

## MANAGEMENT SOLICITATION

**This Management Information Circular is furnished in connection with the solicitation of proxies by the Management of the Corporation for use at the Annual Meeting of Shareholders to be held at Sheraton Gateway Hotel in the Toronto International Airport on Wednesday, the 14th day of May, 2003, at 2:00 o'clock in the afternoon (Toronto time) for the purposes set out in the accompanying Notice of Meeting. This solicitation is made by the Management of the Corporation.** It is expected that the solicitation will primarily be by mail. Proxies also may be solicited personally or by telephone by officers and directors of the Corporation. The cost of solicitation will be borne by the Corporation. The information contained herein is given as of March 31, 2003.

The form of proxy forwarded to holders of Common Shares with the Notice of Meeting confers discretionary authority upon the proxy nominees with respect to amendments or variations of matters identified in the Notice of Meeting or other matters which may properly come before the Meeting. Management knows of no matter to come before the Meeting other than the matters referred to in the Notice of Meeting. However, if any other matters which are not now known to Management should properly come before the Meeting, the Common Shares represented by proxies in favour of Management nominees will be voted on such matters in the discretion of the Management nominees.

The form of proxy affords a Shareholder an opportunity to specify that the Common Shares registered in the Shareholder's name shall be voted for or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors.

On any ballot that may be called for, the Common Shares represented by proxies in favour of Management nominees will be voted or withheld from voting in respect of the election of directors, the appointment of auditors and the authorization of the directors to fix the remuneration of the auditors in accordance with the specifications made by Shareholders.

**THE COMMON SHARES REPRESENTED BY PROXIES IN FAVOUR OF MANAGEMENT NOMINEES WILL BE VOTED IN FAVOUR OF EACH OF (I) THE ELECTION OF THE PERSONS NOMINATED BY MANAGEMENT AND NAMED HEREAFTER UNDER THE CAPTION "ELECTION OF DIRECTORS" AS DIRECTORS OF THE CORPORATION, (II) THE APPOINTMENT OF ERNST & YOUNG LLP AS THE AUDITORS OF THE CORPORATION, AND (III) A RESOLUTION AUTHORIZING THE DIRECTORS TO FIX THE REMUNERATION OF THE AUDITORS.**

A proxy given by a Shareholder for use at the Meeting may be revoked at any time prior to its use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by depositing an instrument in writing executed by the Shareholder who has given the proxy or by his attorney authorized in writing or, if the Shareholder is a corporation, by a duly authorized officer or attorney of such corporation, either at 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 thereof, at which the proxy is to be used, or with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof.

## NOTICE TO BENEFICIAL HOLDERS OF COMMON SHARES

The information set forth in this section is of significant importance to many Shareholders of the Corporation, as a substantial number of the Shareholders of the Corporation do not hold Common Shares in their own name. Shareholders who do not hold their Common Shares in their own name (referred to herein as "Beneficial Shareholders") should note that only proxies deposited by Shareholders whose names appear on the records of the Corporation as the registered holders of 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, then in almost all cases those Common Shares will not be registered in the Shareholder's name on the records of the Corporation. Such Common Shares will more likely be registered under the name of the Shareholder's broker or an agent of that broker. In Canada, the vast majority of such Common Shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities Limited, which acts as nominees 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/nominees are prohibited from voting Common Shares for their clients. The Corporation does not know for whose benefit the Common Shares registered in the name of CDS & Co. are held.

Applicable regulatory policy requires intermediaries/brokers to seek voting instructions from Beneficial Shareholders in advance of Shareholders meetings. Every intermediary/broker has its own mailing 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 identical to the form of proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to ADP Investor Communications Corporation ("ADP"). ADP typically mails a scannable Voting Instruction Form in lieu of the Form of Proxy. The Beneficial Holder is requested to complete and return the Voting Instruction Form to them by mail or facsimile. Alternatively the Beneficial Holder can call a toll-free telephone number to vote the Common Shares held by the Beneficial Holder. ADP then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. **A Beneficial Shareholder receiving a Voting Instruction Form cannot use that Voting Instruction Form to vote Common Shares directly at the Meeting as the Voting Instruction Form must be returned as directed by ADP well in advance of the Meeting in order to have the Common Shares voted.**

## ELECTION OF DIRECTORS

The present term of office of each director of the Corporation will expire immediately prior to the election of directors at the Annual Meeting of Shareholders. Each of the persons whose name appears below is proposed to be elected as a director of the Corporation to serve until the next annual meeting of the Shareholders or until his successor is elected or appointed. The Board of Directors of the Corporation has determined the board of directors will be comprised of nine members to be elected at the Meeting. It is intended that on any ballot that may be called for relating to the election of directors, the Common Shares represented by proxies in favour of Management proxy nominees will be voted in favour of the election of such persons as directors of the Corporation unless the holder of such Common Shares has specified in his, her or its proxy that such Common Shares are to be withheld from voting in respect of the election of directors. In the event that any vacancies occur in the slate of Management nominees, it is intended that discretionary authority shall be exercised to vote the Common Shares represented by proxies in favour of Management nominees for the election of such other persons as directors as may be determined by the Management proxy nominees in accordance with their best judgment.

| <b>Name and Year First Became Director</b> | <b>Principal Occupation</b>   | <b>Position with the Corporation</b>            | <b>Number of Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed</b> |
|--|---|---|--|
| N. Murray Edwards <sup>3</sup><br>(1995)   | Chairman of Magellan Aerospace Corporation since 1995 and President, Edco Financial Holdings Ltd. (private company) | Chairman, and Director                          | 18,824,452 <sup>5</sup>  |
| Richard A. Neill<br>(1996)                 | President and Chief Executive Officer, Magellan Aerospace Corporation   | President, Chief Executive Officer and Director | 163,383  |
| William G. Davis <sup>3</sup><br>(1989)    | Counsel, Torys LLP (law firm)   | Director  | 5,595  |
| William A. Dimma <sup>1,2</sup><br>(1989)  | Corporate Director  | Director  | 5,595  |
| Bruce W. Gowan <sup>1</sup><br>(1990)      | Corporate Director  | Director  | 38,922   |
| Donald C. Lowe <sup>3,4</sup><br>(1992)    | Corporate Director  | Director  | 155,677  |
| Larry G. Moeller <sup>4</sup><br>(1995)    | Vice-President, Finance, Edco Financial Holdings Ltd. (private company)   | Director  | 882,095  |
| James S. Palmer <sup>1,2</sup><br>(1995)   | Chairman, Burnet, Duckworth & Palmer LLP (law firm)   | Director  | 120,595  |
| M. Douglas Young <sup>2,4</sup><br>(1999)  | Chairman, Summa Strategies Canada Inc. (strategic counselling firm)   | Director  | 9,894  |

Note:

- 1 Member of the Audit Committee
- 2 Member of the Governance and Nominating Committee
- 3 Member of the Human Resources and Compensation Committee
- 4 Member of the Risk Management and Environmental Committee
- 5 In addition, Mr. Edwards beneficially owns directly or indirectly \$15 million principal amount of 8.5% convertible debentures issued by the Corporation on January 7, 2003.

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

The authorized capital of the Corporation consists of an unlimited number of preference shares, issuable in series, and an unlimited number of Common Shares, of which 67,275,560 Common Shares are issued and outstanding. Each Common Share carries one vote in respect of each matter to be voted upon at the Meeting of Shareholders. Holders of outstanding Common Shares of record at the close of business on April 4, 2003 are entitled to vote at the Meeting of Shareholders except to the extent that a person has transferred any Common Shares after that date and the transferee of such Common Shares establishes proper ownership and requests not later than 10 days before the Meeting that the transferee's name be included in the list of Shareholders eligible to vote at the Meeting.

To the knowledge of the directors and officers of the Corporation, other than as set out in the table below, no person beneficially owns or exercises control or direction over shares carrying more than 10% of the voting rights attached to any class of voting shares of the Corporation.

| Name and Address of Holder            | Class of Shares | Type of Ownership   | Number of Shares        | Percentage of Common Shares |
|---------------------------------------|-----------------|---------------------|-------------------------|-----------------------------|
| N. Murray Edwards<br>Calgary, Alberta | Common Shares   | Direct and Indirect | 18,824,452 <sup>1</sup> | 28.0%                       |

<sup>1</sup> In addition, Mr. Edwards beneficially owns directly or indirectly \$15 million principal amount of 8.5% convertible debentures issued by the Corporation on January 7, 2003.

The directors and senior officers of the Corporation, as a group, hold 20,250,410 Common Shares representing approximately 30.1% of the outstanding voting shares of the Corporation.

### CORPORATE GOVERNANCE

The Board of Directors (the "Board") and management of the Corporation believe that effective corporate governance is essential to enhancing and protecting shareholder value. In 1995, the Toronto Stock Exchange (the "TSX") adopted a set of guidelines which were revised in 1999 (the "Guidelines") relating to corporate governance matters. The Guidelines address such matters as the constitution and independence of boards of directors, the functions to be performed by boards and their committees, and the relationship among a corporation's board, management and shareholders. All corporations listed on the TSX must now annually disclose their approach to corporate governance with specific reference to each of the Guidelines.

| TSX Guidelines  | Compliance | Comments   |
|---|------------|--|
| 1. The Board should explicitly assume responsibility for the stewardship of the Corporation, including:   |            | The Board of the Corporation has explicitly assumed responsibility for the stewardship of the Corporation and has assumed responsibility, both directly and through the activities of the Audit Committee, for the identification of the principal risks of the Corporation's business and ensuring the implementation of appropriate systems to manage those risks and the integrity of the Corporation's internal control and management information systems. The Risk Management and Environmental Committee reviews the effectiveness of the overall process for identifying the principal risks affecting the achievement of business plans, including assessing the steps management has taken to monitor, control, report and mitigate such risks to the Corporation. |
| a) the adoption of a strategic planning process;  | Yes        | The Board has the responsibility to review and evaluate the strategic planning process and participate in the development of, approve and monitor the corporate strategic plan. The Board meets regularly with the Chairman and the President and Chief Executive Officer.   |
| b) the identification of the principal risks of the Corporation's business and the implementation of appropriate systems to manage these risks; | Yes        | The Board meets twice annually with divisional management to review business and strategic plans and business risks. In addition, quarterly meetings of the Board are held to assess the compliance of and progress on the implementation of the business plans as well as to evaluate the management of the principal business risks. The Board through the Risk Management and Environmental Committee ensures that an appropriate risk assessment process is in place to identify, assess and manage the principal risks of the Corporation's business.   |

| TSX Guidelines   | Compliance                       | Comments  |
|--|----------------------------------|---|
| <p>c) the integrity of the Corporation's internal control and management information systems;</p> <p>d) succession planning, including appointing, training and monitoring senior management; and</p> <p>e) the Corporation's communications policy.</p> | <p>Yes</p> <p>Yes</p> <p>Yes</p> | <p>The Board through the Audit Committee has the responsibility of monitoring the quality and integrity of the Corporation's accounting and financial reporting systems, disclosure controls and procedures, internal controls and management information systems.</p> <p>The responsibility of the Board for the succession planning process with respect to the appointment, training and monitoring of senior management is met through direct discussion at the Board meetings and through the activities of the Human Resources and Compensation Committee. The Board discusses on a regular basis the succession planning process.</p> <p>The Board reviews communications, including press releases and reports to Shareholders, prior to issuance and senior officers of the Corporation are available to discuss with Shareholders their concerns.</p>   |
| <p>2. The Board should be constituted with a majority of individuals who qualify as unrelated directors.</p>   | <p>Yes</p>                       | <p>The Board is composed of nine directors, six of whom qualify as unrelated. For the purposes of this determination an "unrelated" director is a director who is not a member of management and is free from any interest and any business, family or other relationship which could, or could reasonably be perceived to, materially interfere with the director's ability to act with a view to the best interests of the Corporation, other than interests and relationships arising solely from holdings in the Corporation, and who: (a) is not currently, or has not been within the last 3 years an officer or employee of or material service provider to the Corporation of any of its subsidiaries or affiliates; and (b) is not an officer, employee or controlling shareholder of an entity that has a material business relationship with the Corporation.</p>                            |
| <p>3. The analysis of the application of the principles supporting the conclusion in paragraph 2 above.</p>  | <p>Yes</p>                       | <p>The Board has determined that, other than Messrs. Edwards, Moeller and Neill, the Directors are considered to be unrelated under the Guidelines. Mr. Edwards has been a member of management within the last 3 years. Mr. Moeller is an officer of Edco Financial Holdings Ltd., a private company controlled by Mr. Edwards. Mr. Neill is a member of management. The remaining members of the Board are independent of management and are free from any interest and any business or other relationship (other than interests and relationships arising from shareholdings) which could, or could reasonably be perceived to, materially interfere with any such director's ability to act in the best interests of the Corporation. The Board has determined that Mr. Palmer is unrelated notwithstanding that he is a partner in a law firm that provides legal services to the Corporation.</p> |

| TSX Guidelines   | Compliance | Comments  |
|--|------------|---|
| 4. The Board should appoint a committee of directors composed exclusively of outside, i.e., non-management directors, a majority of whom are unrelated directors, with the responsibility for proposing to the full Board new nominees to the Board and for assessing directors on an ongoing basis. | Yes        | The recently formed Governance and Nominating Committee, which is composed exclusively of unrelated directors, is responsible for identifying new candidates for appointment to the Board and making recommendations to the Board on corporate governance matters such as the size and composition of the Board; and the structure, responsibility and composition of committees of the Board.  |
| 5. The Board should implement a process to be carried out by the Nominating Committee or other appropriate committee for assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors.  | Yes        | The Governance and Nominating Committee is responsible for annually assessing the effectiveness of the Board as a whole, the committees of the Board and the contribution of individual directors. The committee has not yet instituted a formal process to do the foregoing.   |
| 6. The existence of an orientation and education program for new recruits to the Board.  | Yes        | New directors are provided with an orientation program that includes the provision of published and non-published information that details the financial position and describes the business and organizational structures of the Corporation. Each new director is invited to visit the operating facilities and to meet with corporate and divisional management.   |
| 7. The size of the Board and the impact of the number of directors upon the Board's effectiveness.   | Yes        | The Board has determined that the present number of directors is adequate to operate effectively but may add additional directors if the right opportunity presents itself.   |
| 8. The adequacy and form of the compensation of directors should realistically reflect the responsibilities and risk involved in being an effective director.  | Yes        | The Board and the Human Resources and Compensation Committee periodically review the compensation of directors and have, effective January 1, 2003, revised the directors compensation in light of the difficult market conditions facing the Corporation.  |
| 9. Committees of the Board should generally be composed of outside directors, a majority of whom are unrelated directors.  | Yes        | The Audit Committee and the Governance and Nominating Committee are each comprised of all unrelated directors. The Human Resources and Compensation Committee and the Risk Management and Environmental Committee are each comprised of a majority of unrelated directors.  |
| 10. The Board's responsibility for (or a committee of the Board's general responsibility for) developing the Corporation's approach to governance issues.  | Yes        | The Governance and Nominating Committee is responsible for developing the Corporation's approach to corporate governance and for ensuring the continuing effectiveness of the Board and its various committees.   |
| 11. The Board has developed:<br>a) position descriptions for the Board and for the CEO, involving the definition of the limits to management's responsibilities; and<br>b) the corporate objectives for which the CEO is responsible for meeting.  | Yes        | The Board has not formally developed position descriptions for the Board and for the Chief Executive Officer but has established policies and procedures which detail the responsibilities, and authorities of management. The Board approves annual budgets and corporate goals, which the President and Chief Executive Officer is responsible for meeting, and meets regularly with the Chairman, the President and Chief Executive Officer and other managers to establish and monitor corporate objectives |

| TSX Guidelines   | Compliance                           | Comments   |
|--|--------------------------------------|--|
| 12. The structures and procedures ensuring that the Board can function independently of management.  | Yes                                  | The Board has separated the roles of Chairman and Chief Executive Officer. Mr. Edwards, who has been a director of the Corporation since 1995, is not a member of management. The Board believes sufficient processes are in place to enable them to function independently of management. As part of each meeting of the Board, the Board meets independently of management. The Board has access to information independent of management through the external auditors. The Audit Committee of the Board meets with the Corporation's auditors independent of management.   |
| 13.<br>a) The Audit Committee of the Board should be composed only of outside directors.<br>b) The roles and responsibilities of the Audit Committee should be specifically defined.<br>c) The Audit Committee should have direct communication channels with the internal and external auditors to discuss and review specific issues as appropriate.<br>d) The Audit Committee's duties should include oversight responsibility for management reporting on internal controls and should ensure that management has designed and implemented an effective system of internal controls. | Yes<br><br>Yes<br><br>Yes<br><br>Yes | The Audit Committee consists of Messrs. Dimma, Gowan and Palmer, all of whom are unrelated directors. The mandate of the Audit Committee includes oversight of the nature and scope of the annual audit, management's reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for Board approval, the audited financial statements and other mandatory disclosure releases containing financial information. The Audit Committee meets regularly with the external auditors of the Corporation, with management and separately, to assess internal controls and management information systems in place and the effectiveness of these systems |
| 14. The existence of a system which enables an individual director to engage an outside adviser at the expense of the Corporation in appropriate circumstances.  | Yes                                  | The Board permits the Directors, when appropriate, to engage outside advisors at the expense of the Corporation. In addition, the Audit Committee, the Governance and Nominating Committee, the Human Resources and Compensation Committee and the Risk Management and Environmental Committee may engage outside resources at the expense of the Corporation.   |

## **EXECUTIVE COMPENSATION**

### **REPORT ON EXECUTIVE COMPENSATION**

The Corporation's executive compensation program is administered by the Human Resources and Compensation Committee of the Board of Directors (the "Committee"). As part of its mandate, the Committee has primary responsibility for making recommendations to the Board of Directors with respect to the appointment and remuneration of executive officers of the Corporation. The Committee also evaluates the performance of the Corporation's senior executive officers and reviews the design and competitiveness of the Corporation's compensation plan. The Committee met once during the financial year ended December 31, 2002.

#### **Executive Compensation Program**

The Corporation's executive compensation reflects the Corporation's desire to remunerate its executives at a level commensurate with the market rate for executives with similar levels of responsibility. The basis for compensation to be paid to each executive officer consists of a base amount and, in most cases, performance-oriented incentive compensation. Incentive compensation is contingent upon both the short-term and the long-term performance of the Corporation and the individual contribution towards that performance made by the executive officer concerned.

#### **Base Compensation**

Annual base salary levels for executive officers of the Corporation are reviewed annually based on performance, industry compensation levels, the size of the business unit for which the executive bears responsibility, the number of employees under direct and indirect supervision and the ability of the Corporation to pay. The recommendations of the Committee are then presented to the Board of Directors for approval prior to implementation.

#### **Annual Bonus**

Employees, including executive officers, are eligible for annual incentive awards which are determined by the Committee, subject to approval by the Board of Directors, with reference to the performance of their business unit as well as the Corporation as a whole. Performance is measured by comparing actual results against projected results, with specific reference to profit and asset control. Bonuses were awarded to employees of only one business unit based on its performance with respect to the financial year ended December 31, 2002.

#### **Stock Options**

The Corporation's Employee Stock Option Plan is administered by the Committee. The Employee Stock Option Plan is designed to give each option holder an interest in preserving and maximizing shareholder value in the long term, to enable the Corporation to attract and retain individuals with experience and ability and to reward individuals for current performance and expected future performance. The Committee has the sole discretion to determine the key employees to whom it recommends that grants of options be made and to determine the terms of the options forming part of such grant.

The Committee prepares recommendations on the allocation of stock options and presents these recommendations to the Board of Directors for modification or approval. Any grant by and any determination made by the Committee requires confirmation by the Board of Directors.



For more details on the Employee Stock Option Plan, see "Management Incentive Plans and Other Arrangements with Officers".

### **Chief Executive Officer Compensation**

The Summary Compensation Table summarizes the compensation data for the President and Chief Executive Officer and other Named Executive Officers under the caption "Compensation of Officers".

The President and Chief Executive Officer's annual compensation is set by the Board of Directors and comprises the components described above based on the same criteria and measures set forth above. The individual performance of the President and Chief Executive Officer is measured against the goals, objectives and standards set by the Committee. The goals include both financial and non-financial dimensions, covering performance in the following areas: financial performance; marketing; operations; human resources management; technology and information infrastructure management; strategic planning; and corporate governance.

Based on a review of the foregoing, the Committee rates the performance of the President and Chief Executive Officer as part of his performance review and recommends to the Board of Directors his compensation based on his and the Corporation's performance.

Submitted by the Human Resources and Compensation Committee of the Board of Directors:

N. Murray Edwards (Chairman)

William G. Davis

Donald C. Lowe

### **COMPENSATION OF OFFICERS**

The following table, presented in accordance with the Regulation made under the *Securities Act* (Ontario), sets forth all annual and long-term compensation for services in all capacities to the Corporation and its subsidiaries in respect of each of the individuals who served as a senior officer of, or who had a policy-making function in respect of, the Corporation during the financial years ended December 31, 2002, December 31, 2001, or December 31, 2000 (the "named executive officers").

## Summary Compensation Table

| Name and<br>Principal Position   | Fiscal Year<br>Ended | Annual Compensation |                           |                                      | Long-Term<br>Compensation                             | All Other<br>Compensation<br>(\$) |        |
|--|----------------------|---------------------|---------------------------|--------------------------------------|---|-----------------------------------|--------|
|  |                      | Salary (\$)         | Bonus (\$) <sup>(5)</sup> | Other Annual<br>Compensation<br>(\$) | Awards Securities<br>under Options,<br>Granted<br>(#) |                                   |        |
| N. Murray Edwards<br>Chairman  | Dec. 31/2002         | –                   | –                         | –                                    | 50,000  | 25,000                            | (1)    |
|  | Dec. 31/2001         | –                   | –                         | –                                    | 100,000   | 29,500                            |        |
|  | Dec. 31/2000         | –                   | –                         | –                                    | –   | 34,375                            |        |
| Richard A. Neill<br>President and Chief<br>Executive Officer                       | Dec. 31/2002         | 230,000             | –                         | –                                    | 50,000  | 20,995                            | (2)(3) |
|  | Dec. 31/2001         | 220,000             | 188,583                   | –                                    | 50,000  | 21,977                            |        |
|  | Dec. 31/2000         | 210,000             | 199,375                   | –                                    | 50,000  | 18,928                            |        |
| John B. Dekker <sup>(4)</sup><br>Vice-President Finance and<br>Corporate Secretary | Dec. 31/2002         | 147,000             | –                         | –                                    | 15,000  | 239                               | (3)    |
|  | Dec. 31/2001         | 140,000             | 44,100                    | –                                    | 15,000  | 315                               |        |
|  | Dec. 31/2000         | 128,000             | 29,440                    | –                                    | 15,000  | 221                               |        |
| William A. Matthews<br>Vice-President Marketing                                    | Dec. 31/2002         | 146,625             | –                         | –                                    | 10,000  | 13,402                            | (3)    |
|  | Dec. 31/2001         | 142,500             | 44,888                    | –                                    | 10,000  | 14,175                            |        |
|  | Dec. 31/2000         | 138,500             | 51,282                    | –                                    | 5,000   | 12,479                            |        |
| Jo-Ann C. Ball<br>Vice-President Human<br>Resources                                | Dec. 31/2002         | 118,325             | –                         | –                                    | 7,500   | 8,555                             | (3)    |
|  | Dec. 31/2001         | 110,000             | 40,920                    | –                                    | 5,000   | 8,241                             |        |
|  | Dec. 31/2000         | 105,000             | 36,750                    | –                                    | 7,500   | 7,553                             |        |

### Notes:

- (1) All other compensation payable to Mr. Edwards consists of directors fees paid in cash and securities of the Corporation to Mr. Edwards. In addition, the Corporation provided a payment to Edco Financial Holdings Ltd. Of \$50,000 in respect of management services provided. Mr. Edwards ceased to be Chief Executive Officer of the Corporation on November 7, 2002.
- (2) Mr. Neill was appointed Chief Executive Officer of the Corporation on November 7, 2002. In the case of Mr. Neill, all other compensation consists of contributions by the Corporation to a defined contribution plan.
- (3) Includes the participation of each of Mr. Neill, Mr. Dekker, Mr. Matthews and Ms. Ball in a share purchase program which entitles them to contribute up to 7%, 5%, 7% and 7%, respectively, of their remuneration towards the purchase of Common Shares on the basis that the Corporation funds the acquisition of one Common Share for every two Common Shares previously acquired through the share purchase program and held for the previous 12 months. In the financial year ended December 31, 2002 an aggregate of 1,244, 49, 797 and 178 Common Shares were issued to Mr. Neill, Mr. Dekker, Mr. Matthews and Ms. Ball, respectively, at an average price of \$4.86 per Common Share.
- (4) In addition Mr. Dekker participates in the Fleet Industries Pension Plan (the "Pension Plan"). The amount of pensions payable under the Pension Plan to Mr. Dekker and others is determined as 1.2% of such person's highest average earnings. Highest average earnings are defined as the average of a person's highest 36 consecutive months of earnings during that person's service with the Corporation. Pensions are not reduced by Canada Pension Plan payments. The following table shows the total annual retirement benefits payable under the Pension Plan to an eligible person (based on a straight line annuity) in the specified compensation and years of service categories assuming retirement at age 65 or over. Mr. Dekker has a contract with the Corporation which provides that if his employment is terminated by him or by the Corporation within one year following a change of control of the Corporation (other than for cause), he will be entitled to the value of one year's remuneration and benefits and one half of the aggregate amounts paid to him during the preceding 2 years on account of bonus, profit sharing or other incentive compensation.

### PENSION PLAN TABLE

| Highest Average Earnings | Years of Service |        |        |        |        |
|--------------------------|------------------|--------|--------|--------|--------|
|                          | 15               | 20     | 25     | 30     | 35     |
| \$ 100,000 .....         | 18,000           | 24,000 | 30,000 | 36,000 | 40,000 |
| 125,000 .....            | 22,500           | 30,000 | 37,500 | 45,000 | 50,000 |
| 160,000 .....            | 27,000           | 36,000 | 45,000 | 54,000 | 60,000 |
| 175,000 .....            | 31,500           | 42,000 | 52,500 | 63,000 | 70,000 |
| 200,000 .....            | 36,000           | 48,000 | 60,000 | 72,000 | 80,000 |

Mr. Dekker had 17 years of credited service under the Pension Plan as at December 31, 2002.

- (5) Bonuses are shown in the year that they are earned but are paid in the subsequent year.

**MANAGEMENT INCENTIVE PLANS AND  
OTHER ARRANGEMENTS WITH OFFICERS**

**Stock Option Plan**

The Corporation maintains the Employee Stock Option Plan. Eligibility for participation under the Employee Stock Option Plan is confined to directors, officers and employees of the Corporation and its subsidiaries. The number of Common Shares that may be optioned at any time is limited to 8,200,000 in total, and 5% of the outstanding Common Shares with respect to any one participant in the Employee Stock Option Plan. The exercise price in respect of any option issued under the Employee Stock Option Plan shall be fixed by the Board of Directors and may not be less than the then prevailing market price of the Common Shares. Options issued under the Plan may be exercised during a period determined by the Board of Directors which may not exceed 10 years, are non-assignable and terminate immediately upon the termination of the participant's employment for just cause and 30 days after the resignation of the participant or the termination of the participant's employment without just cause.

During the year ended December 31, 2002, options were granted to acquire 666,500 Common Shares. As of March 31, 2003, options to purchase an aggregate of 2,048,000 Common Shares are currently outstanding under the Employee Stock Option Plan at prices ranging from \$4.80 to \$10.05 per share.

The following table sets forth, with respect to the named executive officers, the number of grants of options during the fiscal year ended December 31, 2002.

**OPTION/SAR GRANTS DURING THE MOST RECENTLY COMPLETED  
FINANCIAL YEAR**

| Name                | Securities<br>Under<br>Options/SARs<br>Granted<br>(#) | % of Total<br>Options/SARs<br>Granted to<br>Employees<br>In Financial<br>Year | Exercise or<br>Base Price<br>(\$/Security) | Options/SARs<br>on the Date<br>of Grant<br>(\$/Security) | Expiration<br>Date |
|---------------------|---|---|--|--|--------------------|
| N. Murray Edwards   | 50,000  | 7.5%  | 4.80                                       | 4.80   | Dec. 31, 2007      |
| Richard A. Neill    | 50,000  | 7.5%  | 4.80                                       | 4.80   | Dec. 31, 2007      |
| John B. Dekker      | 15,000  | 2.3%  | 4.80                                       | 4.80   | Dec. 31, 2007      |
| William A. Matthews | 10,000  | 1.5%  | 4.80                                       | 4.80   | Dec. 31, 2007      |
| Jo-Ann C. Ball      | 7,500   | 1.1%  | 4.80                                       | 4.80   | Dec. 31, 2007      |

The following table sets forth, with respect to the named executive officers the number of Unexercised Stock Options/SARs and the value of in-the-money stock options at December 31, 2002:

**AGGREGATED OPTION/SAR EXERCISES DURING THE MOST RECENTLY COMPLETED FINANCIAL YEAR AND FINANCIAL YEAR-END OPTION/SAR VALUES**

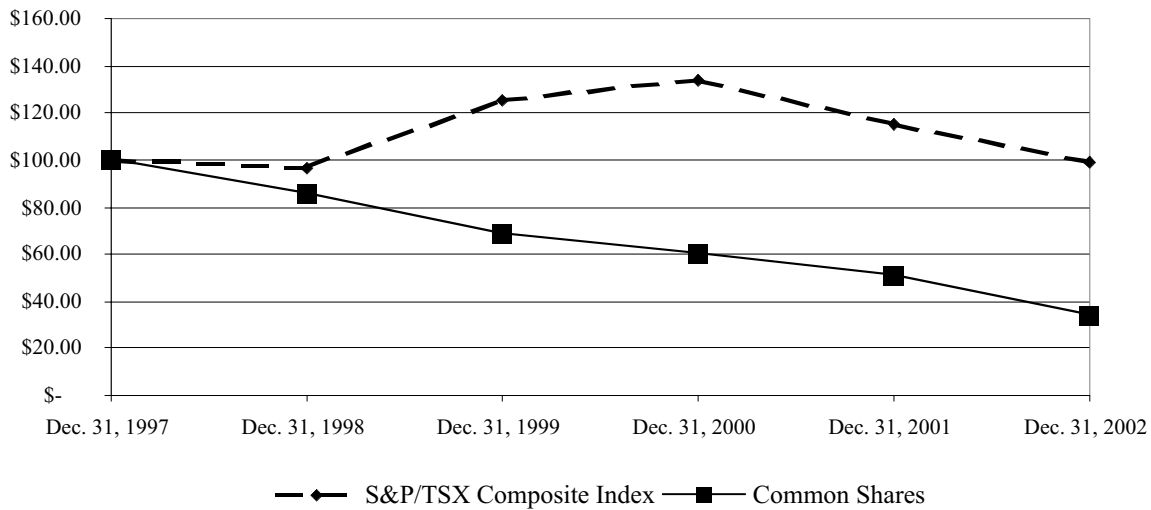
| Name                | Securities Acquired or Exercised (#) | Aggregate Value Realized (\$) | Unexercised Stock Options/SARs at FY-End (#)<br>Exercisable/<br>Unexercisable | Value of Unexercised in-the-Money Stock Options/SARs at FY-End (\$)<br>Exercisable/<br>Unexercisable |
|---------------------|--------------------------------------|-------------------------------|---|--|
| N. Murray Edwards   | 100,000                              | 3,000                         | 20,000 / 130,000  | - / -  |
| Richard A. Neill    | 50,000                               | 1,500                         | 90,000 / 160,000  | - / -  |
| John B. Dekker      | 12,500                               | 2,000                         | 15,000 / 40,000   | - / -  |
| William A. Matthews | 35,000                               | 92,800                        | 7,000 / 23,000  | - / -  |
| Jo-Ann C. Ball      | 10,300                               | 26,185                        | 4,500 / 19,000  | - / -  |

The value of the exercisable options (market value of Common Shares less exercise price) at December 31, 2002 was based upon a year-end market price of \$3.28 per Common Share.

**Performance Graph**

The following graph shows changes over the five-year period ended December 31, 2002 in the value of \$100 invested on December 31, 1997 in: (1) the Common Shares; and (2) the S&P/TSX Composite Index:

**CUMULATIVE TOTAL RETURN ON \$100 INVESTMENT MADE ON DECEMBER 31, 1997  
(ASSUMING DIVIDENDS REINVESTED)(1)**



|                         | Dec. 31, 1997 | Dec. 31, 1998 | Dec. 31, 1999 | Dec. 31, 2000 | Dec. 31, 2001 | Dec. 31, 2002 |
|-------------------------|---------------|---------------|---------------|---------------|---------------|---------------|
| S&P/TSX Composite Index | \$100.00      | \$96.81       | \$125.59      | \$133.35      | \$114.76      | \$98.73       |
| Common Shares           | 100.00        | 85.20         | 68.88         | 59.69         | 51.02         | 33.47         |

Note:

(1) The S&P/TSX Composite Index is the total return index.

## **Compensation of Directors**

For the 2003 fiscal year the directors have agreed to a ten per cent (10%) reduction in directors fees and Messrs. Edwards and Moeller have waived in their entirety all directors fees in light of the difficult market conditions facing the Corporation. Effective January 1, 2003, each director who is not a salaried employee of the Corporation or any of its subsidiaries is entitled to be paid an annual fee of \$15,750 per annum for such individual's services as a director. The directors are also entitled to a fee of \$900 for each meeting attended in person of the Board of Directors or of any standing committee and \$450 for each such meeting attended by telephone. On an annual basis, aggregate cash compensation paid to all directors was \$181,000 for the financial year ended December 31, 2002. The remuneration described above is paid quarterly in arrears. Directors are also entitled to the reimbursement of their expenses incurred in attending meetings. In addition, directors that have served in such capacity for more than five years are entitled, upon their resignation, to receive a lump sum payment equal to the annual amount then payable to each director for service as a director.

The Board of Directors of the Corporation approved a directors stock plan on December 15, 1995 to be effective on January 1, 1996 (the "Directors Stock Plan") which is intended to encourage stock ownership by, and to provide effective incentives for, the directors of the Corporation to promote the success and business of the Corporation and to reward such directors in relation to the long term performance and growth of the Corporation. The total number of Common Shares issuable pursuant to the Directors Stock Plan is 33,914 and the only recipients of shares under the Directors Stock Plan are directors who would otherwise be entitled to director s fees of the Corporation. The issuance of Common Shares represents payment of 25% of the annual fees of directors to be paid each year by the Corporation. The Board of Directors of the Corporation may amend or cancel the Directors Stock Plan, subject to regulatory approvals in the case of any amendments. The number of Common Shares to be issued each year will be based on the weighted average trading prices of the Common Shares of the Corporation on the first two trading days of the calendar year in which the entitlement is earned.

The Corporation issued 6,760 Common Shares under the Directors Stock Plan at a price of \$5.18 per Common Share in respect of \$35,000 of fees otherwise payable to participating directors in respect of the financial year ended December 31, 2002.

## **INDEBTEDNESS OF DIRECTORS AND OFFICERS**

None of the current directors or senior officers of the Corporation and none of their respective associates is or has been indebted to the Corporation or any of its subsidiaries at any time during the fiscal year ended December 31, 2002

## **INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS**

There were no material interests, direct or indirect, of directors and senior officers of the Corporation, proposed management nominees for election as a director, any shareholder who beneficially owns more than 10% of the shares of the Corporation, or any known associate or affiliate of such persons, in any transaction since the commencement of the Corporation's last completed financial year or in any proposed transaction which has materially affected or would materially affect the Corporation or any of its affiliates, other than as described in this Management Information Circular and below.

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

Directors' and officers' liability insurance has been purchased by the Corporation for the benefit of the directors and officers of the Corporation and its subsidiaries. For the fiscal year ending December 31, 2002, the premium for such insurance was \$53,180, which was paid by the Corporation. The aggregate insurance coverage obtained under the policy is limited to \$20,000,000 for any one loss. The deductible to be borne by the Corporation is \$1,000,000 in respect of any one loss.

### **APPOINTMENT OF AUDITORS**

Management proposes to nominate Ernst & Young LLP, Chartered Accountants, of Mississauga, Ontario as the auditors of the Corporation to hold office until the close of the next annual meeting of shareholders. Ernst & Young LLP have been the auditors of the Corporation for more than five years.

### **REMUNERATION OF AUDITORS**

In the past, the directors have negotiated, on an arm's length basis, the remuneration of the auditors with the auditors of the Corporation. Such remuneration has been based upon the complexity of the matters dealt with by the auditors and the time spent by the auditors in providing services to the Corporation. Management feels that the remuneration negotiated in the past with the auditors of the Corporation has been reasonable in the circumstances and would be comparable to fees charged by other auditors providing similar services. Accordingly, on any ballot that may be called for relating to the authorization of the board of directors to fix the remuneration of the auditors, the Common Shares represented by proxies in favour of Management nominees will be voted in favour of the resolution authorizing the directors to fix the remuneration of the auditors, unless a Shareholder has specified in his, her or its proxy that such shares are to be withheld from voting in the authorization of the directors to fix the remuneration of the auditors.

### **CERTIFICATE**

The contents and the sending of this information circular have been approved by the Board of Directors of the Corporation.

March 31, 2003

John B. Dekker  
Corporate Secretary