualified executive officers that have the particular skill sets required by the Company. The amount payable to a NEO as base salary is determined by the NEO's particular experience and qualifications and with reference to market practices at the time. The President and Chief Executive Officer recommends for approval to the Board base salaries for each executive of Clarke.

#### *Performance-Based Bonuses*

For the year ended December 31, 2015, NEO performance-based bonuses were determined in accordance with the Compensation Plan. The President and Chief Executive Officer recommends for approval to the Board bonuses for each executive of Clarke.



The Compensation Plan for all NEOs includes a corporate performance component. An individual performance component equal to 25% of the target annual cash bonus applies to the Chief Financial Officer and Vice President of Taxation who each have specific responsibilities. This individual performance component is discretionary and the President and Chief Executive Officer recommends an amount for approval to the Board. The annual cash bonus of NEOs with broader responsibility, such as the President and Chief Executive Officer, is only tied to corporate performance.

The corporate performance component of the annual cash bonus under the Compensation Plan is determined as follows. Each NEO is assigned a notional number of Common Shares ("Assigned Shares") (no Common Shares are issued; they are simply assigned for calculation purposes). Following year-end, each NEO is entitled to receive a cash bonus equal to (i) the positive change in the book value per Assigned Share for 50% of the Assigned Shares and (ii) the positive Shareholder return for 50% of the Assigned Shares. Shareholder return consists of the change in the Common Share price and the dividends paid on the Common Shares during the applicable fiscal year. Each bonus metric is subject to a 5% hurdle rate before any cash bonus is payable.

### *Options*

Options are designed to provide officers, directors and employees of the Company an additional incentive to maximize Shareholder value. Options vest over time to ensure that Option recipients consider the long-term implications of their decisions rather than focus on short-term decision making.

Option grants to NEOs are approved by the Board pursuant to the terms of the Stock Option Plan. Previous grants of Options are taken into account by the Board when considering new Option grants in order to ensure that the Company's decisions regarding a grant of Options are consistent with the Company's compensation philosophy and policies. In determining Option grants, the Board considers the compensation from the Options to be received over the course of the vesting period and not as a lump sum equal to the fair value received on the grant date.

The Board adopted the Stock Option Plan on August 7, 2014 and it was ratified by Shareholders on May 7, 2015. The purpose of the Stock Option Plan is principally to provide officers, directors and employees of the Company an additional incentive to maximize Shareholder value. Options enable the recipient to benefit from an increase in the price of the Common Shares. Accordingly, this form of compensation is tied to positive Common Share price performance and ensures that recipients only benefit from this form of compensation if Shareholders generally benefit. For a summary of the material terms and conditions of the Stock Option Plan see "Securities Authorized for Issuance under Equity Compensation Plans" below.

### *Defined Benefit Plan*

The Company maintains a defined benefit plan, in the form of a group pension plan, for eligible participants (the "Defined Benefit Plan"). Mr. Armoyan was the only NEO who was eligible to receive a pension under the Defined Benefit Plan in 2015. Please see the table under the heading "Defined Benefit Plan and Supplementary Retirement Plan" for particulars of defined benefits available to Mr. Armoyan in 2015.

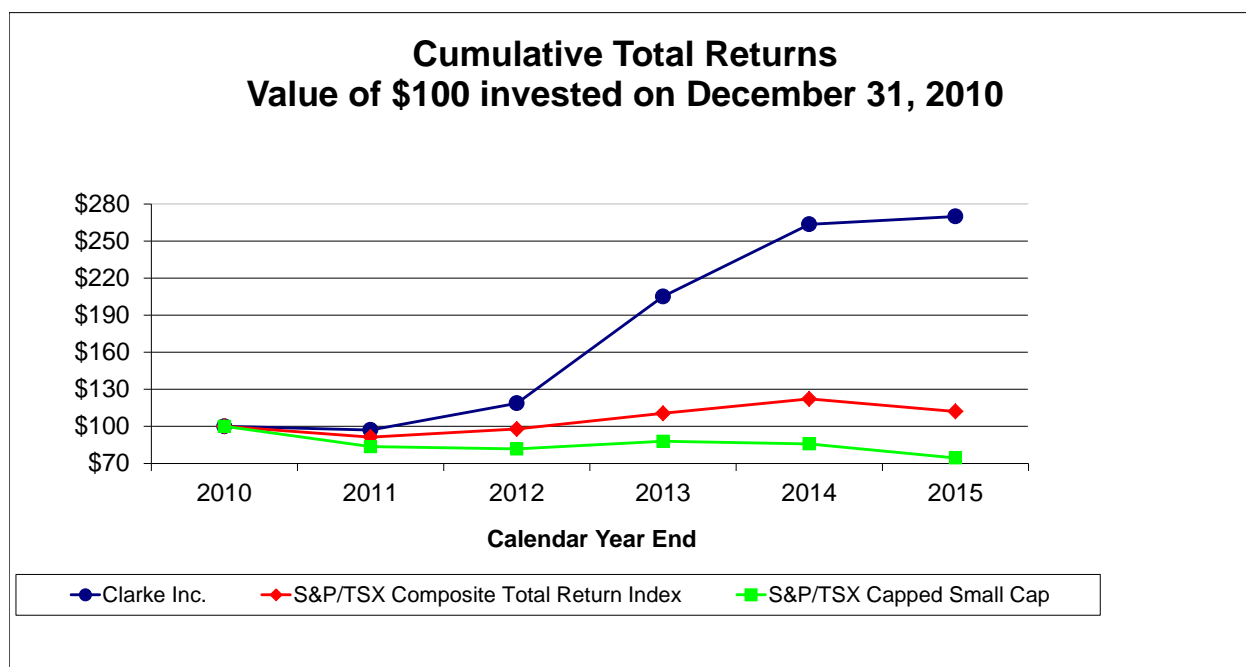
### *Supplementary Retirement Plan*

The Company has provided Mr. Armoyan with a supplementary retirement plan (the "Supplementary Retirement Plan"). The Supplementary Retirement Plan was established to provide retirement benefits to select senior executives. Mr. Armoyan was the only NEO who was eligible to receive a pension under the Supplementary Retirement Plan in 2015. Please see the table under the heading "Defined Benefit Plan and Supplementary Retirement Plan" for particulars of supplementary retirement benefits available to Mr. Armoyan in 2015.

Mr. Armoyan elected to not receive cash compensation for his services as President and Chief Executive Officer from 2012 to 2014 and now as Executive Chairman. The Board elected to grant to Mr. Armoyan two additional years of credited service in his Supplementary Retirement Plan for each of these years.

## 2. Performance Graph

The following line graph compares the yearly change in the value of \$100 invested in the S&P/TSX Composite Total Return Index, the S&P/TSX Capped Small Cap Index and the Common Shares for the period December 31, 2010 to December 31, 2015. We have included as Exhibit B a chart showing our book value per Common Share and Common Share price performance for each year since 2002 when Mr. Armoyan assumed responsibility for capital allocation decisions at the Company. We believe this chart better illustrates the long-term performance of the Company.



| Calendar Year Ending                            | December 31, 2010 | December 31, 2011 | December 31, 2012 | December 31, 2013 | December 31, 2014 | December 31, 2015 |
|---|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Clarke Inc.</b>                              | 100               | 97                | 119               | 205               | 264               | 270               |
| <b>S&amp;P/TSX Composite Total Return Index</b> | 100               | 91                | 98                | 111               | 122               | 112               |
| <b>S&amp;P/TSX Capped Small Cap Index</b>       | 100               | 84                | 82                | 88                | 86                | 74                |

NEO compensation has not historically been based primarily on the performance of the Common Shares and, as such, NEO compensation may not be directly correlated to the performance of the Common Shares.

### 3. Summary Compensation Table

The following table sets forth information concerning the compensation paid to our President and Chief Executive Officer, Chief Financial Officer and the other NEOs of the Company for the years ended December 31, 2015, December 31, 2014 and December 31, 2013.

| Name and Principal Position   | Year | Salary (\$) | Options <sup>(1)</sup> (\$) | Annual Non-Equity Incentive Plans (\$) | Pension Value (\$) | All Other Compensation <sup>(2)</sup> (\$) | Total Compensation (\$) |
|---|------|-------------|-----------------------------|--|--------------------|--|-------------------------|
| George Armoian <sup>(3)</sup><br>Executive Chairman                   | 2015 | -           | -                           | -                                      | 964,139            | -  | 964,139                 |
|   | 2014 | -           | -                           | -                                      | 871,598            | -  | 871,598                 |
|   | 2013 | -           | -                           | -                                      | 968,430            | -  | 968,430                 |
| Michael Rapps <sup>(4)</sup><br>President and Chief Executive Officer | 2015 | 200,000     | -                           | -                                      | N/A                | -  | 200,000                 |
|   | 2014 | 76,923      | 849,280                     | 300,000                                | N/A                | -  | 1,226,203               |
|   | 2013 | -           | -                           | 100,000                                | N/A                | -  | 100,000                 |
| Andrew Snelgrove <sup>(5)</sup><br>Chief Financial Officer            | 2015 | 130,000     | -                           | 25,000                                 | N/A                | 6,500                                      | 161,500                 |
|   | 2014 | 130,000     | 339,712                     | 100,000                                | N/A                | 6,500                                      | 576,212                 |
|   | 2013 | 130,000     | -                           | 75,000                                 | N/A                | 6,500                                      | 211,500                 |
| Dustin Haw <sup>(6)</sup><br>Vice President, Investments              | 2015 | 130,000     | -                           | -                                      | N/A                | -  | 130,000                 |
|   | 2014 | 117,692     | 509,568                     | 225,000                                | N/A                | -  | 852,260                 |
|   | 2013 | -           | -                           | 75,000                                 | N/A                | -  | 75,000                  |
| Kim Langille <sup>(7)</sup><br>Vice President, Taxation               | 2015 | 130,000     | -                           | 25,000                                 | N/A                | 3,900                                      | 158,900                 |
|   | 2014 | 130,000     | -                           | 100,000                                | N/A                | 3,900                                      | 233,900                 |
|   | 2013 | 130,000     | -                           | 45,000                                 | N/A                | 3,900                                      | 178,900                 |

- (1) Options were granted on August 18, 2014. For the purposes of this Circular, pursuant to the reporting requirements in National Instrument 51-102F6 of the Canadian Securities Administrators, option values are measured at the grant date (as opposed to vesting date) fair value using the Black-Scholes option pricing model, with the following assumptions: risk free interest rate of 1.68%, expected dividend yield of 3.65%, expected volatility of 46.78%, expected Option life of 7 years, and estimated fair value per Option of \$3.40. Options generally vest at 33 1/3% per year as of the first anniversary of the date of issuance and expire 7 years from the date of issuance.
- (2) All other compensation relates to contributions made by the Company to a group RRSP. The value of perquisites received by each of the NEOs, including property or other personal benefits provided to the NEOs that are not generally available to all employees, were not in the aggregate greater than \$50,000 or 10% of the NEO's total salary for the financial year.
- (3) On July 2, 2014, Mr. Armoian resigned as President and Chief Executive Officer and was appointed Executive Chairman. Mr. Armoian does not receive an annual salary but does receive pension benefits. On March 6, 2014, the Board approved an amendment to the Supplementary Retirement Plan of Mr. Armoian which grants him, effective January 1, 2013, two additional years of credited service for each year that he holds the position of President and Chief Executive Officer or Executive Chairman after January 1, 2013, provided that certain conditions are met. For more information, please see "Defined Benefit Plan and Supplementary Retirement Plan".
- (4) Mr. Rapps was appointed President and Chief Executive Officer effective July 2, 2014, at an annual salary of \$200,000. Between September 18, 2013 and July 2, 2014, Mr. Rapps acted only as a director of the Company. Between May 15, 2012 and September 18, 2013, Mr. Rapps was Vice President, Investments.
- (5) Mr. Snelgrove resigned as Chief Financial Officer effective March 11, 2016. Due to the resignation of Mr. Snelgrove, his options have been forfeited and canceled.
- (6) Dr. Haw was appointed Vice President, Investments effective September 18, 2013. Dr. Haw did not receive a salary from September 18, 2013 to December 31, 2013. Dr. Haw received an annual salary of \$110,000 from January 1, 2014 to August 6, 2014. From August 7, 2014 to February 18, 2016, Dr. Haw received an annual salary of \$130,000. As of February 19, 2016, Dr. Haw receives an annual salary of \$160,000.
- (7) Ms. Langille was appointed Vice President, Taxation, effective December 3, 2012, at an annual salary of \$130,000. Ms. Langille has been appointed Interim Chief Financial Officer effective March 11, 2016. As of March 11, 2016, Ms. Langille receives an annual salary of \$150,000.

The table above includes significant values for Option grants during 2014 and this requires some explanation. This Circular is required to be drafted in accordance with National Instrument 51-102 – *Continuous Disclosure Obligations* ("NI 51-102"), which specifies how option grants are required to be valued. NI 51-102 requires an

option grant to be valued in its entirety at the grant date using an option pricing model (usually the Black Scholes model). This rule, therefore, implies that an Option recipient is receiving all of the value of the Options granted immediately. This is actually not the case as the Options granted vest over several years and the Option recipient can only exercise their Options once they have vested. Accordingly, the Board believes that the value of the Options granted should be spread out over the vesting period of the Option, thereby implying that the Option recipient receives some value each year rather than all of the value in the first year.

#### 4. Outstanding Options

The following table sets forth for each NEO all Options of the Company outstanding at the end of the year ended December 31, 2015.

| Name             | Options   |                            |                        |  |
|------------------|---|----------------------------|------------------------|--|
|                  | Number of Securities Underlying Unexercised Options (#) | Option Exercise Price (\$) | Option Expiration Date | Value of Unexercised In-the-Money Options (\$) |
| Michael Rapps    | 250,000   | 12.19                      | August 7, 2021         | N/A  |
| Dustin Haw       | 150,000   | 12.19                      | August 7, 2021         | N/A  |
| Andrew Snelgrove | 100,000 <sup>(1)</sup>                                  | 12.19                      | August 7, 2021         | N/A  |

(1) Mr. Snelgrove resigned as Chief Financial Officer effective March 11, 2016. Due to the resignation of Mr. Snelgrove, his options have been forfeited and canceled.

The Board priced all NEO Option grants at \$12.19, which was the Company's book value per Common Share on the grant date. At such date, the Common Shares traded at \$10.96. The volume weighted average trading price of the Common Shares for the five days immediately preceding August 18, 2014 was \$10.47.

NEOs did not exercise any Options in 2015. The only stock option plan of the Company is the Stock Option Plan. For a summary of the material terms and conditions of the Stock Option Plan see "Securities Authorized for Issuance under Equity Compensation Plans" below.

#### 5. Incentive Plan Awards

The following table sets forth for each NEO, the value of incentive plan compensation earned during the year ended December 31, 2015.

| Name             | Options – Value Vested during the year (\$) | Non-equity incentive plan compensation – Value earned during the year (\$) |
|------------------|---|--|
| George Armoyan   | -   | -  |
| Michael Rapps    | N/A   | -  |
| Andrew Snelgrove | N/A   | 25,000   |
| Dustin Haw       | N/A   | -  |
| Kim Langille     | N/A   | 25,000   |

## 6. Defined Benefit Plan and Supplementary Retirement Plan

The following table sets forth for Mr. Armoyan, the value of pension benefits accrued as at the year ended December 31, 2015.

| Name           | Years Credited Service <sup>(1)</sup><br>(#) | Annual Benefits Payable<br>(\$) |         | Accrued Present Value of Obligation at Start of year<br>(\$) | Compensatory Change <sup>(2)</sup><br>(\$) | Non-Compensatory Change <sup>(3)</sup><br>(\$) | Accrued Present Value of Obligation at Year End<br>(\$) |
|----------------|--|---------------------------------|---------|--|--|--|---|
|                |  | Year End                        | Age 65  |  |  |  |   |
| George Armoyan | 21.17  | 386,559                         | 603,616 | 5,803,717  | 964,139                                    | 290,741  | 7,058,597   |

- (1) On March 6, 2014, the Board approved an amendment to the Supplementary Retirement Plan of Mr. Armoyan which grants him, effective January 1, 2013, two additional years of credited service for each year that he holds the position of Chief Executive Officer or Chairman of the Board after January 1, 2013, provided that certain conditions are met. Those conditions were met in 2013, 2014 and 2015 and, as such, Mr. Armoyan was credited with a total of three years of credited service for each of 2013, 2014 and 2015.
- (2) The "Compensatory Change" column recognizes the years of service credited plus actual change in pensionable earnings versus that assumed to occur.
- (3) The "Non-Compensatory Change" column recognizes the items that are not compensatory, including the change in discount rate from 4.00% to 3.95% and the update in the mortality table used from the preliminary RPP 2015 mortality table for private companies (CPM-RPP2015) projected with scale CPM-A to the final CPM 2015 private mortality table (CPM2015priv) projected with scale CPM-B.

Mr. Armoyan was the only NEO eligible for the Company's Defined Benefit Plan in 2015. Total retirement benefits are based on 2% of the three highest consecutive years of salary. The overall maximum of 66<sup>2</sup>/<sub>3</sub>% of the average compensation applies to the participant. The pension payable under the Supplementary Retirement Plan is reduced for amounts received under the Canada Pension Plan after age 65.

Benefits are reduced by 0.25% for each month between the date of early retirement and the date of the participant's 60th birthday or, if earlier, the date at which the participant's age plus his years of service total 80, if the participant is at least 55 years of age.

Retirement benefits are payable for life, with provision for reduced payments to continue to a surviving spouse. Retirement benefits for Mr. Armoyan are indexed annually at a rate of 75% of the increase in the Consumer Price Index less 1% (to a maximum annual increase of 4%).

## 7. Termination and Change of Control Benefits

### *George Armoyan*

Mr. Armoyan and the Company have entered into an employment agreement. This agreement provides that in the event of the Company terminating his employment, other than for good reason as defined in the employment agreement, he shall be entitled to a severance allowance for an amount equal to the aggregate value of two times his annual salary, plus all payments and entitlements under applicable labour standards legislation.

The estimated amount payable by the Company in the event of the termination of Mr. Armoyan, assuming such termination occurred on December 31, 2015 (the last day of the Company's most recent fiscal year) is nil. Mr. Armoyan would also be credited with two additional years of service under each of the Company's Defined Benefit Plan and Supplementary Retirement Plan. In addition to the foregoing, Mr. Armoyan would have the right to exercise all outstanding Options granted to him under a stock option plan of the Company on the date that is the sooner of two years from the date of termination or the date the Option would otherwise expire. Mr. Armoyan had no Options outstanding as at December 31, 2015.

Mr. Armoyan's employment agreement requires that Mr. Armoyan will not, during the term of his employment with Clarke or at any time after, without the Company's prior consent, disclose any confidential and proprietary information or trade secrets nor use the same for any other purpose than for the purposes of the Company. For a period of 12 months following Mr. Armoyan's termination, Mr. Armoyan may not solicit, for any purpose that is competitive with the Company, any customer of Clarke for the 12 months preceding the termination or an employee of the Company. Similarly, Mr. Armoyan may not for the 12 months following termination, without the written consent of the Company, be employed by, otherwise interested in, or permit his name to be used in, any business in direct competition with the Company in the Province of Ontario.

## 8. Director Compensation

The following table sets forth, for the year ended December 31, 2015, information concerning the compensation paid to the Company's current directors other than directors who are also NEOs.

| Name             | Fees earned<br>(\$) | Options<br>(\$) | Other Compensation<br>(\$) | Total<br>(\$) |
|------------------|---------------------|-----------------|----------------------------|---------------|
| Blair Cook       | 30,000              | -               | 10,000 <sup>(1)</sup>      | 40,000        |
| Brian Luborsky   | 25,000              | -               | -                          | 25,000        |
| Charles Pellerin | 25,000              | -               | -                          | 25,000        |

(1) Mr. Cook receives a quarterly retainer in the amount of \$2,500 to act as a member of the Company's pension management committee, a position which he holds in his capacity as a member of the Board.

Directors of the Company that are also officers or employees of the Company are not compensated for service on the Board, therefore no additional director fees are payable to Messrs. Armoyan and Rapps for their services as directors of the Company.

Effective August 7, 2014, directors of the Company are remunerated on an annual basis by payment of quarterly fees in the amount of \$6,250. To recognize the additional effort required by the duties of a chair, the Chairman of the Audit Committee receives a quarterly fee of \$1,250. The total of such fees paid to directors for the fiscal year ending December 31, 2015 amounted to \$90,000.

## SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table sets out information relating to the Company's equity compensation plans in place as of the date of this Circular.

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 400,000 <sup>(2)</sup>   | \$12.19  | 771,963 <sup>(1)</sup>   |
| Equity compensation plans not approved by security holders | Nil  | Nil  | Nil  |
| Total  | 400,000 <sup>(2)</sup>   | \$12.19  | 771,963 <sup>(1)</sup>   |

(1) The total number of Common Shares reserved for issuance under the Stock Option Plan, together with all other security based compensation arrangements (as such term is defined in the TSX Company Manual) established or maintained by the Company, at any time, shall not exceed 7.5% of the total issued and outstanding Common Shares.

(2) Mr. Snelgrove resigned as Chief Financial Officer effective March 11, 2016. Due to the resignation, Mr. Snelgrove forfeited 100,000 Options, which have been cancelled.

### *Description of Stock Option Plan*

The Stock Option Plan is administered by the Company upon the recommendation of the Board. The Company effects the grant of Options, in accordance with determinations made by the Board including as to: (a) the persons (from among the eligible participants) to whom Options will be granted; (b) the number of Common Shares which shall be the subject of each Option; (c) the exercise price in respect of each Option; and (d) any and all terms and conditions in addition to those contained in the Stock Option Plan that are to be attached to any or all such Options.

The only Stock Option Plan of the Company is the Stock Option Plan. The material terms of the Stock Option Plan are described below.

### *Eligible Participants*

Subject to the regulations of the TSX and any securities laws, the following persons are eligible to be granted Options under the Stock Option Plan: (i) any employee of the Company or its subsidiaries; (ii) any director of the Company or its subsidiaries; or (iii) any consultant.

### *Plan Limit*

The total number of Common Shares reserved for issuance under the Stock Option Plan, together with all other security based compensation arrangements (as such term is defined in the TSX Company Manual) established or maintained by the Company, at any time, shall not exceed 7.5% of the total issued and outstanding Common Shares.

### *Maximum Issuable in One Year*

The aggregate number of Common Shares issuable under the Stock Option Plan and any other security based compensation arrangements established or maintained by the Company in any one year period shall not exceed 5% of the issued and outstanding Common Shares.

### *Insider Participation Limit*

The aggregate number of Common Shares issued to insiders of the Company under the Stock Option Plan and all other security-based compensation arrangements of the Company within any one-year period shall not exceed 5% of the issued and outstanding Common Shares. The aggregate number of Common Shares issuable to insiders of the Company, at any time, under the Stock Option Plan, or when combined with all other security based compensation arrangements of the Company, shall not exceed 7.5% of the issued and outstanding Common Shares.

### *Maximum Issuable to One Person*

The aggregate number of Common Shares issuable to any one participant under the Stock Option Plan and all other security based compensation arrangements of the Company shall not exceed 5% of the issued and outstanding Common Shares.

### *Determination of Exercise Price*

The exercise price of a Common Share underlying an Option granted under the Stock Option Plan will be determined by the Board on the date of the grant of the Option, provided that such exercise price shall not be less than the market price on the date of the grant of the Option. For the purpose of determining the exercise price, the market price of a Common Share, on any particular date, means the volume weighted trading average trading price for the Common Shares on any stock exchange that the Common Shares are listed for the five trading days on which the Common Shares traded immediately preceding such date; provided, however, in the event that the Common Shares are not listed and posted for trading on any stock exchange, the market price shall be the fair market value of the Common Shares as determined by the Board in its discretion, acting reasonably and in good faith.

### *Vesting and Term of Options*

It is intended that the Options granted under the Stock Option Plan shall be exercised during a period of time (the "Exercise Period") fixed by the Board, not exceeding seven years from the date of grant of the Option.

The Options shall be subject to such terms of vesting as the Board may determine, in accordance with the Stock Option Plan. Unless otherwise provided in an option agreement, all Options shall vest and become exercisable as follows: (a) 1/3 of the Options shall vest on the first anniversary of the date of grant; (b) an additional 1/3 of the Options shall vest on the second anniversary of the date of grant; and (c) the final 1/3 of the Options shall vest on the third anniversary of the date of grant.

Options which have vested may be exercised in whole or in part at any time and from time to time during the Exercise Period. Subject to other provisions of the Stock Option Plan concerning a termination date, at the expiration of the Exercise Period, any Options which have not been exercised shall expire and become null and void.

### *Cashless Exercise*

With Board approval, a participant may elect to surrender any vested Option, which is otherwise exercisable and, in consideration for such surrender for cancellation, receive a cash payment, or Common Shares having a value, equal to the in-the-money amount of the Options being surrendered. The in-the-money amount of an Option is the positive difference between the market price of the Common Shares issuable on the exercise of such Option or portion thereof, as of the date such Option is surrendered, and the aggregate exercise price of such Option or portion thereof.

### *Financial Assistance*

The Company may provide financing to all participants of the Stock Option Plan for all or any portion of the purchase price of the Common Shares for which an Option is being exercised upon such terms and conditions as the Board may determine including the rate of interest, if any, the term of the financing, the repayment terms, whether such financing shall be made with or without recourse and, the security, if any, to be taken, which may include a pledge of the Common Shares for which the financing of the purchase price has been given.

### *Change of Control*

In the event of a Change of Control (as defined in the Stock Option Plan) or a determination by the Board that a Change of Control is expected to occur, all outstanding Options granted under the Stock Option Plan shall vest as of the date of such determination and be immediately exercisable until the earlier of: (a) the date which is 90 days following the date of such Change of Control, or such earlier time as may be established by the Board; and (b) the expiry date of the Options.

In the event that the Board passes a resolution approving, or the Company enters into an agreement providing for, a transaction which would constitute a Change of Control, the Board may, at its discretion, resolve to permit participants to exercise all vested and unvested Options pursuant to the terms of the Stock Option Plan, conditional upon the occurrence of the Change of Control, and for the purpose of, as applicable, tendering the underlying Common Shares to the take-over bid or voting such Common Shares in respect of the resolution pertaining to the transaction.

### *Cessation of Entitlement*

Subject to the terms of any particular option agreement, on a participant's termination date, any Options granted to such participant that have not vested prior to the participant's termination date shall terminate and become null and void as of such termination date.

Where a participant's termination occurs as the result of Termination for Cause (as defined in the Stock Option Plan) based on allegations of gross negligence, fraud, breach of fiduciary duty or other acts of willful malfeasance against the Company (or its subsidiaries), all Options, whether or not vested, of the participant shall immediately and



automatically terminate for no consideration and be rendered null and void. Where a participant's termination occurs for Termination for Cause other than as set forth above, the participant will have the right to exercise part or all of his or her outstanding vested Options at any time up to and including the earlier of: (i) the date which is 10 days following the date of such participant's termination date; and (ii) the expiry date of the vested Options. Where a participant's termination occurs as the result of death or disability, the participant's legal representative shall have the right to exercise any outstanding vested options at any time up to and including the earlier of: (i) the date which is one year following the termination date of such participant; and (ii) the expiry date of the vested options.

Where a participant's termination occurs for any other reason than outlined above, the participant will have the right to exercise their outstanding vested options at any time up to and including the earlier of: (i) the date which is 30 days following the date of such participant's termination date; and (ii) the expiry date of the vested options.

#### *Assignability and Transferability*

Options granted under the Stock Option Plan are non-assignable and non-transferable, except pursuant to laws of succession and, except in the case of the participant's death or incapacity, shall be exercisable or surrendered only by the participant.

#### *Amendment Provisions*

It is intended that, under the Stock Option Plan, the Board shall have the power and authority to terminate the Stock Option Plan and to approve amendments to the Stock Option Plan or to Options, without approval of the Shareholders, including, without limitation, for any of the following types of amendments:

- (a) amendments for the purpose of curing any ambiguity, error or omission in the Stock Option Plan or Option or to correct or supplement any provision of the Stock Option Plan that is inconsistent with any other provision of the Stock Option Plan;
- (b) amendments necessary to comply with applicable law or the requirements of any stock exchange on which the Common Shares are listed;
- (c) amendments to the Stock Option Plan respecting administration of the Stock Option Plan;
- (d) amendments of a "housekeeping" nature;
- (e) changes to the terms and conditions on which Options may be or have been granted pursuant to the Stock Option Plan, including a change to, or acceleration of, the vesting provisions of Options;
- (f) amendments to the treatment of Options on ceasing to be a participant; and
- (g) a change to the termination provisions of Options or the Stock Option Plan which does not entail an extension beyond the original expiry date.

Notwithstanding the above, it is intended that under the Stock Option Plan, Shareholder and stock exchange approval will be required in order to:

- (a) increase the maximum number of Common Shares reserved for issuance under the Stock Option Plan;
- (b) increase any limit on grants of Options set forth in the Stock Option Plan;
- (c) reduce the exercise price in respect of any Option;
- (d) extend the period of time during which an Option must be exercised or surrendered;

- (e) amend the class of eligible participants under the Stock Option Plan;
- (f) cancel any Options and concurrently re-issue such Options on different terms;
- (g) amend the amendment provisions of the Stock Option Plan; or
- (h) make any other amendment to the Stock Option Plan where Shareholder approval is required by any stock exchange on which the Common Shares of the Company are listed.

## CORPORATE GOVERNANCE DISCLOSURE

### 1. Board of Directors

- (a) The following proposed members of the Board have been determined by the Board to be independent: Messrs. Cook, Luborsky and Pellerin.
- (b) Mr. Rapps, if elected, will be a non-independent member of the Board as he is the President and Chief Executive Officer of the Company. Mr. Armoyan, if elected, will also be a non-independent member of the Board as he is currently the Executive Chairman of the Company and was the President and Chief Executive Officer of the Company from March 1, 2012 to July 2, 2014.
- (c) A majority of the proposed members of the Board (3 of 5) are independent.
- (d) The following table lists the reporting issuers (or equivalent), other than the Company, for which a proposed member of the Board serves as director (or equivalent):

| Director         | Additional Board Memberships |
|------------------|------------------------------|
| George Armoyan   | N/A                          |
| Blair Cook       | TerraVest Capital Inc.       |
| Brian Luborsky   | N/A                          |
| Charles Pellerin | TerraVest Capital Inc.       |
| Michael Rapps    | Holloway Lodging Corp.       |

- (e) The Chairman of the Board shall normally call meetings of the Board. Any committee chairman, the corporate secretary, or any two directors may also call a meeting of the Board.
- (f) Below is a table that summarizes the attendance record of each director for all Board meetings held since January 1, 2015. This list of meetings does not include *ad hoc* teleconferences with some business completed by consent resolution.

| Meeting Date      | Attendance Details                           |
|-------------------|--|
| February 23, 2015 | All members of the Board were in attendance. |
| May 6/7, 2015     | All members of the Board were in attendance. |
| August 5, 2015    | All members of the Board were in attendance. |
| November 4, 2015  | All members of the Board were in attendance. |
| February 23, 2016 | All members of the Board were in attendance. |

## **2. Board Mandate**

The mandate adopted by the Board (the "Mandate") is appended hereto as "Exhibit A".

## **3. Position Descriptions**

- (a) The Board has developed written position descriptions for the Chairman of the Board and the Chairman of the Audit Committee.
- (b) The Board has developed a written position description for the President and Chief Executive Officer.

## **4. Meetings of Independent Directors**

The independent directors are entitled to hold meetings at which management and non-independent directors are not present, as and when deemed necessary, in order to facilitate candid discussion among the independent directors. The independent directors are encouraged to ask questions and to review all relevant matters. In addition, any item that could involve a potential conflict among one or more directors is voted on by those directors that are not related to the conflict in question.

The Company takes steps to ensure that adequate structures and processes are in place to permit the Board to function independently of management of the Company. Where matters arise at meetings of the Board which require decision making and evaluation that is independent of management and interested directors, the Board will hold an "in-camera" session among the independent and disinterested directors, without management present at such meeting.

The current Chairman of the Board is not independent. In order to provide leadership for independent directors, an independent director will, as required from time to time, chair meetings of independent directors and assume other responsibilities.

## **5. Board Orientation and Continuing Education**

- (a) The Company has adopted a Board Orientation and Continuing Education Policy (the "Board Orientation and Continuing Education Policy") that governs the procedures used to orient new Board members. Pursuant to the terms of the Board Orientation and Continuing Education Policy, each new Board member is provided with a copy of the Mandate, and meets telephonically or in person with each of the Chairman of the Board and the Chairman of the Audit Committee to discuss the role of the Board, the Audit Committee and directors. In addition, each new Board member is presented with a package containing all public filings made by the Company during the preceding 24 months, and meets in person to discuss the nature and operation of the Company's business with the President and Chief Executive Officer and the Chief Financial Officer. Each new Board member is also given the opportunity upon request to retain independent legal counsel, at the Company's expense, to advise him or her with respect to the issues raised by his or her Board membership.
- (b) The Board maintains a continuing education program for directors, pursuant to the Board Orientation and Continuing Education Policy. The Board has tasked management to regularly provide information respecting industry trends, new regulation and other factors of which the directors should be made aware. To this end, management, with the assistance of outside counsel, as appropriate, will deliver reports of industry trends and legal and regulatory developments relevant to the Board. Such reports will be provided annually or more frequently if requested by the Board or considered advisable by management. In addition, each year management will circulate directors' questionnaires, which will be used to gather information that will assist in determining whether existing Board members demonstrate requisite levels of independence and financial literacy. To the extent that any member of the Board requires additional financial education or training to ensure compliance with applicable legal and regulatory standards or

relevant best practices, such education or training will be provided by a third party provider. Members of the Board are also permitted to independently arrange additional education or training intended to improve their performance as a member of the Board at the Company's expense, upon approval by the Chairman of the Board.

## **6. Ethical Business Conduct**

- (a) The Board has adopted a written Code of Conduct and Ethics Policy (the "Code") that applies to the directors, officers and employees of the Company. A copy of the Code can be obtained on the Company intranet or by requesting a copy from the Corporate Secretary of the Company. The Code requires reporting of breaches of its terms, and describes how reports can be made on a confidential basis. Each person filing a report or complaint under the Code has the option of submitting information directly to the Chairman of the Board in circumstances where he or she feels it is appropriate to do so. The Board is responsible for reviewing compliance with the Code and noting any issues that have arisen from non-compliance. The Company has never filed a material change report that pertains to a departure from the Code.
- (b) The Company has implemented a whistleblower policy, where employees and representatives of Clarke (including employees and representatives of the Company's subsidiaries) may report anonymously, if desired, any actual or suspected misconduct. Such reports may be made by letter to either the Chief Financial Officer or the Chairman of the Audit Committee, as appropriate. Any material allegations received by the Chief Financial Officer are reported to the Chairman of the Audit Committee, who then determines the appropriate follow-up action. A copy of the whistleblower policy can be obtained on the Company intranet or by requesting a copy from the Corporate Secretary of the Company.
- (c) The Board takes special precautions to enable directors to exercise independent judgment in considering transactions or agreements in respect of which a director or executive officer has a material interest. The special precautions include: (i) implementing procedures, enshrined in the Code, that require full, true and plain disclosure by directors, officers and employees of all facts and circumstances relating to a transaction or agreement in which any such person has or may have a material interest; (ii) the presentation to the Board of all facts and circumstances relating to each material transaction or agreement in which any director, officer or employee has or may have a material interest; and (iii) the review and approval by the Board of each material transaction or agreement in which any director, officer or employee has or may have a material interest, conducted in each case in the absence of interested persons.

## **7. Nomination of Directors**

- (a) The Board, or as necessary, a sub-committee comprised of independent directors appointed thereby, is responsible for identifying new candidates for nomination to the Board.
- (b) The Board identifies new candidates by taking into account the following considerations: (a) the competencies and skills the Board, as a whole, should possess; (b) the competencies and skills that each existing director possesses and identifies any gaps in knowledge and expertise; (c) the size of the Board and its ability to effectively facilitate decision making; (d) the competencies and skills each new nominee will bring to the Board; and (e) whether or not each new nominee can devote sufficient time and resources to his or her duties as a Board member.
- (c) The Board may appoint a sub-committee comprised of independent directors, as necessary, to assist the Board in developing criteria for the selection of directors and procedures to identify possible nominees; reviewing and assessing qualifications of Board nominees (including potential conflicts of interest); submitting names of the nominees to be brought forward to the next annual Shareholders' meeting or to be appointed to fill vacancies between annual meetings; and determine if any Board member's qualifications, credentials or performance since appointment have changed, or other circumstances arisen, so as to warrant a recommendation that such member resigns.

## **8. Compensation**

- (a) The compensation for the Company's directors and executive officers is reviewed by the Board, or as necessary to ensure an objective process for determining compensation, a sub-committee comprised of independent directors appointed thereby, on an annual basis.
- (b) The Board approves the annual salary, bonus and other benefits of the President and Chief Executive Officer. The Board also oversees the evaluation and performance of the executive officers other than the President and Chief Executive Officer and, after considering the recommendations of the President and Chief Executive Officer, approves the annual compensation of the other executive officers. The level of executive officer compensation is determined by considering all factors deemed appropriate, including salaries for public companies of comparable size, location and complexity. Annual and long-term incentive compensation for the year ended December 31, 2015 was determined in accordance with the Compensation Plan. Director compensation is set, and periodically reviewed, by the Board. The level of remuneration is designed to provide a competitive level of remuneration relative to directors of comparable entities and corporations.
- (c) No specific compensation consultant or advisor has been retained to assist in determining compensation for the Company's directors and officers.

Please see "Statement of Executive Compensation", above, for particulars regarding the Company's compensation policies and practices.

## **9. Compensation and Risk**

The Company recognizes that executive compensation must incentivize an appropriate level of risk. The Company is responsible for ensuring that compensation policies and practices do not encourage undue risk-taking on the part of executives. To this end, practices are in place to mitigate the risks associated with compensation policies and programs.

The Board has considered the implications of the risks associated with the Company's compensation policies and practices and has not identified any risks arising from such policies and practices that are reasonably likely to have a material adverse effect on the Company. The Board will continue to have oversight in the performance objective-setting process in order to reduce the possibility that performance objectives are adopted in a manner that encourages excessive risk-taking.

## **10. Other Board Committees**

The Company currently has no standing committees other than the Audit Committee.

## **11. Evaluations**

Each member of the Board is provided with an annual self-evaluation form, which involves a review of attendance, preparedness and overall contribution to the direction of the Company, measured against the terms of the Mandate. The Board also evaluates its collective effectiveness on an annual basis. This evaluation includes a review of: (i) its Mandate, to make sure that it properly addresses matters that are or should be within its scope; (ii) whether the Board has complied with the terms of the Mandate, and applicable legal and regulatory requirements; (iii) the adequacy, appropriateness and quality of the direction delivered by the Board to management; (iv) the manner in which issues were discussed or debated by the Board; and (v) whether the number and length of meetings of the Board were adequate for the Board to complete its work in a thorough and thoughtful manner. The Audit Committee evaluates their respective effectiveness on an annual basis. This evaluation involves a review of: (i) its charter, to ensure that it properly addresses matters that are or should be within its scope; (ii) whether the Audit Committee complied with the terms of its charter and applicable legal and regulatory requirements; (iii) the adequacy, appropriateness and quality of the information and recommendations that it presented to the Board; (iv) the manner in which issues were discussed or debated by the Audit Committee; and (v) whether the number and length of

meetings of the Audit Committee were adequate for the Audit Committee to complete its work in a thorough and thoughtful manner.

## **12. Director Term Limits and Other Mechanisms of Board Renewal**

Each director serves for only a one-year term, to be voted upon annually by the Shareholders. The Board has not adopted director term limits or other mechanisms of board renewal. While the Company recognizes the importance of adding new perspectives to the Board from time to time, there are benefits to having continuity and directors having in-depth knowledge of each facet of the Company's business, which necessarily takes time to develop. The Company believes that it is important to achieve an appropriate balance of both to ensure the effectiveness of the Board.

## **13. Women on the Board and in Executive Offices**

The Company has not adopted a written policy specifically relating to the identification and nomination of women directors nor does the Board consider the level of representation of women when making executive officer appointments or set targets regarding women on the Board or in executive positions. However, informally, the Company values diversity, including, without limitation, diversity of experience, perspective, education, race, gender and national origin as part of its overall business strategy. As at the date hereof, no women are members of the Board and one woman holds one-third of the Company's executive positions.

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

Directors, officers and certain employees of the Company are covered under Directors' and Officers' Liability Insurance policies. The policies include coverage for wrongful acts claimed against directors, officers and such employees by reason of their serving in such capacities. The aggregate limit of liability applicable to those insured directors, officers and employees under the insurance policies is \$5 million. The policies contain clauses that specify deductible amounts of \$25,000 in respect of claims by the Company. The aggregate premium paid by the Company for directors' and officers' liability insurance coverage was \$19,900 for the fiscal year ended December 31, 2015.

Each of the officers and certain employees of the Company have entered into indemnity agreements with the Company in connection with any prior actions as an officer and/or employee of the Company or any of its subsidiaries, consistent with the *Canada Business Corporations Act*.

## **INDEBTEDNESS OF DIRECTORS, OFFICERS AND EMPLOYEES**

There is no indebtedness outstanding to the Company from its current or former directors, officers or employees or their associates, other than routine indebtedness incurred in the normal course of business, except that on February 27, 2013, Clarke Inc. Master Trust issued a mortgage to an entity owned by Rex Anthony, then Chairman of the Board, in the amount of \$750,000. The principal amount outstanding under such mortgage is presently \$605,000.

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

During 2015, the Company entered into a number of related party transactions. The parties and value of the transactions are fully disclosed in note 19 of the Company's consolidated financial statements for the year ended December 31, 2015. The Company's consolidated financial statements for the year ended December 31, 2015 are incorporated by reference herein and available on SEDAR at [www.sedar.com](http://www.sedar.com) under Clarke's issuer profile.

On November 1, 2015, the Clarke Group Pension Plan and Pension Plan of the Employees of Clarke Inc. ("Clarke Pension Plans") acquired ownership of 13 schools throughout Nova Scotia from SLC Developer Trust in consideration for the assumption of certain liabilities associated with the schools. The total transaction value was \$42.8 million. The schools are leased to the Province of Nova Scotia through July 2020. At the expiry of the lease, the assumed liabilities are expected to have amortized to nil and ownership of the schools is expected to revert to the

vendor. Clarke's Executive Chairman, George Armoyan, is an officer and director of a company related to SLC Developer Trust.

## **SHAREHOLDER PROPOSALS**

February 5, 2017 is the final date by which the Company must receive any proposals for any matter that a person entitled to vote at an annual general meeting of the Company proposes to raise at the next annual general meeting of the Company subject to the requirements of the *Canadian Business Corporations Act*.

## **AVAILABILITY OF DOCUMENTS**

Additional information relating to the Company is available on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information is provided in the Company's comparative Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2015. Copies of the Company's most recent Annual Information Form, comparative Consolidated Financial Statements and Management's Discussion & Analysis for the year ended December 31, 2015 filed with various Provincial securities commissions may be obtained, without charge, on request from the Corporate Secretary of the Company.

## **CAUTIONARY STATEMENT REGARDING USE OF NON-IFRS ACCOUNTING MEASURES**

This Circular makes reference to book value per share. Clarke uses book value per share as a measure of the performance of the Company as a whole. Book value per share is measured by dividing shareholders' equity attributable to equity holders of the Company at the date of the statement of financial position by the number of Common Shares outstanding at that date. Clarke's method of determining this amount may differ from other companies' methods and, accordingly, this amount may not be comparable to that used by other companies. This amount is not a performance measure as defined under International Financial Reporting Standards ("IFRS") and should not be considered either in isolation of, or as a substitute for, net earnings prepared in accordance with IFRS.

## **OTHER MATTERS COMING BEFORE THE MEETING**

It is not the intention of the management of the Company to bring any matters before the meeting other than the matters referred to herein. **IT SHOULD BE NOTED, HOWEVER, THAT THE ENCLOSED FORM OF PROXY IS A DISCRETIONARY PROXY AND THE PERSONS NAMED THEREIN ARE AUTHORIZED TO VOTE IN ACCORDANCE WITH THEIR DISCRETION ON ANY OTHER MATTERS WHICH MAY PROPERLY COME BEFORE THE MEETING.**

## **APPROVAL OF DIRECTORS**

The Board has approved the contents and the sending of this Circular.

Dated at Halifax, Nova Scotia this 11<sup>th</sup> day of April, 2016.

BY ORDER OF THE BOARD

(Signed): "Michael Rapps"

**MICHAEL RAPPS**

**PRESIDENT AND CHIEF EXECUTIVE OFFICER**

## EXHIBIT A

### CLARKE INC. MANDATE OF THE BOARD OF DIRECTORS

#### 1. *Statement of Policy*

The mandate of the board of directors (“Board”) of Clarke Inc. (the “Company”) is to oversee, monitor and evaluate the management of the business and affairs of the Company. The Board shall review, discuss and approve various matters related to the strategic direction, business, operations and organizational structure of the Company with a view to the best interests of the Company and shareholders generally. The Board shall approve certain transactions whose value exceeds management’s authority limits. The types of transactions requiring prior Board approval include: acquisitions or divestitures of subsidiaries, divisions or assets, assumption of significant liabilities other than in the ordinary course of business, and transactions which would materially change the Company’s consolidated revenue or net assets. The Board shall approve banking relationships and key borrowing and financing decisions, appoint the officers of the Company, determine the Directors’ compensation and declare dividends. Responsibilities of the Board are performed by the Board as a whole and the Board establishes committees of the Board to assist the Board in discharging its responsibilities.

#### 2. *Composition and Organization of the Board*

##### **Selection of Members**

There is no Human Resources and Corporate Governance Committee (“HRGC”) in place for the Company. The Board assumes all responsibilities of the HRGC for reviewing and recommending candidates for nomination as Directors. The Board approves the final choice of candidates for nomination and election by the shareholders.

##### **Number of Directors**

The number of Directors shall be not less than three (3) nor greater than ten (10).

##### **Membership Criteria**

The composition of the Board, including the qualifications of its members, shall comply with the applicable requirements of the *Canada Business Corporations Act*, the stock exchanges on which the Company lists its securities and the rules and policies of securities regulatory authorities, as adopted, in force or amended from time to time.

Directors must have an appropriate mix of skills, knowledge and experience in business and a history of achievements. Directors selected should be able to commit the requisite time for all the Board’s business and shall demonstrate integrity, accountability and informed judgment.

##### **Outside and Independent Directors**

A majority of the Board shall be composed of outside Directors who are not part of the management of the Company and who are independent (as determined by the Board in accordance with applicable securities laws and regulations).

A majority of the nominees proposed to the shareholders of the Company by its management from time to time for election as Directors at annual general meetings of shareholders shall be outside and independent Directors; and the Board shall use its efforts to maintain such a majority of outside and independent Directors.

##### **Chairperson**

The Board shall appoint its chairperson of the Board (the “Chair”) from among the Company’s Directors.



### **Term of Directors**

The Directors are elected by the shareholders at every annual meeting. A Director ceases to hold office upon death, resignation, removal or disqualification under the *Canada Business Corporations Act*.

### **Resignation of Directors**

The resignation of a Director becomes effective at the time a written resignation is sent to the Company, or at the time specified in the resignation, whichever is later.

### **3. Responsibilities of the Board**

In discharging their responsibilities, the Directors owe the following duties to the Company:

- fiduciary duty: they must act honestly and in good faith with a view to the best interests of the Company and be loyal to the Company; and
- duty of care: they must exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

In discharging their responsibilities, the Directors are entitled to rely on the honesty and integrity of the senior management of the Company and the auditors and other professional advisors of the Company, and should establish and follow processes that enable them to effectively fulfill their overseeing responsibilities.

The Board has the responsibilities outlined below for the stewardship of the Company. "Stewardship" means to oversee, monitor and evaluate management, who are responsible for the day to day conduct of the business. Stewardship includes:

annually adopting and updating the strategic planning process and approving a strategic plan which takes into account, among other things, the opportunities and risks of the business;

- identifying the principal risks of the Company's business and ensuring the implementation of appropriate systems to manage these risks;
- succession planning, including appointing, training and monitoring senior management;
- approving the communications policy for the Company;
- overseeing the implementation of the Company's disclosure controls and procedures and internal control over financial reporting;
- overseeing the maintenance by management of practices and processes to assure compliance with applicable laws and appropriate ethical standards, including the adoption by management of corporate policies and procedures and the Company's Code of Conduct and Ethics;
- overseeing the implementation of the Company's management information systems; and
- developing the Company's approach to corporate governance.

### **4. Relationship with Management**

The Board expects that management will seek to maximize shareholder value in a manner that is consistent with good corporate citizenship, including the fair treatment of the Company's employees and the provision of quality service to the public. Management is responsible for the development of long-term corporate strategy, and the role of the Board is to review, question and validate, and ultimately to approve the strategies proposed by management.

To assist the Directors in discharging their responsibilities, the Board expects management of the Company to:

- review and update the Board annually (or more frequently if appropriate) for its approval the strategic plan, and report regularly to the Board on the implementation of the strategic plan in light of evolving conditions;
- prepare and present to the Board annually (or more frequently if appropriate) a business plan and budget and report regularly to the Board on the Company's performance against the business plan and budget; and

- report regularly to the Board on the Company's business and affairs and on any matters of material consequence for the Company and its shareholders.

Additional expectations are developed and communicated during the annual strategic planning and budgeting process and also during regular Board and Board committee meetings.

Management shall put before the Board for its approval all material financial disclosure, business plans, major capital expenditures, capital raising and other major financial activities, executive hiring plans, compensation policies, succession planning, major issues relating to the Company's products or services (such as quality and safety), decisions to devote resources to new lines of business, organizational restructuring plans, proposed acquisitions and divestitures, and all other matters that must by law be approved by the Board.

## **5. *Expectations and Responsibilities of Directors***

As stewards, directors are expected to establish standards of conduct for the Company, and must set the general moral and ethical tone for the conduct of business, while overseeing the Company's compliance with applicable laws and policies. Without limiting the generality of the foregoing, each member of the Board is expected to:

- lead by example by acting in compliance with applicable laws, applicable internal and external policies and standards set by the Board;
- regularly attend board meetings and important related meetings;
- make a serious commitment to participate actively in committee meetings, if applicable;
- stay informed and current about committee matters and matters regarding corporate governance;
- prepare for meetings, and review and comment on minutes and reports;
- get to know other Board members and build collegial working relationships;
- be an active participant in the Board's annual evaluation and planning efforts;
- engage in open discussion and debate on issues and work collaboratively with all members of the Board;
- encourage input from all members, including those with opposing views;
- disclose all potential conflicts of interest;
- where necessary, seek the advice of experts;
- exercise his or her authority as a Board member to the best of his or her ability, honestly, in good faith, and in the best interests of the Company.

## **6. *Meetings and Proceedings***

- The Board shall meet as frequently as is determined to be necessary but not less than four times each year.
- The Chair shall normally call meetings of the Board. Any Director, the corporate secretary or any two Directors may also call a meeting of the Board.
- The Chair is responsible for the agenda of each meeting of the Board, including input from other Directors and management of the Company as appropriate. Meetings will include presentations by management or professional advisors and consultants when appropriate and allow sufficient time to permit a full and open discussion of agenda items. Information and materials that are important to the Board's understanding of the agenda items and related topics should be distributed reasonably in advance.
- Unless waived by all Directors, a notice of each meeting of the Board confirming the date, time, place and agenda of the meeting, together with any supporting materials, shall be forwarded to each Director at least three (3) days before the date of the meeting, provided that supporting materials that are not available at the time of mailing may be sent as soon as possible after they become available.
- Meetings may be held in person or by means of telephone, electronic or other communication facilities.
- The quorum for each meeting of the Board is a majority of the Directors. Any matter to be voted upon shall be decided by a majority of the votes cast for a resolution. In the absence of the Chair, the other members may appoint one of their number as chair of a meeting. The Chair or the Chair in his or her absence, shall not have a second or casting vote.
- Any Director who has a conflict of interest in accordance with the Company's Code of Conduct and Ethics, which is applicable to any such Director, shall:
  - disclose such conflict in a timely manner to the Board,
  - not be counted for purposes of determining a quorum for the meeting;

- leave any meeting when the subject matter of the conflict is to be considered, and
  - not vote on such subject matter.
- The corporate secretary shall keep minutes of all meetings of the Board, including all resolutions passed by the Board. Minutes of meetings shall be distributed to the Directors after preliminary approval thereof by the Chair.
- An individual who is not a Director may be invited to attend a meeting of the Board for all or part of the meeting.
- The outside and independent Directors shall regularly meet without inside and non-independent Directors and management present, as and when they wish to do so, to ensure free and open discussion and communication among the outside and independent Directors.

## **7. *Feedback from Stakeholders***

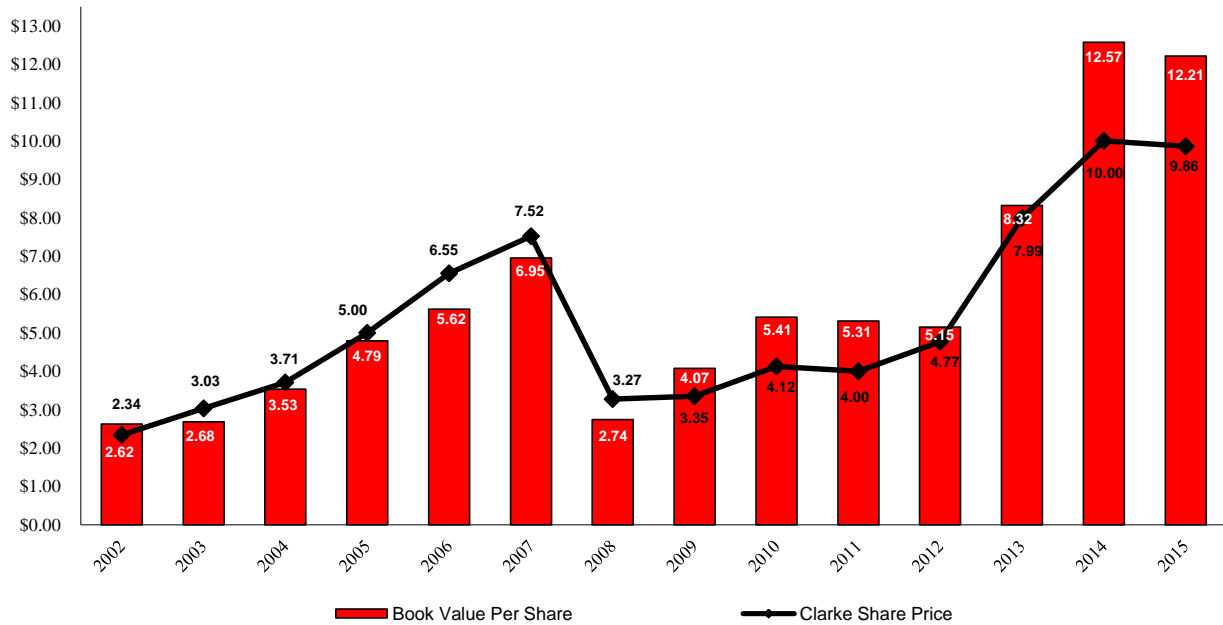
The Board shall adopt procedures that are designed to provide the Board with appropriate feedback from the Company's stakeholders. These procedures shall include:

- a formal written whistleblower policy that facilitates the submission by employees of confidential complaints relating to accounting matters and breaches of the Company's code of conduct and ethics; and
- written instructions, posted on the Company's website, that will facilitate the receipt by the Company, and under appropriate circumstances the Board, of complaints and other correspondence from all stakeholders, whether or not employed by the Company.

## EXHIBIT B

### BOOK VALUE PER COMMON SHARE

The following graph represents the book value per Common Share, compared to public market price per share for the thirteen years ended December 31, 2015.



*\* Information for the years ended 2002 and 2003 is as at March of the following year. In 2004 the Company's year end was changed to December.*

Book value per share is a non-IFRS accounting measure. See "Cautionary Statement Regarding Use of Non-IFRS Accounting Measures".