

**UPSNAP, INC.**  
100 Consilium Place, Suite 200  
Toronto, Ontario M1H 3E3

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

**NOTICE IS HEREBY GIVEN** that the Annual General and Special Meeting of the Shareholders (the "**Meeting**") of UpSnap, Inc. ("**UpSnap**" or the "**Corporation**") will be held at the offices of WeirFoulds LLP., TD Bank Tower, 66 Wellington Street West, Suite 4100, Mason Room, Toronto, Ontario, M5K 1B7, at 10:00 a.m. (Toronto Time) on Tuesday, June 30, 2015 for the following purposes:

1. to receive the consolidated financial statements of the Corporation as at and for the year ended December 31, 2014 and the auditors' report thereon;
2. to elect the directors of the Corporation for the ensuing year;
3. to appoint auditors for the ensuing year and authorize the Corporation's board of directors to fix the remuneration of the auditors;
4. to consider and, if thought advisable, pass, a special resolution to consolidate the share capital of the Corporation on the basis of up to fifty (50) existing Common Shares for one (1) new Common Share, or such lower conversion ratio as the board of directors of the Corporation may determine, at its sole discretion, all as further set out in the Circular; and
5. to transact such other business as may be properly brought before the Meeting or any adjournment thereof.

Information relating to items 2, 3, and 4 above is set out in the accompanying Management Proxy Circular, dated as of May 26, 2015 (the "**Circular**").

A shareholder may attend the Meeting in person or may be represented by a proxyholder. Shareholders who are unable to attend the Meeting in person are asked to date, sign and return the accompanying Instrument of Proxy, or other appropriate form of proxy, in accordance with the instructions set out in the accompanying Management Proxy Circular. **A proxy will not be valid unless it is deposited at the offices of Computershare Trust Company of Canada (by mail or courier, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department; or by facsimile at 416-263-9524 or 1-866-249-7775), at least forty-eight (48) hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting, or any adjournment thereof. A person appointed as proxyholder need not be a shareholder of the Corporation.**

Only persons who were registered as holders of Common Shares on the records of the Corporation as of the close of business on May 26, 2015, are entitled to receive notice of the Meeting.

Registered UpSnap shareholders are those persons named as owners of UpSnap Common Shares on the register of shareholders maintained by UpSnap's registrar and transfer agent (the "**Register of Shareholders**"). A significant number of persons who beneficially own UpSnap shares hold those shares in a brokerage account or through some other intermediary. In almost all cases, a person whose UpSnap shares are held through a broker (or other intermediary) will not appear as the registered holder of such UpSnap shares on the Register of Shareholders. Non-registered UpSnap shareholders (i.e., persons whose UpSnap shares are not held in their own name) do not have the same legal rights as

registered UpSnap shareholders in respect of shareholder meetings (including the right to vote directly at shareholder meetings and to appoint a proxyholder), and non-registered UpSnap shareholders are required to act indirectly through their broker (or other intermediary) in order to have their UpSnap shares voted at shareholder meetings. Non-registered UpSnap shareholders should refer to the information set out under the heading "*Voting of Common Shares -- Advice to Nonregistered Holders of Common Shares*" in the accompanying Management Proxy Circular.

DATED at Toronto, Ontario, as of May 26, 2015.

BY ORDER OF THE BOARD OF DIRECTORS

"Bruce Howard"

Bruce Howard  
Chief Executive Officer

[GRAPHIC]

**Annual General and Special Meeting of Shareholders  
to be held on Tuesday, June 30, 2015**

**MANAGEMENT PROXY CIRCULAR**

**SOLICITATION OF PROXIES**

This Management Proxy Circular (the "**Circular**") is furnished in connection with the solicitation by the management of UpSnap, Inc. ("**UpSnap**" or the "**Corporation**") of proxies to be used at the Annual and Special Meeting (the "**Meeting**") of the shareholders of the Corporation (the "**Shareholders**"), which is to be held at the time and place and for the purposes set out in the accompanying Notice of Meeting and in this Circular. Solicitation of proxies will be primarily by mail, but may also be undertaken by way of telephone, facsimile, email or oral communication by the directors, officers and employees of the Corporation, at no additional compensation. The cost of the solicitation of proxies will be borne by the Corporation.

Unless otherwise specified, information contained in this Circular is given as of May 26, 2015 and, unless otherwise specified, all amounts shown represent Canadian dollars.

**Forward Looking Statements and Disclaimer**

Certain information set out in this Circular constitutes forward-looking information. Forward-looking information is often, but not always, identified by the use of words such as "seek", "anticipate", "hope", "plan", "continue", "estimate", "expect", "may", "will", "intend", "could", "might", "should", "scheduled", "believe" and similar expressions. The forward-looking information set out in this Information Circular (principally under the headings "Approval of Share Consolidation") includes statements concerning the benefits of moving the Corporation's stock exchange listing.

Forward-looking statements are based upon the opinions, expectations and estimates of management and, in some cases, information received from or disseminated by third parties, and are subject to a variety of risks and uncertainties and other factors that could cause actual events or outcomes to differ materially from those anticipated or implied by such forward-looking statements. In addition to the risks discussed elsewhere in this Circular, these factors include such things as the Corporation's current stage of development, the lack of a track record with respect to the generation of revenues from performance-based arrangements with customers, its reliance on third parties and third party technology, the existence of competition, the availability of external financing, the inherent risks associated with research and development activities and commercialization of emerging technologies (such as lack of market acceptance), timing of execution of various elements of the Corporation's business plan, the availability of human resources, the emergence of competing business models, new laws (domestic or foreign), lack of acceptance by customers, management's estimates of project requirements being incorrect, information received from third parties with respect to anticipated transaction volumes being incorrect, a lack of advertising sources for integration into the platform, and management's understanding of the competitive and regulatory environment being incorrect. **Accordingly, readers should not place undue reliance upon the forward-looking information contained herein and the forward-looking statements contained in this Circular should not be considered or interpreted as guarantees of future outcomes or results.**

## **Appointment of Proxyholders and Revocation of Proxies**

Bruce Howard and Alex Pekurar (the management designees named in the accompanying Instrument of Proxy) are both senior officers of the Corporation. Mr. Howard is also a director of the Corporation. **A Shareholder has the right to appoint a person (who need not be a Shareholder), other than Bruce Howard or Alex Pekurar, to represent such Shareholder at the Meeting.** To exercise this right, a Shareholder should cross out the names of Mr. Howard and Mr. Pekurar and insert the name of the other person in the blank space provided on the accompanying Instrument of Proxy. Alternatively, a Shareholder may complete another appropriate form of proxy. **A proxy will not be valid unless it is deposited at the offices of the Corporation's transfer agent, Computershare Trust Company of Canada ("Computershare"), by mail or courier, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department; or by facsimile at 416-263-9524 or 1-866-249-7775, at least forty-eight hours (excluding Saturdays, Sundays and holidays) before the time of the Meeting or any adjournment thereof.**

A *registered* Shareholder who has submitted a proxy may revoke it by depositing a written instrument of revocation (signed by the Shareholder or by an authorized attorney or, if the Shareholder is a corporation (or other entity), by a duly authorized representative), either: (i) at the offices of Computershare Trust Company of Canada (by mail or courier, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department; or by facsimile at 416-263-9524 or 1-866-249-7775) at any time up to and including the last business day preceding the day of the Meeting, or any adjournment thereof; or (ii) with the Chairman of the Meeting on the day of the Meeting, or any adjournment thereof. In addition, a proxy may be revoked: (i) by the Shareholder personally attending the Meeting and voting the securities to which the proxy relates (or, if the Shareholder is a corporation (or other entity), by a representative of that corporation (or other entity) attending at the Meeting and voting such securities); or (ii) in any other manner permitted by law.

The foregoing information respecting the appointment of proxyholders and the revocation of proxies is generally applicable only to *registered* Shareholders, being persons who are named as holders of common shares in the capital of the Corporation (the "**Common Shares**") on the Register of Shareholders. A significant number of persons who beneficially own Common Shares, hold those shares in a brokerage account or through some other intermediary. In almost all cases, a person whose shares are held through a broker (or other intermediary) will not appear as the holder of record of such shares on the Register of Shareholders. Under applicable corporate legislation, non-registered Shareholders (i.e., persons whose shares are not held in their own name) do not have the same rights as *registered* Shareholders in respect of shareholder meetings (including the rights described above to appoint a proxyholder and revoke a deposited proxy). Accordingly, non-registered Shareholders are required to act indirectly through their broker (or other intermediary) in order to vote their shares at the Meeting and non-registered Shareholders should refer to the information set out under the heading "Voting of Common Shares - Advice to Non-registered Holders of Common Shares" in this Circular.

## **Exercise of Discretion by Proxyholders**

On any ballot that may be called for at the Meeting, the management designees named in the accompanying Instrument of Proxy will vote (or withhold from voting) the shares in respect of which they are appointed in accordance with the direction of the Shareholder appointing them, and if the Shareholder specifies a choice with respect to any matter to be acted upon the shares will be voted accordingly. **In the absence of such direction, the relevant shares will be voted for: (i) the election of directors; (ii) the appointment of auditors, at such remuneration as may be determined by the directors of the Corporation; and (iii) to consider and, if thought advisable, pass, a special resolution to consolidate the share capital of the Corporation on the basis of up to fifty (50) existing Common Shares for one (1) new Common Share, or such lower conversion ratio as the**

**board of directors of the Corporation may determine, at its sole discretion, all as further set out in this Circular.** The accompanying Instrument of Proxy confers discretionary authority upon the proxyholder with respect to amendments to, or variations of, the matters identified in the Notice of Meeting and with respect to other matters that may properly be brought before the Meeting. As of the date of this Circular, management of the Corporation knows of no such amendments, variations or other matters to be brought before the Meeting.

### **Signing of Proxy**

A proxy must be signed by the Shareholder or the Shareholder's duly appointed attorney authorized in writing or, if the Shareholder is a corporation (or other entity), by a duly authorized representative. A proxy signed by a person acting as attorney or in some other representative capacity (including a representative of a corporate Shareholder) should clearly indicate that person's capacity and should be accompanied by the appropriate instrument evidencing qualification and authority to act (unless such instrument has been previously filed with the Corporation).

### **Corporate History**

The Corporation is the result of a merger involving GRD Enterprises Inc. ("**GRD**") (the "**Merger**"), which closed on August 17, 2004. In connection with the Merger, GRD (then a publicly traded corporation, the shares of which were listed on TSX Venture Exchange), acquired all of the common shares of the Corporation (then named "Call Genie Inc." and a private corporation). GRD and Call Genie Inc. subsequently amalgamated in accordance with the provisions of the *Business Corporations Act* (Alberta), to form a new corporation, which continued to be named Call Genie Inc.

On August 17, 2004, the Common Shares of the Corporation were listed on the TSX Venture Exchange. On December 12, 2007, the Common Shares of the Corporation were delisted from the TSX Venture Exchange and began trading on the Toronto Stock Exchange (the "**TSX**"). On January 6, 2012, the Corporation completed the acquisition of the business assets of VoodooVox, Inc., a Delaware corporation. On January 9, 2012, the name of the Corporation was changed to "VoodooVox Inc." and on January 17, 2012, the Common Shares commenced trading on the TSX under the name "VoodooVox Inc." and the ticker symbol "VVX". On December 12, 2012, the Common Shares were delisted from the TSX as the Corporation did not meet the continued listing requirements of the TSX. On December 13, 2012, the Common Shares began trading on the Canadian Securities Exchange (the "**CSE**"). In February 2014, the Corporation completed an equity private placement financing which included a strategic investment by User Friendly Media ("**UFM**"), a private media company, representing approximately 40% of the Corporation's issued and outstanding Common Shares. On July 25, 2014, the Corporation changed its name to "UpSnap, Inc." and its ticker symbol to "UP".

## **VOTING SHARES AND PRINCIPAL HOLDERS OF COMMON SHARES**

### **Voting of Common Shares - General**

As at the close of business on May 26, 2015, there were 168,642,191 Common Shares issued and outstanding, each of which carries the right to one vote at meetings of the Shareholders.

The directors have established the close of business on May 26, 2015, as the record date (the "Record Date") for determining the Shareholders entitled to receive notice of the Meeting. In accordance with the Act, the Corporation will prepare a list of the *registered* holders of Common Shares as of the Record Date. Each holder of Common Shares named in that list will be entitled, at the Meeting, to vote the shares shown opposite the holder's name, except to the extent that: (i) the Shareholder has transferred any of his/her/its Common Shares after the Record Date; and (ii) the transferee of those

Common Shares produces properly endorsed share certificates or otherwise establishes ownership of such shares and demands, not later than 10 days before the Meeting, that the transferee's name be included on the Shareholder's list, in which case the transferee will be entitled to vote such shares at the Meeting.

### **Voting of Common Shares - Advice to Non-registered Holders of Common Shares**

The information in this section is important to many shareholders of the Corporation, as a substantial number of shareholders do not hold shares in their own name. Shareholders who do not hold their UpSnap shares in their own name (referred to in this Circular as "**Non-registered Shareholders**") should note that only proxies deposited by shareholders whose names appear on the Register of Shareholders (as the holders of Common Shares) will be recognized and acted upon at the Meeting. If shares are listed in an account statement provided to a shareholder by a broker, then in almost all cases those shares will not be registered in the shareholder's name on the Register of Shareholders. Such shares will more likely be registered under the name of the shareholder's broker or an agent of that broker. In Canada, the vast majority of such shares are registered under the name of CDS & Co. (the registration name for The Canadian Depository for Securities, which acts as nominee for many Canadian brokerage firms). Shares held by brokers or their agents or nominees can only be voted at the direction of the Non-registered Shareholder. Without specific instructions, brokers and their agents and nominees are prohibited from voting shares for the brokers' clients. Therefore, Non-registered Shareholders should ensure that instructions respecting the voting of their shares are communicated to the appropriate person well in advance of the Meeting.

National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* ("**NI 54-101**") requires brokers and intermediaries (such as banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs or similar plans) to seek voting instructions from Non-registered Shareholders in advance of shareholders' meetings. Every intermediary/broker has its own mailing procedures and provides its own return instructions to clients, which should be carefully followed by Non-registered Shareholders in order to ensure that their shares are voted at the Meeting. In accordance with NI 54-101, the Corporation has distributed copies of this Circular and related materials (collectively, the "**meeting materials**") to depositories and intermediaries for onward distribution to Non-registered Shareholders. Non-registered Shareholders who have not waived the right to receive the meeting materials will receive either a voting instruction form or, less frequently, a form of proxy with the meeting materials forwarded to them. The purpose of those forms is to permit Non-registered Shareholders to direct the voting of the shares they beneficially own (but which are not registered in their name). Non-registered Shareholders should follow the procedures set out below, depending on the type of form they receive.

- (a) **Voting Instruction Form.** In most cases, a Non-registered Shareholder will receive, as part of the meeting materials, a voting instruction form. If a Non-registered Shareholder does not wish to attend and vote at the Meeting in person (or have someone other than the management designees attend and vote on his or her behalf), the voting instruction form must be completed, signed and returned in accordance with the instructions on (or with) the form, in order to ensure the Non-registered Shareholder's shares are voted at the Meeting. **Voting instruction forms in some cases permit the communication of voting instructions by telephone or through the Internet.** If a Non-registered Shareholder wishes to attend and vote at the Meeting in person (or have someone other than the management designees attend and vote on his or her behalf), the Non-registered Shareholder must complete, sign and return the voting instruction form in accordance with the directions provided on (or with) the form.
- (b) **Form of Proxy.** Less frequently, a Non-registered Shareholder will receive, as part of the meeting materials, a form of proxy that has already been signed by an intermediary (typically by

a facsimile, stamped signature) and which is restricted to the number of shares beneficially owned by the Non-registered Shareholder, but which is otherwise incomplete. If the Non-registered Shareholder does not wish to attend and vote at the Meeting in person (or have someone other than the management designees attend and vote on his or her behalf), the Non-registered Shareholder must complete the form of proxy and deposit it with Computershare (by mail or courier, at 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department; or by facsimile at 416-263-9524 or 1-866-249-7775), in order to ensure that the Non-registered Shareholder's shares are voted at the Meeting. If a Non-registered Shareholder wishes to attend and vote at the Meeting in person (or have someone other than the management designees attend and vote on his or her behalf), the Non-registered Shareholder must insert the Non-registered Shareholder's (or such other person's) name in the blank space provided, and deposit the completed proxy with Computershare (by mail or courier, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1, Attention: Proxy Department; or by facsimile at 416-263-9524 or 1-866-249-7775).

Non-registered Shareholders should follow the instructions on the forms they receive and contact their broker (or other intermediary) promptly if they require assistance.

### **Interest of Certain Persons or Companies in Matters to be Acted Upon**

Except as otherwise disclosed in this Circular, there has been no transactions, and there is no proposed transaction, that has materially affected, or would materially affect, the Corporation or any of its subsidiaries in respect of which any of the following persons had, or has, a direct or indirect material interest: (i) any director or executive officer of the Corporation; (ii) any director or executive officer of any subsidiary of the Corporation; (iii) any person or company who beneficially owns, directly or indirectly, or who exercises control or direction over, voting securities of the Corporation carrying more than 10% of the voting rights attached to all outstanding voting securities of the Corporation (a "**10% Holder**"); (iv) any director or executive officer of a 10% Holder; or (v) any associate or affiliate of any of the foregoing.

### **Principal Holders of Shares**

To the knowledge of the directors and senior officers of the Corporation, as at the date hereof, no person beneficially owns, directly or indirectly, or controls or directs more than 10% of the outstanding Common Shares, other than UFPB VoodooVox LLC. ("**UFM Subsidiary**"), a subsidiary of UFM. As at the Record Date, UFM Subsidiary was the beneficial owner of 67,500,000 Common Shares, which represented approximately 40% of the issued and outstanding Common Shares.

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

### **A. FINANCIAL STATEMENTS**

At the Meeting, shareholders will receive and consider the audited financial statements of the Corporation for the most recently completed financial year ended December 31, 2014, together with the auditors' report thereon.

### **B. ELECTION OF DIRECTORS**

The term of office for each director is from the date of the meeting at which he is elected until the next annual meeting following his election or until his or her successor is elected or appointed. The

Board of Directors of the Corporation (the “**Board**”) is currently comprised of five (5) directors and the number of directors to be elected at the Meeting is five (5).

Voting for the election of the below named directors will be conducted on an individual, and not slate basis. Shareholders can vote for all of the proposed directors set forth herein, vote for some of them and withhold for others, or withhold for all of them. **Unless otherwise directed, the management designees named in the accompanying Instrument of Proxy intend to vote in favour of the election, as directors, of the nominees whose names are set out below.** All of the nominees are currently members of the Board. Each director elected will hold office until the next annual meeting of the Shareholders, unless his/her office is vacated prior to such meeting.

The following table and the notes thereto set out the name as well as the country and province and/or state of residence of each person proposed to be nominated for election as a director, his current position and office with the Corporation, his present principal occupation, business or employment, the date on which he was first elected or appointed a director of the Corporation, and the approximate number of common shares beneficially owned, or controlled or directed, directly or indirectly, which is in each instance based on information furnished by the person concerned as of the date of this Circular.

<b>Name, Province or State and Country of Residence</b>	<b>Office(s) Currently Held</b>	<b>Principal Occupation or Employment</b>	<b>Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed<sup>(1)</sup></b>	<b>Became a Director</b>
S. Graeme Ross <sup>(2)</sup> Wainfleet, Ontario, Canada	Director	Mr. Ross has been President and Director of Bovinia Inc. (a private consulting company) since 1993. From September 2009 to June 2014, Mr. Ross has been a financial advisor with HollisWealth and since then with Goodfellows Financial Services in St. Catherines, Ontario.	3,557	August 2004



<b>Name, Province or State and Country of Residence</b>	<b>Office(s) Currently Held</b>	<b>Principal Occupation or Employment</b>	<b>Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed<sup>(1)</sup></b>	<b>Became a Director</b>
Micky Tsui <sup>(2)</sup> Plano, Texas, U.S.A.	Chairman of the Board and a Director	Mr. Tsui is an owner of DataSpan Inc., a Dallas-based leading provider of Data Life-cycle Management solutions. He also serves as President and CEO of the company since October 2014. Mr. Tsui has run White Horse Partner, LLP., a business management and consulting company, since July 2010. Between October 2009 and May 2010, Mr. Tsui served as Senior Vice President and General Manager of Nuance Communications. Between December 2000 and December 2008, Mr. Tsui served as Senior Vice President and General Manager of Avaya.	287,717	October 2012
Bruce Howard <sup>(2)</sup> The Woodlands, Texas, U.S.A.	Chief Executive Officer and a Director	Chief Executive Officer of the Corporation from March 10, 2013, to present. Mr. Howard has been CEO of UFM since 1999.	431,000	February 2014 <sup>(3)</sup>
David Lambert <sup>(2)</sup> The Woodlands, Texas, U.S.A.	Director	Mr. Lambert has been CFO of UFM since 2004.	Nil	February 2014 <sup>(3)</sup>

Name, Province or State and Country of Residence	Office(s) Currently Held	Principal Occupation or Employment	Common Shares Beneficially Owned, Directly or Indirectly, or Controlled or Directed <sup>(1)</sup>	Became a Director
Walter Andri <sup>(2)</sup> Toronto, Ontario, Canada	Director	Mr. Andri is currently Managing Director and President of Avaya Canada. He oversees the sales, service and support across Avaya's Engagement, Customer Experience Management, Networking, Services and Small and Medium Business technologies. Mr. Andri was formerly Senior Vice President of Primus Telecommunications, playing a critical role in driving growth and leading the transformation of one of the Canada's largest alternative telecommunications service providers. Also, he was Vice President, Small and Medium Business at TELUS, Vice President Channels for Koodo Mobile, and has held senior leadership roles at Virgin Mobile, Philips Consumer Products and GE.	986,947	February 2014 <sup>(3)</sup>

Notes:

1. The information as to shares beneficially owned or over which control or direction is exercised, not being within the knowledge of the Corporation, has been furnished by the respective nominees individually. The information as to shares beneficially owned does not include Common Shares issuable on exercise of outstanding stock options.
2. Member of the Audit Committee, Compensation Committee and Corporate Governance and Nominating Committee.

*S. Graeme Ross*

Mr. Ross is President and a Director of Bovinia Inc., a consulting company engaged in activities relating to corporate management, technology, telecommunications and information systems, since May 1993. Mr. Ross is also a financial adviser with Goodfellows Financial Services in St. Catherines, Ontario. Between September 2009 and June 2014, Mr. Ross was a financial adviser with HollisWealth. Mr. Ross was formerly President, Chief Executive Officer and a Director of Peartree Software Inc., a software company that develops and sells software used in the automotive parts manufacturing industry. Mr.

Ross has also served as a Director of Glenbriar Technologies Inc. and of Smartcardesolutions.com Ltd., both Exchange listed companies.

*Micky Tsui*

Mr. Tsui founded White Horse Partners, LLC. to provide management support and advice to innovative small and medium-sized applications software and communications companies in North America, and to provide business development in Asia. Mr. Tsui is also an owner of DataSpan Inc., a Dallas-based leading provider of Data Life-cycle Management solution, and serves as President and CEO of the company since October 2014.

Mr. Tsui has more than 30 years' experience in the communications and software industries. He was most recently the senior vice president and general manager, Enterprise Solutions at Nuance Communications, Inc., managing both on-premises and hosting/SaaS businesses for speech self-service solutions for contact centers. Prior to that, he held various executive management positions with Avaya Inc. and Nortel Network.

*Bruce Howard*

Mr. Howard brings over 25 years of sales, marketing, production, publishing, new market development, and general management experience in both the competitive and utility telephone directory publishing industry. His experience and reputation are widely recognized in the directory publishing industry. Over the course of his career, Mr. Howard has worked with companies including Ameritech Advertising Services, Southeast Directory Company, and America's Directories South. He holds a BA degree in Business Administration from Alma College in Alma, Michigan, and has completed the majority of coursework toward a Master of Science in Management from Walsh College in Troy, Michigan. Mr. Howard has been the CEO of UFM since August 1999.

*David Lambert*

Mr. Lambert's 25-year management career in finance and accounting includes experience in the high technology, publishing and telecommunications industries. He began his career with Ameritech and SBC Communications Inc. where he spent 17 years. He held the position of Director of Finance with broad management responsibilities including work on the SBC acquisition in 1999. He also served as Comptroller at HTC Global Services, a worldwide IT solutions provider for two years. Mr. Lambert holds an MBA from Oakland University in Rochester, Michigan, and a BBA degree in Finance and Accounting from the University of Michigan. Mr. Lambert currently oversees the financial, administrative and production activities of User-Friendly Media.

*Walter Andri*

Mr. Andri has a 20-year track record of consistently delivering exceptional results, building high performance teams and creating winning cultures. His background includes a blend of sales, marketing and operational experience in the Technology, Telecom and Consumer Products sectors. Mr. Andri is currently Managing Director and President of Avaya Canada where he oversees the sales, service and support across Avaya's Engagement, Customer Experience Management, Networking, Services and Small and Medium Business technologies. Prior to joining Avaya, he was Senior Vice President of Primus Telecommunications, playing a critical role in driving growth and leading the transformation of one of the Canada's largest alternative telecommunications service providers. Also, he was Vice President, Small and Medium Business at TELUS, Vice President Channels for Koodo Mobile, and has held senior leadership roles at Virgin Mobile, Philips Consumer Products and GE. Mr. Andri holds an MBA from Queen's University and an Honours Bachelor of Business Administration from Brock University.

## **Corporate Cease Trade Orders or Bankruptcies**

To the best knowledge of the Corporation, no proposed director of the Corporation is, as at the date hereof, or has been within the last ten years prior to the date hereof, (a) subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued while the proposed director of the Corporation was acting in the capacity as director, chief executive officer or chief financial officer of that company; (b) subject to a cease trade order, an order similar to a cease trade order or an order that denied a company access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days that was issued after the proposed director of the Corporation ceased to be a director, chief executive officer or chief financial officer of that company and which resulted from an event that occurred while that person was acting in such capacity; or (c) a director or executive officer of any company 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.

To the knowledge of the Corporation, no proposed director of the Corporation, (a) has been subject to any penalties or sanctions imposed by a court relating to securities or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory or (b) 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 Shareholder in deciding whether to vote for a proposed director of the Corporation.

To the knowledge of the Corporation, no proposed director of the Corporation is, or has within the ten years prior to the date hereof, 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 that individual.

## **C. APPOINTMENT OF AUDITORS**

Unless otherwise directed, the management designees named in the accompanying Instrument of Proxy intend to vote in favour of the appointment of Collins Barrow Toronto LLP, as auditors of the Corporation, to hold office until the next annual meeting of the Shareholders, at such remuneration as may be determined by the Board of the Corporation. Collins Barrow Toronto LLP, has acted as the auditors of the Corporation since April 11, 2013.

## **C. APPROVAL OF SHARE CONSOLIDATION**

Shareholders are being asked to consider, and, if deemed appropriate, to approve and authorize, a special resolution approving an amendment to the Corporation's articles to consolidate its issued and outstanding Common Shares (the "**Share Consolidation**") on the basis of one (1) Post-Consolidation Common Share for up to each fifty (50) pre-consolidation Common Shares (the "**Consolidation Ratio**"). The Board may in its sole discretion determine to use a Consolidation Ratio which may be less than the above, and subject always to the Corporation continuing to meet the distribution requirements of the CSE. Subject to the approval of the CSE, approval of the following special resolution by the Shareholders would give the Board authority to implement the Share Consolidation at any time in the following twelve (12) months prior to the Corporation's next AGM. Notwithstanding approval of the proposed Share Consolidation by Shareholders, the Board, in its sole discretion, may revoke the special resolution and

abandon the Share Consolidation without further approval or action by or prior notice to Shareholders. All outstanding warrants, options or convertible debt instruments of the Corporation which contain applicable adjustment provisions will be treated accordingly upon Consolidation.

Under the *Business Corporations Act* (Alberta) (the "**ABCA**"), any company may, by special resolution unless otherwise specified in the company's By-laws, alter its constating documents to consolidate its share capital. To be approved, the above special resolution must be passed by not less than two-thirds of the votes cast by Shareholders at the Meeting. **Unless otherwise specified, the persons named in the enclosed form of proxy will vote FOR the special resolution.**

The proposed Share Consolidation will not alter or change in any way any Shareholder's proportion of votes to total votes, however, the total votes capable of being cast by shareholders at a general meeting of the shareholders of the Corporation in the future will be reduced if the resolution is passed. Any resulting fractional share will be dealt with by taking the number of shares issuable on the exchange to the nearest lower whole share. In the event that the proposed Share Consolidation is not approved by the special resolution of the Shareholders, the Corporation will not proceed with this matter.

The background to and reasons for the Consolidation, and certain risks associated with the Consolidation and related information, are described below.

### **Background to and reasons for the Share Consolidation**

The Board intends to move the Corporation's stock listing from the CSE to the TSX Venture Exchange ("**Venture Exchange**") within the next twelve (12) months. To facilitate this move, the Board believes that it is in the best interests of the Corporation to reduce the number of outstanding Common Shares by way of the Share Consolidation. The potential benefits of the Consolidation include:

- *Compliance with exchange pricing policies* – CSE and Venture Exchange policies require special approval for issuances of Common Shares at a price less than \$0.05 per share. A share consolidation may allow the Corporation to complete financings in the future without requiring exemptive relief from the exchange for the pricing of Common Shares in any such transactions.
- *Greater investor interest* – a higher post-consolidation Common Share price could help generate interest in the Corporation among investors, as a higher anticipated Common Share price may: (i) meet investing guidelines for certain institutional investors and investment funds that may be prevented under their investing guidelines from investing in the Common Shares at current price levels; and (ii) result in changes in the price levels of the Common Shares less volatile on a percentage basis;
- *Reduction of Shareholder transaction costs* – investors may benefit from relatively lower trading costs associated with a higher Common Share price. It is likely that some investors pay commissions based on the number of Common Shares traded when they buy or sell Common Shares. If the Common Share price was higher, investors may pay lower commissions to trade a fixed dollar amount than they would if the Common Share price is lower; and
- *Improved trading liquidity* – the combination of potentially lower transaction costs and increased interest from investors may ultimately improve the trading liquidity of the Common Shares.

## **Implementation of the Share Consolidation**

The Consolidation is subject to regulatory approval, including approval of the CSE. As a condition to the approval of a consolidation of shares listed for trading on the CSE, the CSE requires, among other things, that a CSE-listed issuer continue to meet the CSE's listing requirements after the Share Consolidation. In order for the Corporation to continue to meet the CSE's listing requirements, the Corporation must have at least 150 public shareholders holding a certain minimum number of freely-tradeable Common Shares, after completion of the Share Consolidation. As a result, management of the Corporation may determine that it is necessary to implement a lower share consolidation ratio in order to satisfy the listing requirements and obtain approval of the Consolidation from the CSE. The Board may also determine to implement a lower share Consolidation Ratio for other reasons, such as to adjust to a higher stock price for the Corporation's shares or to reflect an increase in the actual or expected value of the Corporation's assets.

If the special resolution is approved, the Share Consolidation would be implemented, if at all, only upon a determination by the Board that it is in the best interests of the Corporation at that time. In connection with any determination to implement the Share Consolidation, the Board will set the timing for the Share Consolidation to become effective, which the Board anticipates will be concurrent with a change in the Corporation's stock listing to the Venture Exchange. No further action on the part of Shareholders would be required in order for the Board to implement the Share Consolidation.

If the Board does not implement the Share Consolidation prior to the next annual meeting of Shareholders, the authority granted by the special resolution to implement the Share Consolidation on these terms would lapse and be of no further force or effect. The special resolution also authorizes the Board to elect not to proceed with, and abandon, the Share Consolidation at any time if it determines, in its sole discretion, to do so.

Following the filing by the Corporation of articles of amendment implementing the Consolidation (assuming that the Consolidation special resolution is passed at the Meeting), a letter of transmittal will be sent by mail to registered Shareholders advising them that such articles of amendment have been filed, and instructing them on how to surrender their currently held Common Share certificates ("**Old Share Certificates**") for replacement share certificates of the Corporation, representing the number of Common Shares to which they are entitled as a result of the Share Consolidation. No delivery of a new share certificate to a shareholder will be made until the shareholder has surrendered his Old Share Certificate. Until surrendered, each Old Share Certificate will be deemed for all purposes to represent the number of Common Shares to which the holder thereof is entitled as a result of the Share Consolidation.

Non-registered Shareholders, holding their Common Shares through a bank, broker or other nominee should note that such banks, brokers or other nominees may have various procedures for processing the Share Consolidation. If a Shareholder holds Common Shares with such a bank, broker or other nominee and has any questions in this regard, the Shareholder is encouraged to contact its nominee. No fractional shares will be issued upon the consolidation of the Common Shares.

### **Certain Risks associated with the Share Consolidation**

*The Corporation's total market capitalization immediately after the proposed Consolidation may be lower than immediately before the proposed Consolidation*

There are numerous factors and contingencies that could affect the Common Share price prior to or following the Share Consolidation, including the status of the Corporation's reported financial results in future periods, and general economic, geopolitical, stock market and industry conditions.

Accordingly, the market price of the Common Shares may not be sustainable at the direct arithmetic result of the Share Consolidation, and may be lower. If the market price of the Common Shares is lower than it was before the Consolidation on an arithmetic equivalent basis, the Corporation's total market capitalization (the aggregate value of all Common Shares at the then market price) after the Share Consolidation may be lower than before the Share Consolidation.

*A decline in the market price of the Common Shares after the Share Consolidation may result in a greater percentage decline than would occur in the absence of the Share Consolidation, and the liquidity of the Common Shares could be adversely affected following the Share Consolidation*

If the Share Consolidation is implemented and the market price of the Common Shares declines, the percentage decline may be greater than would occur in the absence of the Share Consolidation. The market price of the Common Shares will, however, also be based on the Corporation's performance and other factors, which are unrelated to the number of Common Shares outstanding. Furthermore, the liquidity of the Common Shares could be adversely affected by the reduced number of Common Shares that would be outstanding after the Share Consolidation.

*The Share Consolidation may result in some Shareholders owning "odd lots" of less than 100 Common Shares on a post-consolidation basis, which may be more difficult to sell, or require greater transaction costs per Common Share to sell than Common Shares held in "board lots" of even multiples of 100 Common Shares.*

*There can be no assurance that the Corporation will be listed on the Venture Exchange despite shareholders approving the Share Consolidation.*

#### **No Fractional Shares to be Issued**

No fractional Common Shares will be issued in connection with the Share Consolidation and, in the event that a Shareholder would otherwise be entitled to receive a fractional Common Share upon the Share Consolidation, such fraction will be rounded down to the nearest whole number.

#### **Effects of the Share Consolidation on the Common Shares**

If approved and implemented, the Share Consolidation will occur simultaneously for all of the Common Shares and the consolidation ratio will be the same for all of such Common Shares. Except for any variances attributable to fractional shares, the change in the number of issued and outstanding Common Shares that will result from the Share Consolidation will cause no change in the capital attributable to the Common Shares and will not materially affect any Shareholder's percentage ownership in the Corporation, even though such ownership will be represented by a smaller number of Common Shares.

In addition, the Share Consolidation will not materially affect any Shareholder's proportionate voting rights. Each Common Share outstanding after the Share Consolidation will be entitled to one vote and will be fully paid and non-assessable.

The principal effects of the Share Consolidation will be that the number of Common Shares issued and outstanding will be reduced from 168,642,191 Common Shares as of May 26, 2015, to approximately 3,372,843 Common Shares, assuming a Consolidation Ratio of fifty (50) to one (1). The implementation of the Share Consolidation would not affect the total shareholders' equity of the Corporation or any components of shareholders' equity as reflected on the Corporation's financial statements except: (i) to change the number of issued and outstanding Common Shares; and (ii) to change the stated capital of the Common Shares to reflect the Share Consolidation.

## **Procedure for Implementing the Share Consolidation**

If the special resolution is approved by Shareholders and when the Board decides to implement the Share Consolidation, the Corporation will promptly file articles of amendment with the Director under the ABCA in the form prescribed by the ABCA to amend the Corporation's articles of incorporation. The Share Consolidation will become effective on the date shown in the certificate of amendment issued by the Director under the ABCA or such other date indicated in the articles of amendment provided that, in any event, such date will be prior to the next annual meeting of Shareholders.

### **No Dissent Rights**

Under the ABCA, Shareholders do not have dissent and appraisal rights with respect to the proposed Share Consolidation.

### **No Name Change**

Pursuant to the policies of the CSE, the Corporation is required to change the name of the Corporation in conjunction with any share consolidation. The Board intends to seek an exemption from the above-mentioned requirements of the CSE in order to proceed with the Share Consolidation without having to change the name of the Corporation.

### **Special Resolution**

The text of the special resolution, which will be submitted to Shareholders at the Meeting, is set forth below. For the reasons indicated above, the Board and management of the Corporation believe that the proposed Share Consolidation is in the best interests of the Corporation and, accordingly, recommend that Shareholders vote FOR the special resolution. To be effective the Share Consolidation must be approved by not less than two-thirds (66 $\frac{2}{3}$ %) of the votes cast by holders of Common Shares present in person or represented by proxy and entitled to vote at the Meeting.

#### **"NOW THEREFORE BE IT RESOLVED, AS A SPECIAL RESOLUTION THAT:**

1. The Corporation is hereby authorized to amend its articles to provide that:
  - (a) the authorized capital of the Corporation is altered by consolidating all of the issued and outstanding common shares of the Corporation ("**Common Shares**") on the basis of up to one (1) post-consolidation Common Share for up to every fifty (50) pre-consolidation Common Shares;
  - (b) in the event that the consolidation would otherwise result in the issuance of a fractional Common Share, no fractional Common Share shall be issued and such fraction will be rounded down to the nearest whole number; and
  - (c) the effective date of such consolidation shall be the date shown in the certificate of amendment issued by the Director appointed under the *Business Corporations Act* (Alberta) or such other date indicated in the articles of amendment provided that, in any event, such date shall be prior to the next annual meeting of shareholders of the Corporation.
2. Any one (1) director or officer of the Corporation is hereby authorized and directed for and in the name of and on behalf of the Corporation to execute, or to cause to be executed, whether



under the corporate seal of the Corporation or otherwise, and to deliver or cause to be delivered all such other documents and instruments, and to do or cause to be done all such other acts and things as, in the opinion of such director or officer, may be necessary or desirable in order to carry out the intent of this special resolution, including, without limitation, the determination of the effective date of the consolidation and the delivery of articles of amendment in the prescribed form to the Director appointed under the *Business Corporations Act* (Alberta), the execution of any such document or the doing of any such other act or thing being conclusive evidence of such determination.

3. Notwithstanding the foregoing, the directors of the Corporation are hereby authorized, without further approval of or notice to the shareholders of the Corporation, to revoke this special resolution at any time before a certificate of amendment is issued by the Director.”

**Management recommends that Shareholders vote FOR the adoption of the special resolution approving the Share Consolidation.**

**IF NAMED AS PROXY, THE MANAGEMENT DESIGNEES INTEND TO VOTE THE COMMON SHARES REPRESENTED BY SUCH PROXY AT THE MEETING FOR THE APPROVAL OF THE ABOVE SPECIAL RESOLUTION UNLESS THE SHAREHOLDER HAS OTHERWISE DIRECTED IN HIS PROXY.**

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation of Named Executive Officers**

The Corporation's Statement of Executive Compensation, in accordance with the requirements of Form 51-102F6 – Statement of Executive Compensation, is set forth below, which contains information about the compensation paid to, or earned by, the Corporation's Chief Executive Officer and Chief Financial Officer and each of the other three most highly compensated executive officers of the Corporation earning more than CDN\$150,000.00 in total compensation during the financial year-ended December 31, 2014 (the "**Named Executive Officers**" or "**NEOs**"), during the Corporation's last three most recently completed financial years. The Corporation had five Named Executive Officers as during the year ended December 31, 2014, being Bruce Howard (Chief Executive Officer of the Corporation since March 10, 2014) Alex Pekurar (Chief Financial Officer of the Corporation), George Cooney (Chief Executive Officer of the Corporation until March 10, 2014), James Kupernik (Vice President Operations) and Shannon McBride (Senior Vice President Sales and Marketing).

### **Compensation Discussion and Analysis**

The compensation program of the Corporation is designed to attract, motivate, reward and retain knowledgeable and skilled executives required to achieve the Corporation's objectives and increase shareholder value. The main objective of the compensation program is to reward the contribution of the Name Executive Officers based on the overall success and strategic growth of the Corporation. The compensation program is designed to reward individual performance by aligning a component of the compensation with the Corporation's business performance, thereby enhancing the value of its Common Shares. The philosophy of the Corporation is to pay the Named Executive Officers a total compensation amount that is competitive with other executives in the technology industry and geographical area and an amount that is consistent with the experience and responsibility level of the individual. The purpose of executive compensation is to reward the executives and directors for their contributions to the achievements of the Corporation, on both an annual and long term basis.

The compensation program of the Corporation provides incentives to achieve short term and long term objectives. The short term incentives generally include salary and a bonus program based on

meeting various criteria including the financial performance of the Corporation. The Corporation provides long term incentives to its executives and directors through grants of stock options under the Corporation's stock option plan. Management and the directors believe that the longer term incentive links the interests of the Named Executive Officers and directors to shareholders of the Corporation.

The Corporation does not have a policy that would prohibit a NEO or director from purchasing financial instruments, including prepaid variable forward contracts, equity swaps, collars or units of exchange funds, that are designed to hedge or offset a decrease in market value of equity securities granted as compensation or held, directly or indirectly, by the NEO or director. However, management is not aware of any NEO or director purchasing such an instrument.

## **General**

The Corporation's compensation policies are designed to recognize and reward individual performance as well as to provide a competitive level of compensation. The Corporation's current compensation plan consists of the following elements:

- base salary;
- annual incentive bonuses;
- employee stock purchase plan;
- option-based awards; and
- benefits and perquisites.

A description of each element and its purpose is set out below.

## **Base Salary**

The purpose of the base salary is to attract and retain executives by providing a competitive base compensation. The level of base salary for each Named Executive Officer is determined by the level of responsibility and importance of the position to the Corporation, within competitive industry ranges. The compensation committee of the Board (the "**Compensation Committee**") makes recommendations to the Board regarding the base salary of the Chief Executive Officer on an annual basis. For other Named Executive Officers, the Compensation Committee makes recommendations to the Board regarding the base salary compensation based on the recommendation of the Chief Executive Officer. The Compensation Committee makes recommendations to the Board for any material changes in base salary for the Named Executive Officers. The Compensation Committee and the Board may take into account executive compensation paid by companies comparable with the Corporation, although no specific benchmarking policy is in place for determining compensation or any element of compensation.

## **Annual Incentive Bonuses**

Annual incentive bonuses are a short-term variable compensation element, designed to reward Named Executive Officers on an annual basis for achieving corporate objectives. The Corporation's business objectives are generally established by the Board near the beginning of the year. Determination of the amount of bonus awarded to each Named Executive Officer is based on a standardized bonus program reviewed and approved by the Compensation Committee for recommendation to the Board. For 2014, the annual incentive program was not implemented, which is

consistent with the Corporation's cash conservation objectives. The directors expect to reevaluate the bonus program for 2015.

### **Employee Stock Purchase Plan**

The Shareholders of the Corporation have previously approved an employee stock purchase plan for all eligible employees. Under the plan, common shares of the Corporation may be purchased, at three-month intervals, at 85% of the weighted average trading price of each of the three-month periods. Employees may contribute from 1% to 20% of their gross base salary to this purchase plan. The purpose of the purchase plan is to promote the interests of the Corporation by aiding management in attracting and retaining employees who are expected to contribute to UpSnap's growth and financial performance for the benefit of UpSnap's shareholders, and to enable employees to augment their ownership position in the Corporation. For more information with respect to the employee stock purchase plan see the section under the heading below "*Summary of ESPP*".

### **Option-Based Awards**

Option-based awards are designed to align executive and shareholder interests, focus executives on longer term value creation and also to support the retention of key executives. Named Executive Officers may be issued options to purchase Common Shares ("**Options**") or other option-based awards as recommended by the Compensation Committee and authorized by the Board. Named Executive Officers are excluded from the decision making process regarding option-based compensation to be awarded to them. Previous grants of option-based awards are taken into account when considering new grants to the Named Executive Officers.

### **Benefits and Perquisites**

In addition to the compensation elements set out above, the Named Executive Officers also participate in the Corporation's benefit plans that are available to all employees. The level of other perquisites depends on the employee's position. The purpose of the benefits and perquisites is to attract, retain and motivate the employees. Perquisites and other personal benefits received by the Named Executive Officer did not exceed the lesser of \$50,000 and 10% of any such executive officer's total annual salary.

### **Compensation Risk**

The Corporation has not adopted a formal policy on compensation risk management nor has it engaged an independent compensation consultant. The Corporation recognizes that there may be risks in its current processes but given the size and number of executives dedicated on a full-time basis, the Corporation does not believe the risks to be significant.

The Corporation has a Compensation Committee, including all independent members of the Board, to assist the Board in discharging its duties relating to compensation of the Corporation's directors and senior officers. The Board believes that the executive compensation program of the Corporation should not raise its overall risk profile. Accordingly, the Corporation's executive

compensation programs include safeguards designed to mitigate compensation risks. The following measures impose appropriate limits to avoid excessive or inappropriate risk taking or payments:

- discretionary bonus payments are recommended to the Board by the Compensation Committee based on annual performance reviews;
- the Compensation Committee consisting of a minimum of three members, all being independent;
- stock option vesting and option terms of 2–5 years discourages excessive risk taking to achieve short-term goals; and
- implementation of trading black-outs limit the ability of senior officers to trade in securities of the Corporation.

Inappropriate and excessive risks by executives are also mitigated by regular meetings of the Board, at which, activity by the executives must be approved by the Board if such activity is outside previously Board-approved actions and/or as set out in a board-approved budget. Due to the size of the Corporation, and given the current composition of the Corporation's executive management team, the Board and the Compensation Committee are able to closely monitor and consider any risks which may be associated with the Corporation's compensation practices. Risks, if any, may be identified and mitigated through regular Board meetings during which financial and other information of the Corporation are reviewed, including executive compensation.

### **Summary Compensation Table**

The following table and notes thereto set out information concerning the compensation paid to the Named Executive Officers during the years ended December 31, 2012 to December 31, 2014. No directors or officers are indebted to the Corporation.

Name and principal position	Year Ended	Salary (\$)	Share awards (\$)	Option awards (\$) <sup>(6)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$)	All other compensation (\$) <sup>(7)</sup>	Total compensation (\$)
					Annual incentive plans	Long-term incentive plans			
Bruce Howard <sup>(1)</sup> Chief Executive Officer	2014	Nil	Nil	4,591	Nil	Nil	Nil	Nil	4,591
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Alex Pekurar, Chief Financial Officer <sup>(2)</sup>	2014	114,462	Nil	34,697	Nil	Nil	Nil	Nil	149,159
	2013	114,462	Nil	42,638	Nil	Nil	Nil	Nil	157,100
	2012	95,000	Nil	5,246	Nil	Nil	Nil	Nil	100,249
George Cooney Former Chief Executive Officer <sup>(3)</sup>	2014	30,833	Nil	3,682	Nil	Nil	Nil	205,596	265,962
	2013	183,103	Nil	97,302	Nil	Nil	Nil	N/A	280,405
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
James Kupernik Vice President Operations <sup>(4)</sup>	2014	170,331	Nil	19,028	Nil	Nil	Nil	Nil	189,359
	2013	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shannon McBride Senior Vice President Sales and Marketing <sup>(5)</sup>	2014	153,931	Nil	47,069	Nil	Nil	Nil	13,922	214,922
	2013	118,536	N/A	28,234	N/A	N/A	N/A	21,977	168,747
	2012	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Notes:

- Mr. Howard was appointed Chief Executive Officer on March 10, 2014.
- Mr. Pekurar was appointed Chief Financial Officer on October 1, 2012.
- Mr. Cooney was appointed Chief Executive Officer on January 7, 2013, and departed on March 10, 2014.
- Mr. Kupernik was appointed Vice President Operations in April 2014.
- Ms. McBride was appointed SVP Sales and Marketing in July 2013.
- The Corporation uses the Black Scholes option pricing model to calculate the grant date fair value of Options granted to Named Executive Officers and directors, as the Black Scholes model is commonly used by other issuers to calculate the value of options and is an acceptable model to estimate the "cost" of options for financial statement purposes.
- Perquisites and other personal benefits received by the Named Executive Officers did not exceed the lesser of \$50,000 and 10% of any such executive officer's total annual salary.

## Incentive Plan Awards

The following table and notes thereto set out, for each Named Executive Officer, information concerning all option-based awards outstanding at December 31, 2014. There were no share-based awards in 2014.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(6)</sup>
Bruce Howard <sup>(1)</sup> Chief Executive Officer	1,000,000	0.05	Nov 13, 2019	Nil
Alex Pekurar <sup>(2)</sup> Chief Financial Officer	400 1,000 20,000 750,000 500,000	7.00 4.75 1.25 0.10 0.05	Feb 1, 2016 Jan 6, 2017 Sep 28, 2017 Nov 7, 2018 Nov 13, 2019	Nil Nil Nil Nil Nil
George Cooney <sup>(3)</sup> Former Chief Executive Officer	600,000	0.10	Nov 7, 2018	Nil
James Kupernik <sup>(4)</sup> Vice President Operations	1,250 3,000 1,000 4,000 400,000 500,000	4.75 4.75 2.50 1.25 0.10 0.05	Jan 6, 2017 Jan 6, 2017 Jun 7, 2017 Sep 28, 2017 Nov 7, 2018 Nov 13, 2019	Nil Nil Nil Nil Nil Nil
Shannon McBride <sup>(5)</sup> Senior Vice President Sales and Marketing	900,000 400,000	0.10 0.05	Feb 21, 2019 Nov 13, 2019	Nil Nil

Notes:

- Mr. Howard was appointed Chief Executive Officer on March 10, 2014.
- Mr. Pekurar was appointed Chief Financial Officer on October 1, 2012.
- Mr. Cooney was appointed Chief Executive Officer on January 7, 2013, and departed on March 10, 2014.
- Mr. Kupernik was appointed Vice President Operations in April 2014.
- Ms. McBride was appointed SVP Sales and Marketing in July 2013.
- Value represents the difference between the closing price of the Common Shares of the Corporation as quoted by the CSE on December 31, 2014 and the option exercise price. The closing price of the Common Shares was \$0.02 on December 31, 2014.

The following table and notes thereto set out, for each Named Executive Officer, information concerning the value vested or earned on all option-based and share-based awards and non-equity incentive plan compensation during the financial year ended December 31, 2014.

Name	Option-based awards - Value vested during the year (\$) <sup>(6)</sup>	Share-based awards - Value vested during the year (\$)	Non-equity incentive plan compensation - Value earned during the year (\$)
Bruce Howard <sup>(1)</sup> Chief Executive Officer	Nil	Nil	Nil
Alex Pekurar <sup>(2)</sup> Chief Financial Officer	Nil	Nil	Nil
George Cooney <sup>(3)</sup> Former Chief Executive Officer	Nil	Nil	Nil
James Kupernik <sup>(4)</sup> Vice President Operations	Nil	Nil	Nil
Shannon McBride <sup>(5)</sup> Senior Vice President Sales and Marketing	Nil	Nil	13,922

Notes:

1. Mr. Howard was appointed Chief Executive Officer on March 10, 2014.
2. Mr. Pekurar was appointed Chief Financial Officer on October 1, 2012.
3. Mr. Cooney was appointed Chief Executive Officer on January 7, 2013, and departed on March 10, 2014.
4. Mr. Kupernik was appointed Vice President Operations in April 2014.
5. Ms. McBride was appointed SVP Sales and Marketing in July 2013.
6. Value represents the difference between the price on vesting date and the option exercise price. See the information below under the heading "*Stock Options*".

### Stock Options

UpSnap's stock option plan (the "**Option Plan**") authorizes the Board to grant options to various individuals who are in a position to contribute to the success and growth of the Corporation. The Plan was last ratified and confirmed by the Shareholders of the Corporation at the annual general meeting of the Shareholders in 2011.

Under the Option Plan, the Board may grant Options to directors, officers, employees or consultants of the Corporation (or an affiliate), entitling the holders thereof to acquire, together with

shares reserved for issuance pursuant to any other security based compensation arrangements of the Corporation, up to 15% of the total number of issued and outstanding Common Shares from time to time (calculated on a non-diluted basis). If any Option granted under the Option Plan is exercised or expires or terminates without having been exercised, the number of Common Shares to which such Option relates will be available for the purpose of future Options granted under the Option Plan. For greater clarity, notwithstanding the "reloading" of any such exercised, terminated or expired Options under the Option Plan, the number of Common Shares available to be issued pursuant to the exercise of Options outstanding under the Option Plan, and any other security based compensation arrangements, at any point in time may not exceed 15% of the number of issued and outstanding Common Shares.

Under the terms of the Option Plan, the period during which an Option may be exercised is not permitted to exceed ten years from the date such option was granted, provided, that if a self-imposed black-out period (which has the effect of restricting certain option-holders from exercising their Options) has been imposed and the expiry date of any Option falls within that black-out period or five business days thereafter, the Options issued under the Option Plan expire on the later of: (i) the expiry date of the affected Options; or (ii) the date that is 10 business days following the end of such black-out period. The maximum number of Common Shares reserved for issuance to insiders of the Corporation under the Option Plan, when combined with the number of Common Shares issuable to insiders pursuant to any other security based compensation arrangement, may not exceed 10% of the outstanding Common Shares. In addition, the number of Common Shares that may be issued to insiders under the Option Plan, when combined with the number of Common Shares issuable to insiders pursuant to any other security based compensation arrangement, within a one year period, may not exceed 10% of the outstanding Common Shares at any time. The aggregate number of Common Shares issuable to any one officer, director or full time employee of the Corporation (or an affiliate), when combined with the number of Common Shares issuable to insiders pursuant to any other security based compensation arrangement, may not exceed 5% of the total number of issued and outstanding Common Shares. The price at which Common Shares may be acquired upon the exercise of an Option is determined with reference to the closing price of the common shares on the trading day immediately prior to the date of grant, or with reference to a five day or 10 day average trading price, and in the event the Corporation's shares are not then listed on any exchange, a price determined by the Board in good faith. No Options may be granted under the Option Plan at an exercise price representing a discount to the market price of the Common Shares.

Subject to certain restrictions set out in the Option Plan, the Board is authorized to provide for the granting of Options and the exercise price and method of exercise of Options granted under the Option Plan, as well as the term of each option granted. The Board has discretion over the vesting of any option granted under the Option Plan.

Options granted under the Option Plan are generally non-assignable. Such Options are subject to early termination in the event of the death or disability of a participant or in the event a participant otherwise ceases to be an officer, director, employee or consultant of the Corporation (or an affiliate), as the case may be.

As at the effective date of this Circular, there were 13,903,350 Common Shares issuable upon the exercise of Options outstanding under the Option Plan, representing approximately 8% of the Corporation's issued and outstanding Common Shares. No financial assistance is provided in connection with the Option Plan, however the Option Plan does contain cashless exercise provisions, under which the Board may determine to permit Options to be surrendered, unexercised, to the Corporation in consideration of the receipt by the holder of such Options of a settlement amount equal to the amount, if any, by which the aggregate fair market value of the Common Shares (immediately preceding the surrender date) that may be purchased pursuant to the vested and exercisable portion of such Options



on the date of surrender, exceeds the aggregate exercise price for those Common Shares. The settlement amount is payable in cash, Common Shares or a combination thereof as the Board may determine.

The Option Plan provides that the Board may amend the Option Plan or, with the option holders' consent, an Option granted under the Option Plan at any time and from time to time without Shareholder approval, for any reason except for those changes for which the Option Plan specifically requires Shareholder approval. For example, the Board has the power and authority to approve amendments relating to the Option Plan or Options, without approval of the Shareholders, to the extent that such amendment:

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

The Option Plan currently requires Shareholder approval for the following changes to the Option Plan or Options granted under it:

- (a) increasing the number of the Options issuable pursuant to the Option Plan;
- (b) adding any form of financial assistance by the Corporation for the exercise of any Option;
- (c) any amendment resulting in a material or unreasonable dilution in the number of outstanding Common Shares or any material benefit to a participant under the Option Plan;
- (d) changing the class of eligible participants to the Option Plan in a manner that would have the potential of broadening or increasing participation by insiders of the Corporation; or
- (e) reducing the exercise price for Options granted to insiders or to extend the terms of Options granted to insiders.

## Available Options Pursuant to the Option Plan

The following table sets out information concerning compensation plans under which equity securities of the Corporation were authorized for issuance as at December 31, 2014:

<b>Plan Category</b>	<b>Number of securities to be issued upon exercise of outstanding options, warrants and rights</b>	<b>Weighted-Average exercise price of outstanding options, warrants and rights</b>	<b>Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<sup>(1)</sup></b> <b>(c)</b>
Equity compensation plans approved by securityholders	15,730,975	\$0.10	9,565,354
Equity compensation plans not approved by securityholders	N/A	N/A	N/A
<b>Total</b>	<b>15,730,975</b>	<b>\$0.10</b>	<b>9,565,354</b>

Note:

- As at December 31, 2014, the number of Common Shares issued and outstanding was 168,642,191.

## Options Granted During the Financial Year Ended December 31, 2014

The following table sets out information concerning options granted to the Named Executive Officers during the financial year ended December 31, 2014, under the Option Plan:

Name	Securities Under Options Granted (#)	Percent of Total Options Granted to Employees in 2013	Exercise Price (\$/Security)	Expiration Date
Bruce Howard <sup>(1)</sup> Chief Executive Officer	1,000,000	10%	0.05	Nov 13, 2019
Alex Pekurar <sup>(2)</sup> Chief Financial Officer	500,000	5%	0.05	Nov 13, 2019
George Cooney <sup>(3)</sup> Former Chief Executive Officer	Nil	N/A	N/A	N/A
James Kupernik <sup>(4)</sup> Vice President Operations	500,000	5%	0.05	Nov 13, 2019
Shannon McBride <sup>(5)</sup> Senior Vice President Sales and Marketing	900,000 400,000	9% 4%	0.10 0.05	Feb 21, 2019 Nov 13, 2019

### Notes:

1. Mr. Howard was appointed Chief Executive Officer on March 10, 2014.
2. Mr. Pekurar was appointed Chief Financial Officer on October 1, 2012.
3. Mr. Cooney was appointed Chief Executive Officer on January 7, 2013, and departed on March 10, 2014.
4. Mr. Kupernik was appointed Vice President Operations in April 2014.
5. Ms. McBride was appointed SVP Sales and Marketing in July 2013.

## Aggregated Option Exercises During the Financial Year Ended December 31, 2014

No options were exercised by the Named Executive Officers during the financial year ended December 31, 2014.

## Summary of ESPP

At a Special Meeting of the Shareholders held October 24, 2008, the Shareholders of the Corporation approved an employee share purchase plan (the "ESPP" or the "Purchase Plan"). At the annual general meeting of the Shareholders held in 2011, the Shareholders ratified and confirmed the terms of the ESPP. Pursuant to the ESPP, all employees of the Corporation (the "Participants") are

eligible to participate. A Participant's right to participate in the ESPP is non-transferable. Under the terms of the ESPP, each Participant who wishes to acquire Common Shares in lieu of not less than one percent and not greater than twenty percent (the "**Elected Portion**") of the dollar amount otherwise payable to them as gross base salary in a year (the "**Annual Amount**") must provide written notice to such effect (the "**Payment Notice**") to the administrator of the Purchase Plan (the "**Purchase Plan Administrator**") prior to January 10 of such calendar year.

The Common Shares to be issued pursuant to the Purchase Plan may be issued from the treasury of the Corporation, or may be purchased in the market by the Purchase Plan Administrator on behalf of each Participant who delivers a Payment Notice pursuant to the Purchase Plan. The Board will, from time to time, provide direction to the Purchase Plan Administrator as to whether Common Shares are to be issued from the treasury of the Corporation or purchased in the market by the Purchase Plan Administrator.

If Common Shares are to be issued to a Participant from the treasury of the Corporation following the delivery of a Payment Notice, the number of Common Shares issued to the Participant will be equal to the Elected Portion of the Annual Amount otherwise payable to such Participant for the 12 month period commencing on January 1 of such year (or such lesser amount as may be designated by the Participant in the applicable Payment Notice), divided by 85% of the Current Market Price as of the date the applicable Payment Notice is received by the Purchase Plan Administrator, unless such discount would represent an amount less than the maximum permitted discount under the rules of any applicable stock exchange, in which case, such maximum permitted discount will be used. Common Shares will be issued under the Purchase Plan quarterly to the Participant on the last day of March, June, September and December of the applicable calendar year or on the earliest practicable date thereafter.

All withholding taxes required to be remitted by the Corporation in respect of that portion of the Annual Amount for which a Participant receives Common Shares issued from the treasury the Corporation are deducted from the Annual Amount otherwise payable to the Participant, provided that if such Annual Amounts are not sufficient to pay such withholding taxes, the shortfall is required to be reimbursed to the Corporation by the Participant upon request.

If Common Shares are to be purchased on behalf of a Participant in the market, the Corporation will, on the last day of the months of March, June, September and December of the applicable calendar year, or on the earliest practicable date thereafter, pay to the Purchase Plan Administrator the Elected Portion of the Annual Amount that would otherwise be paid to the Participant on such date plus 15% of such amount, less applicable withholding taxes. The Purchase Plan Administrator will establish a record-keeping account for the applicable Participant and will record, in respect of such account, all amounts received by the Purchase Plan Administrator from the Corporation to fund the purchase of Common Shares on behalf of the Participant, the number of Common Shares purchased for the benefit of the Participant and the amount of any expenses incurred in connection with the acquisition of Common Shares on behalf of the Participant. As soon as reasonably practicable following the receipt of funds from the Corporation pursuant to the ESPP, the Purchase Plan Administrator will use such funds to purchase, through the facilities of the CSE (or other exchange on which the Common Shares are then listed) and utilizing the services of a brokerage firm selected by the Purchase Plan Administrator, the maximum number of Common Shares that may then be acquired with such funds, after deducting commissions and other applicable charges associated with such transaction.

### **Shares Subject to the ESPP**

The maximum number of Common Shares issuable under the Purchase Plan may not exceed such number as represents 10% of the issued and outstanding Common Shares of UpSnap from time to time. The number of Common Shares issuable under the ESPP is subject to adjustment, as appropriate,

to reflect any reorganization, recapitalization, stock split, stock dividend, combination of shares, merger, consolidation, issuance of rights or any other change in the capital structure of UpSnap.

### **Duration, Termination and Amendment**

The ESPP may be terminated at any time by the Board. A Participant may withdraw at any time and all of a Participant's rights under the ESPP will terminate when he or she ceases to be an eligible Participant due to retirement, resignation, death, termination or otherwise failing to continue to meet the eligibility requirements. A notice of withdrawal will be deemed to have been received from a Participant on the day of his or her final payroll deduction. If a legal process interrupts a Participant's payroll deductions, a withdrawal notice will be deemed as having been received on the day the interruption occurs.

### **Termination and Change of Control Benefits (Employment Contracts)**

#### *Alex Pekurar*

Mr. Pekurar, Chief Financial Officer of the Corporation as of October 1, 2012, is employed pursuant to a written employment contract. Mr. Pekurar is eligible to participate in any bonus or incentive program that may be instituted by the Corporation. Mr. Pekurar is entitled to a lump sum payment equal to \$120,000 in the event of his termination or constructive dismissal following a change of control of the Corporation.

### **Compensation of Directors**

The following table sets out information concerning the compensation paid, payable, awarded, granted, given, or otherwise provided, directly or indirectly, by the Corporation to the directors of the Corporation during the financial year ended December 31, 2014. Information regarding the compensation paid to Bruce Howard and George Cooney during the financial year ended December 31, 2014 (including as a director) is disclosed in the sections above relating to executive compensation.

<b>Name</b>	<b>Director's Fees earned (\$)</b>	<b>Share-based awards (\$)</b>	<b>Option-based awards <sup>(1)</sup> (\$)</b>	<b>All other compensation <sup>(2)</sup> (\$)</b>	<b>Total Compensation (\$)</b>
S. Graeme Ross	15,000	Nil	Nil	Nil	15,000
Micky Tsui	15,000	Nil	Nil	Nil	15,000
Nancy Shemwell <sup>(3)</sup>	Nil	Nil	Nil	Nil	Nil
David Lambert <sup>(3)</sup>	Nil	Nil	4,591	Nil	4,591
Walter Andri <sup>(3)</sup>	15,000	Nil	Nil	Nil	15,000

Notes:

1. The Corporation uses the Black Scholes option pricing model to calculate the grant date fair value of options granted to Named Executive Officers and directors, as the Black Scholes model is commonly used

by other issuers to calculate the value of options and is an acceptable model to estimate the "cost" of options for financial statement purposes.

2. Perquisites and other personal benefits received by the Directors did not exceed the lesser of \$50,000 and 10% of any such director's total annual salary.
3. Nancy Shemwell resigned from the Board effective February 6, 2014. David Lambert and Walter Andri were appointed to the Board effective February 6, 2014.

### Incentive Plan Awards

The following table sets out information concerning all option-based awards outstanding at December 31, 2014, for the directors of the Corporation, excluding George Cooney and Bruce Howard who are Named Executive Officers.

Name	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$)
S. Graeme Ross	1,500	9.25	Feb 10, 2015	Nil
	1,500	7.50	Feb 4, 2016	Nil
	2,000	4.75	Jan 6, 2017	Nil
	30,000	0.50	Nov 2, 2017	Nil
	600,000	0.10	Nov 7, 2018	Nil
Micky Tsui	1,000	5.25	Oct 18, 2015	Nil
	30,000	0.50	Nov 2, 2017	Nil
	750,000	0.10	Nov 7, 2018	Nil
Nancy Shemwell <sup>(1)</sup>	1,500	9.25	Feb 10, 2015	Nil
	1,500	7.50	Feb 4, 2016	Nil
	2,000	4.75	Jan 6, 2017	Nil
	30,000	0.50	Nov 2, 2017	Nil
	600,000	0.10	Nov 7, 2018	Nil
David Lambert <sup>(1)</sup>	1,000,000	0.05	Nov 13, 2019	Nil
Walter Andri <sup>(1)</sup>	Nil	N/A	N/A	N/A

Notes:

1. Nancy Shemwell resigned from the Board effective February 6, 2014. David Lambert and Walter Andri were appointed to the Board effective February 6, 2014.

### CORPORATE GOVERNANCE

Corporate governance relates to the activities of the Board, the members of which are elected by and are accountable to the shareholders, and takes into account the role of the individual members of management who are appointed by the Board and who are charged with the day to day management of

the Corporation. The Board is committed to sound corporate governance practices, which are both in the interest of its shareholders and contribute to effective and efficient decision making.

The Board has established a compensation committee (the "**Compensation Committee**") and a governance and nominating committee (the "**Corporate Governance and Nominating Committee**"). The Corporation does not have an executive committee.

### **Corporate Governance Disclosure**

Securities regulatory authorities in all of the provinces and territories of Canada have adopted National Policy 58-201 *Corporate Governance Guidelines* and National Instrument 58-101 *Disclosure of Corporate Governance Practices* ("**NI 58-101**"). Disclosure of governance practices is required in accordance with NI 58-101.

A summary of the Corporation's existing corporate governance practices is attached to this Circular as **Schedule "A"**.

## **BOARD COMMITTEES AND THEIR MANDATES**

### **Audit Committee**

National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") requires the Corporation, as a venture issuer, to disclose annually in its information circular certain information concerning the constitution of its audit committee and its relationship with its independent auditor, as disclosed by Form 52-110F2 attached to this Information Circular as **Schedule "B"**.

The Audit Committee's primary duties and responsibilities are to: (i) serve as an independent and objective party to monitor the Corporation's financial reporting and internal control system and review the Corporation's financial statements; (ii) review and appraise the performance of the Corporation's external auditors; and (iii) provide an open avenue of communication among the Corporation's auditors, financial and senior management and the Board. The Audit Committee reports its deliberations and discussions regularly to the Board and submits to the Board the minutes of its meetings.

The Audit Committee consists of S. Graeme Ross (Chairman), Micky Tsui, Bruce Howard, David Lambert and Walter Andri. All members of the Audit Committee are "financially literate" as that term is defined in NI 52-110 and "independent" as that term is defined in NI 52-110 except for Bruce Howard who is not independent by virtue of his role of CEO.

The Chairman of the Audit Committee, in consultation with the Audit Committee members, determines the schedule and frequency of the Audit Committee meetings provided that the Audit Committee will meet at least four (4) times in each fiscal year and at least once in every fiscal quarter. The Audit Committee has the authority to convene additional meetings as circumstances require. A schedule for each of the meetings is disseminated to Audit Committee members prior to the start of each fiscal year. An agenda for each meeting is disseminated to Audit Committee members as far in advance of each meeting as is practicable.

### **Compensation Committee**

The Compensation Committee consists of S. Graeme Ross, Micky Tsui, Bruce Howard, David Lambert and Walter Andri (Chairman), all being independent directors except for Bruce Howard who is not independent by virtue of his role as CEO. The Compensation Committee is responsible for reviewing

the Corporation's compensation and incentive programs. The Compensation Committee is responsible for assessing senior management's performance and recommending senior management compensation to the Board. The Compensation Committee reviews the adequacy and form of directors' compensation and makes recommendations designed to ensure that directors' compensation adequately reflects the responsibilities of the Board. The Compensation Committee also administers the Option Plan and makes recommendations to the Board respecting grants of Options thereunder.

Further information regarding the Compensation Committee's responsibilities, powers and operation of the Compensation Committee are set out above under the section entitled "*Statement of Executive Compensation - Compensation Discussion and Analysis*" and **Schedule "A"**.

The Corporation believes that each of the members of the Compensation Committee possess the skills and experiences that enable the member to make decisions on the suitability of the compensation policies and practices of the Corporation as set out below.

*Micky Tsui*

Mr. Tsui founded White Horse Partners, LLC. to provide management support and advice to innovative small and medium-sized applications software and communications companies in North America, and to provide business development in Asia. Mr. Tsui has more than 30 years' experience in the communications and software industries. He is currently President and CEO of DataSpan Inc., a Dallas-based leading provider of Data Life-cycle Management solutions. He was most recently the senior vice president and general manager, Enterprise Solutions at Nuance Communications, Inc., managing both on-premises and hosting/SaaS businesses for speech self-service solutions for contact centers. Prior to that, he held various executive management positions with Avaya Inc., including its Unified Communications Solutions Division; the Global Communications Solutions Group; and Converged Communications Solutions Group. Mr. Tsui began his career with Nortel Networks in communications network planning and optimization. He held positions of increasing responsibility, including strategic planning, product management and research and development. He was the vice president and general manager of Internet Telephony at Nortel before going to Avaya.

*S. Graeme Ross*

Mr. Ross is President and a Director of Bovinia Inc., a consulting company engaged in activities relating to corporate management, technology, telecommunications and information systems, since May 1993. Mr. Ross is also a financial adviser with Goodfellows Financial Services in St. Catherines, Ontario. From September 2009 to June 2014, Mr. Ross was a financial advisor with HollisWealth. Mr. Ross was formerly President, Chief Executive Officer and a Director of Peartree Software Inc., a software company that develops and sells software used in the automotive parts manufacturing industry. Mr. Ross has also served as a Director of Glenbriar Technologies Inc. and of Smartcardesolutions.com Ltd., both TSX listed companies.

*Bruce Howard*

Mr. Howard brings over 25 years of sales, marketing, production, publishing, new market development, and general management experience in both the competitive and utility telephone directory publishing industry. His experience and reputation are widely recognized in the directory publishing industry. Over the course of his career, Mr. Howard has worked with companies including Ameritech Advertising Services, Southeast Directory Company, and America's Directories South. He holds a BA degree in Business Administration from Alma College in Alma, Michigan, and has completed the majority of coursework toward a Master of Science in Management from Walsh College in Troy, Michigan. Mr. Howard has been the CEO of UFM since August 1999.



*David Lambert*

Mr. Lambert's 25-year management career in finance and accounting includes experience in the high technology, publishing and telecommunications industries. He began his career with Ameritech and SBC Communications Inc. where he spent 17 years. He held the position of Director of Finance with broad management responsibilities including work on the SBC acquisition in 1999. He also served as Comptroller at HTC Global Services, a worldwide IT solutions provider for two years. Mr. Lambert holds an MBA from Oakland University in Rochester, Michigan, and a BBA degree in Finance and Accounting from the University of Michigan. Mr. Lambert currently oversees the financial, administrative and production activities of User-Friendly Media.

*Walter Andri*

Mr. Andri has a 20-year track record of consistently delivering exceptional results, building high performance teams and creating winning cultures. His background includes a blend of sales, marketing and operational experience in the Technology, Telecom and Consumer Products sectors. Mr. Andri is currently Managing Director and President of Avaya Canada where he oversees the sales, service and support across Avaya's Engagement, Customer Experience Management, Networking, Services and Small and Medium Business technologies. Prior to joining Avaya, he was Senior Vice President of Primus Telecommunications, playing a critical role in driving growth and leading the transformation of one of the Canada's largest alternative telecommunications service providers. Also, he was Vice President, Small and Medium Business at TELUS, Vice President Channels for Koodo Mobile, and has held senior leadership roles at Virgin Mobile, Philips Consumer Products and GE. Mr. Andri holds an MBA from Queen's University and an Honours Bachelor of Business Administration from Brock University.

**Corporate Governance and Nominating Committee**

The Corporate Governance and Nominating Committee assists the Board by: (i) developing, reviewing and planning the Corporation's approach to corporate governance issues, including developing a set of corporate governance principles and guidelines specifically applicable to the Corporation; (ii) identifying and recommending to the Board potential new nominees to the Board; (iii) monitoring management's succession plan for the CEO and other senior management; and (iv) overseeing enforcement of and compliance with the Corporation's proposed Code of Business Conduct. The members of the Corporate Governance and Nominating Committee are S. Graeme Ross, Micky Tsui (Chairman), Bruce Howard, David Lambert and Walter Andri, all being independent directors except for Bruce Howard who is not independent by virtue of his role as CEO. For additional details with respect to the role of the Corporate Governance and Nominating Committee, see **Schedule "A"**.

**INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed herein, there are no material interests, direct or indirect, of any director, executive officer, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Common Shares or any known associate or affiliate of such persons, in any transaction within the three most recently completed financial years, or during the current financial year, that has materially affected or is reasonably expected to materially affect the Corporation. Other than the foregoing, and except as otherwise disclosed in this Circular, no informed person<sup>1</sup> and no

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<sup>1</sup> "Informed Person" means a director or executive officer of the Corporation (or of a person or company that is itself an informed person or the Corporation), any person who beneficially owns or controls or

person nominated for election as a director of the Corporation (nor any associate or affiliate of any such person) had any material interest, direct or indirect, in any transaction undertaken that was not negotiated at arm's length and that has materially affected the Corporation, and none of such persons has any material interest in any transaction proposed to be undertaken by the Corporation that will materially affect the Corporation.

In February 2014, the UpSnap completed an equity private placement financing which included a strategic investment by UFM (through its wholly-owned subsidiary, UFPB VoodooVox LLC.) for \$3.375 million in Common Shares at \$0.05 per Common Share, representing approximately 40% of the Corporation's issued and outstanding Common Shares. Concurrent with the equity private placement, UFM purchased a debenture of the Corporation with a principal amount of \$100,000. On closing of the private placement, UFM appointed two directors to UpSnap's Board; Bruce Howard, CEO of UFM, and David Lambert, CFO of UFM. In March 2014, Mr. Howard was appointed as CEO of UpSnap. The Corporation bills UFM under a reseller agreement for small business mobile advertising subscriptions. UFM bills the Corporation under a shared services agreement for management and support services.

#### **EFFECTIVE DATE**

Except as otherwise specified, the information set out in this Circular is provided as of May 26, 2015.

#### **ADDITIONAL INFORMATION**

Additional information relating to UpSnap is available through the Internet at the website of the Canadian System for Electronic Document Analysis and Retrieval (SEDAR), which can be accessed at [www.sedar.com](http://www.sedar.com). Financial information of UpSnap is provided in the financial statements and MD&A of UpSnap for the year ended December 31, 2014. Copies of the financial statements and related MD&A may be obtained from the Chief Financial Officer of UpSnap at 100 Consilium Place, Suite 200, Toronto, Ontario, M1H 3E3, or by facsimile at (403) 879-1167.

Dated as of the 26<sup>th</sup> day of May, 2015.

**BY ORDER OF THE BOARD OF DIRECTORS OF  
UPSNAP, INC.**

*"Bruce Howard"*

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BRUCE HOWARD  
Chief Executive Officer and Director

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*directs, directly or indirectly, voting securities of the Corporation carrying greater than 10% of the voting rights attached to all outstanding voting securities, and the Corporation itself, if it holds any of its own securities.*

## SCHEDULE "A"

### UPSNAP, INC.

#### Statement of Corporate Governance Practices

##### Disclosure Requirement

##### UpSnap Corporate Governance Practices

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##### Board of Directors

1. Disclose the identity of directors who are independent.

Micky Tsui, Graeme Ross, David Lambert and Walter Andri are considered independent, within the meaning of Section 1.4 of National Instrument 52-110 *Audit Committees* ("**NI 52-110**"), in that none of them has any relationship that could, in the view of the Board, be reasonably expected to interfere with the exercise of his independent judgment.

2. Disclose the identity of directors who are not independent, and describe the basis for that determination.

Bruce Howard is not considered independent within the meaning of Section 1.4 of NI 52-110. Bruce Howard is the Chief Executive Officer of the Corporation.

##### Directorships

3. If a director is presently a director of any other issuer that is a reporting issuer (or the equivalent) in a jurisdiction or a foreign jurisdiction, identify both the director and the other issuer.

No existing directors are also directors of the any other reporting issuers.

##### Ethical Business Conduct

4. Describe what other steps the board takes to encourage and promote a culture of ethical business conduct.

The Board has adopted a written Code of Business Conduct (the "**Code**").

The Code has been filed on SEDAR and is available at [www.sedar.com](http://www.sedar.com).

It is the intention of the Board to monitor compliance with the Code through the Corporation's existing accounting and internal control irregularity policy, which provides a procedure for the submission of information by persons on a confidential basis.

Directors who have, or may reasonably be perceived to have, a personal interest in a transaction or agreement being contemplated by or involving the Corporation are required to declare such interest at any meeting of the Board at which the matter is considered and to refrain from voting on such matter. If required, an independent committee may be formed to consider

**Nomination of Directors**

5. Disclose what steps, if any, are taken to identify new candidates for board nomination, including: (i) who identifies new candidates, and (ii) the process of identifying new candidates.

such matters, in the absence of interested directors, and make recommendations to the Board.

The Corporation distributes a copy of the Code to each new employee. The Board has implemented an accounting and internal control irregularity policy, also known as a "whistleblower policy". In addition, the Chief Executive Officer and Chief Financial Officer of the Corporation reinforce expectations in meetings with corporate personnel and during site visits.

The Board has a Corporate Governance and Nominating Committee currently composed of five directors, four of whom are independent, within the meaning of Section 1.4 of NI 52-110.

The Governance and Nominating Committee acts as a nominating committee to consider if and when new individuals are to be proposed for election/appointment to the Board, having regard to the competencies, skills and personal qualities of the candidates and existing members of the Board.

The Board has adopted a written charter for the Corporate Governance and Nominating Committee. That Charter provides that the Committee has responsibility for: (i) considering the membership needs of the Board and its committees, reviewing, from time to time, the composition of the Board and its committees and, as considered appropriate, making recommendations to the Board as to its size and the membership of its committees and the skills and competencies required of Board and committee members to promote effective and efficient decision-making; (ii) evaluating the various committees established by the Board and their respective charters, evaluating the performance of the chairman of each Board committee and reporting to the Board the results of such evaluations; (iii) assessing the effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors; (iv) considering and, where appropriate, approving requests from directors or committees of directors respecting the engagement of special advisers; and (v) annually reviewing and reporting to the Board with respect to the adequacy of the Charter of the Corporate Governance and Nominating Committee. The Charter of the Corporate Governance and Nominating Committee also provides for a number of administrative matters, including the quorum for meetings of the Committee and the engagement of independent counsel and other advisors to assist the Committee in its deliberations.

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**Compensation**

6. Disclose what steps, if any, are taken to determine compensation for the directors and Chief Executive Officer, including: (i) who determines compensation, and (ii) the process of determining compensation.

The Board has a compensation committee (the "**Compensation Committee**") currently composed of five directors, four of whom are independent within the meaning of Section 1.4 of NI 52-110.

The Compensation Committee, in conjunction with the Board, periodically reviews the base salary and other compensation of the Corporation's Chief Executive Officer, keeps itself apprised of non-CEO officer compensation and provides the Chief Executive Officer (who has responsibility for establishing the terms of employment of officers other than himself) with such advice and direction as may be solicited by the Chief Executive Officer or as the Compensation Committee may consider appropriate in relation to non-CEO officer compensation. In addition, the Compensation Committee makes recommendations to the Board relating to director compensation, and following consideration of such recommendations, the Board determines director compensation.

The Board has adopted a written charter for the Compensation Committee. That Charter provides that the Compensation Committee has responsibility for: (i) annually reviewing the compensation policies and guidelines for the Corporation and, if the Compensation Committee considers any changes to such policies and guidelines to be appropriate, recommending such changes to the Board for its consideration; (ii) reviewing the base salary and other compensation of the Corporation's Chief Executive Officer, keeping itself apprised of non-CEO officer compensation and providing to the Chief Executive Officer (who has responsibility for establishing the terms of employment of officers other than himself) such advice and direction as may be solicited by the Chief Executive Officer or as the Committee may consider appropriate in relation to non-CEO officer compensation; (iii) annually conducting performance appraisals of the Chief Executive Officer and such other executive management as the Compensation Committee may determine, and reporting to the Board the results of such performance appraisals; (iv) annually reviewing the Corporation's executive incentive and benefit plans, bonus plans and security-based compensation arrangements, and, if the Compensation Committee considers any changes to such plans and arrangements to be appropriate, recommending such changes to the Board for its consideration; (v) reviewing management's reports to the Compensation Committee on human resources; (vi) reviewing the executive compensation disclosure contained in any management information circular to be forwarded to securityholders of the Corporation and, if the Compensation Committee considers such disclosure to be appropriate, recommending approval of such disclosure to the Board; (vii) annually reviewing the compensation arrangements

established for the benefit of directors of the Corporation and the Chairman of the Board and, if the Compensation Committee considers any changes to such arrangements to be appropriate, recommending such changes to the Board for its consideration; (viii) reviewing any management contracts, change of control agreements, indemnity agreements, and significant consulting contracts and making recommendations to the Board respecting the results of such review; and (ix) annually reviewing and reporting to the Board on the adequacy of the Compensation Committee Charter.

No consultants or advisors were retained during the 2014 financial year for the purpose of assisting the Board with determining Board or management compensation.

**Other Board Committees**

7. If the board has standing committees other than the audit, compensation and nominating committees, identify the committees and describe their function.

The Board has no other standing committees.

**Assessments**

8. Disclose whether or not the board, its committees and individual directors are regularly assessed with respect to their effectiveness and contribution. If assessments are regularly conducted, describe the process used for the assessments. If assessments are not regularly conducted, describe how the board satisfies itself that the board, its committees, and its individual directors are performing effectively.

The Board has implemented procedures to assess the Board and individual directors. Such assessments are to be carried out under the direction of the Corporate Governance and Nominating Committee, which is to report its findings to the Board.

## SCHEDULE "B"

### FORM 52-110F2 AUDIT COMMITTEE DISCLOSURE

#### 1. The Audit Committee's Charter

The Corporation's Audit Committee Charter is attached hereto as **Exhibit 1**.

#### 2. Composition of the Audit Committee

The audit committee of the Corporation (the "**Audit Committee**") consists of as many members as the board of directors (the "**Board**") shall determine, but in any event not fewer than three (3) members who are appointed by the Board. The composition of the Audit Committee shall meet all applicable independence, financial literacy and other legal and regulatory requirements. The majority of the members of the Audit Committee shall be free from any relationship that, in the opinion of the Board, would reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee, and at least one (1) member shall have "accounting or related financial experience". For the purposes of the Audit Committee's terms of reference, the definition of "financially literate" is the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can presumably be expected to be raised by the Corporation's financial statements.

The Board has appointed Micky Tsui, S. Graeme Ross (Chairman), Bruce Howard, David Lambert and Walter Andri as members of the Audit Committee. All members of the Audit Committee are "financially literate" as that term is defined in National Instrument 52-110 – *Audit Committees* ("**NI 52-110**") and are "independent" as that term is defined in NI 52-110 except for Bruce Howard who is not independent by virtue of his role of CEO.

#### 3. Relevant Education and Experience

Name	Independent of the Corporation	Financially Literate	Relevant Education and Experience
Micky Tsui	Yes	Yes	Mr. Tsui has run White Horse Partner, LLP., a business management and consulting company, since July 2010. Since Oct 2014, Mr. Tsui has served as President and CEO of DataSpan Inc. Between Oct 2009 and May 2010, Mr. Tsui served as Senior Vice President and General Manager of Nuance Communications. Between Dec 2000 and Dec 2008, Mr. Tsui served as Senior Vice President and General Manager of Avaya.
S. Graeme Ross	Yes	Yes	Mr. Ross has been President and Director of Bovinia Inc. (a private consulting company) since 1993. Since June 2014, Mr. Ross has been a financial advisor with Goodfellows Financial Services in St Catherines, Ontario. Between Sep 2009 and Jun 2014, Mr. Ross was a financial advisor with HollisWealth.

Bruce Howard	No	Yes	Over the course of his career, Mr. Howard has worked with companies including Ameritech Advertising Services, Southeast Directory Company, and America's Directories South. Mr. Howard has been the CEO of UFM since August 1999.
David Lambert	Yes	Yes	Mr. Lambert began his career with Ameritech and SBC Communications Inc. where he spent 17 years. He held the position of Director of Finance with broad management responsibilities including work on the SBC acquisition in 1999. He also served as Comptroller at HTC Global Services, a worldwide IT solutions provider for two years. Mr. Lambert currently oversees the financial, administrative and production activities of User-Friendly Media.
Walter Andri	Yes	Yes	Mr. Andri is currently Principal of Ignite Consulting, a firm he founded to help clients make better decisions, reduce costs, build more effective organizations and develop outstanding technology strategies. Mr. Andri is also currently Managing Director and President of Avaya Canada. Prior to this, Mr. Andri was Senior Vice President of Primus Telecommunications, Vice President Small and Medium Business at TELUS and Vice President Channels for Koodo Mobile.

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

The Audit Committee has not made a recommendation to the Board to nominate or compensate an external auditor that has not been adopted by the Board.

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

Since the commencement of the Corporation's most recently completed financial year, the Corporation has not relied on the exemptions contained in Section 2.4 (*De Minimis Non-audit Services*) or Section 8 (*Exemptions*) of NI 52-110.

Section 2.4 provides an exemption from the requirement that the Audit Committee must pre-approve all non-audit services to be provided by the auditor, where the total amount of fees related to the non-audit services are not expected to exceed five percent (5%) of the total fees payable to the auditor in the fiscal year in which the non-audit services were provided. Section 8 permits a company to apply to a securities regulatory authority for an exemption from the requirements of NI 52-110, in whole or in part.

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

Formal policies and procedures for the engagement of non-audit services have yet to be formulated and adopted. Subject to the requirements of NI 52-110, the engagement of non-audit services is considered by the Board, and where applicable by the Audit Committee, on a case by case basis.



## 7. External Auditor Service Fees (By Category)

The aggregate fees charged to the Corporation by the external auditors for last two fiscal years are as follows:

Nature of Services	Fees Paid to Auditor in Year-ended December 31, 2014	Fees Paid to Auditor in Year-ended December 31, 2013
Audit Fees <sup>(1)</sup>	\$75,000	\$75,000
Audit-Related Fees <sup>(2)</sup>	\$Nil	\$Nil
Tax Fees <sup>(3)</sup>	\$Nil	\$Nil
All Other Fees <sup>(4)</sup>	\$Nil	\$Nil
Total	\$75,000	\$75,000

Notes:

- "Audit Fees" include fees necessary to perform the annual audit and any quarterly reviews of the Corporation's financial statements. This includes fees for the review of tax provisions and for accounting consultations on matters reflected in the financial statements. This also includes audit or other attest services required by legislation or regulation, such as comfort letters, consents, reviews of securities filings and statutory audits.
- "Audit-Related Fees" include fees for assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are not included in "Audit Fees".
- "Tax Fees" include fees for professional services rendered by the Corporation's auditors for tax compliance, tax advice and tax planning.
- "All Other Fees" include fees for products and services provided by the Corporation's auditors other than the services included in "Audit Fees", "Audit-Related Fees" and "Tax Fees".

## 8. Exemption

The Corporation is relying on the exemption provided by section 6.1 of NI 52-110 which provides that the Corporation, as a venture issuer, is not required to comply with Part 3 (Composition of the Audit Committee) and Part 5 (Reporting Obligations) of NI 52-110.

## EXHIBIT "I"

### Audit Committee Charter

#### 1. PURPOSE

- (a) The primary function of the Audit Committee (the "**Committee**") is to assist the Board in fulfilling its responsibilities relating to the integrity of the Corporation's financial statements including the financial reporting process and systems of internal controls, the compliance by the Corporation with legal and regulatory requirements and the qualifications, performance and independence of the Corporation's external auditor by reviewing:
1. the financial information that will be provided to the shareholders and others;
  2. the systems of internal controls management and the Board have established; and
  3. all audit processes.
- (b) Primary responsibility for the financial reporting, information systems, risk management and internal controls of the Corporation is vested in management and is overseen by the Board. While the Committee has the responsibilities and powers set forth in these terms of reference, it is not the duty of the Committee to plan or conduct audits or to determine that the Corporation's financial statements are complete and accurate and are in accordance with Canadian generally accepted accounting principles. These are the responsibilities of management and the external auditor. Nor is it the duty of the Committee to conduct investigations, to resolve disagreements, if any, between management and the external auditor or to assure compliance with laws and regulations.

#### 2. COMPOSITION AND OPERATIONS

- (a) The Committee shall be composed of not fewer than three directors and not more than five directors, none of whom shall be officers or employees of the Corporation or any of its subsidiaries. The Committee shall only be comprised of unrelated directors. In addition, the Committee shall meet the requirements of the *Business Corporations Act* (Alberta) and the CSE with respect to the composition of audit committees. The Committee shall have a Chairman, who is a full member of the Committee, and who is appointed by the Board. The Chairman shall have a casting vote in the event of a tie on the Committee.
- (b) The Corporation's auditors shall be advised of the names of the committee members and when appropriate will receive notice of and be invited to attend meetings of the Audit Committee, and to be heard at those meetings on matters relating to the Auditor's duties.
- (c) The Committee shall meet with the external auditors as it deems appropriate to consider any matter that the Committee or auditors determine should be brought to the attention of the Board or shareholders.
- (d) The Committee shall meet at least four times each year.
- (e) The Committee has access to the Corporation's senior management and documents as required to fulfill its responsibilities and is provided with the resources necessary to carry out its responsibilities.

- (f) The Committee provides open avenues of communication among management, employees, external and internal auditors and the Board.
- (g) The secretary to the Committee shall be either the Corporate Secretary or his/her delegate.
- (h) Notice of the time and place of every meeting may be given orally, in writing, by facsimile or by other electronic means to each member of the Committee at least 48 hours prior to the time fixed for such meeting.

A member may, in any manner, waive notice of the meeting. Attendance of a member at a meeting shall constitute waiver of notice.

- (i) A majority of the voting membership of the Committee present in person or by telephone or other electronic telecommunication device shall constitute a quorum.
- (j) The CEO, Board Chair and CFO would be expected to be available to attend meetings or portions thereof.

The external auditors would meet at least twice annually with the Committee and would be expected to be available to attend meetings or portions thereof as requested by the Committee.

The Committee may, by specific invitation, have other resource persons in attendance to assist in the discussion and consideration of matters relating to the Audit Committee.

The Committee shall have the right to determine who shall and who shall not be present at any time during a meeting of the Committee.

- (k) Minutes of Committee meetings shall be approved by the Committee Chair and maintained at Head Office by the Committee Secretary or designate. Minutes of Committee Meetings shall be sent to all Directors of the Board.

### **3. DUTIES AND RESPONSIBILITIES**

Subject to the powers and duties of the Board, the Committee will perform the following duties:

- (a) Financial Statements and Other Financial Information

The Committee will review and recommend for approval to the Board financial information that will be made publicly available. This includes:

1. review and recommend approval of the Corporation's annual financial statements and MD&A and report to the Board of Directors before the statements are approved by the Board of Directors;
2. review and approve for release the Corporation's quarterly financial statements, MD&A and press release;
3. review and approve for release all earnings press releases, press releases containing other financial information and any earnings or other financial performance guidance provided to analysts or rating agencies;
4. review and recommend to the Board for approval, the financial content of the annual report and any reports required by government or regulatory authorities;

5. review the Annual Information Form and any Prospectus/Private Placement Memorandums; and
6. review any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves.

Review and discuss:

7. the appropriateness of accounting policies and financial reporting practices used by the Corporation;
8. any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;
9. any new or pending developments in accounting and reporting standards that may affect the Corporation;
10. management's key estimates and judgments that may be material to financial reporting; and
11. any other matters required to be reviewed under applicable legal, regulatory or stock exchange requirements.

(b) Risk Management, Internal Control and Information Systems

1. review the Corporation's risk management controls and policies;
2. obtain reasonable assurance that the information systems are reliable and the systems of internal controls are properly designed and effectively implemented through discussions with and reports from management and the external auditor;
3. review management steps to implement and maintain appropriate internal control procedures including a review of policies;
4. review adequacy of security of information, information systems and recovery plans;
5. monitor compliance with statutory and regulatory obligations;
6. review the appointment of the Chief Financial Officer; and
7. review the adequacy of accounting and finance resources.

(c) Internal Audit

The Committee will oversee the Corporation's internal audit function and the internal audit relationship with the auditor and with management. This includes:

1. review the organization and independence of the internal auditor;
2. review goals, resources and work plans;
3. review any restrictions or problems;

4. review recommendations and significant responses;
5. meet periodically and at least annually, with the internal auditor without management present; and
6. review proposed changes in the Chief Internal Auditor.

(d) External Audit

The Committee will review the planning and results of external audit activities and the ongoing relationship with the external auditor. This includes:

1. review and recommend to the Board, for shareholder approval, engagement of the external auditor including, as part of such review and recommendation, an evaluation of the external auditors' qualifications, independence and performance;
2. review and recommend to the Board the annual external audit plan, including but not limited to the following:
  - a. engagement letter;
  - b. objectives and scope of the external audit work;
  - c. procedures for quarterly review of financial statements;
  - d. materiality limit;
  - e. areas of audit risk;
  - f. staffing;
  - g. timetable; and
  - h. proposed fees.
3. meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of accounting policies and underlying estimates;
4. review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:
  - a. any difficulties encountered, or restriction imposed by management, during the annual audit;
  - b. any significant accounting or financial reporting issue;
  - c. the auditors' evaluation of the Corporation's system of internal controls, procedures and documentation;
  - d. the post audit or management letter containing any findings or recommendation of the external auditor, including management's response thereto and the subsequent follow-up to any identified internal control weaknesses;

- e. any other matters the external auditor brings to the Committee's attention; and
  - f. assess the performance and consider the annual appointment of external auditors for recommendation to the Board.
5. review the auditor's report on all material subsidiaries;
  6. review and receive assurances on the independence of the external auditor;
  7. review the non-audit services to be provided by the external auditor's firm or its affiliates (including estimated fees), and consider the impact on the independence of the external audit; all of which services shall be subject to pre-approval by the Committee; and
  8. meet periodically, and at least annually, with the external auditor without management present.
- (e) Other
1. review insurance coverage of significant business risks and uncertainties including Directors and Officers coverage;
  2. review material litigation and its impact on financial reporting;
  3. review the company's use of derivative financial instruments and provide recommendations to the Board;
  4. review the company's "Level of Authority Document" and provide recommendations to the Board;
  5. review fees paid to outside professional consultants i.e.: lawyers, accountants, other than consultants placed in operations in lieu of full time staff;
  6. review company loans to Executive/Employees/consultants;
  7. review policies and procedures for the review and approval of officers expenses and perquisites;
  8. establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters and the confidential, anonymous submission by employees of concerns regarding questionable accounting or auditing matters;
  9. review and approve all hiring of employees and former employees of the present or former external auditor of the Corporation and review and approve the Corporation's policies with respect thereto; and
  10. review the terms of reference for the Committee annually and make recommendations to the Board as required.

#### **4. ACCOUNTABILITY**

The Committee shall report its discussions to the Board by distributing the minutes of its meetings and where appropriate, by oral report at the next Board meeting.

## **5. STANDARDS OF LIABILITY**

Nothing contained in these terms of reference is intended to expand applicable standards of liability under statutory, regulatory or other legal requirements for the Board or members of the Committee. The purposes and responsibilities outlined in these terms of reference are meant to serve as guidelines rather than inflexible rules and the Committee may adopt such additional procedures and standards as it deems necessary from time to time to fulfill its responsibilities.