



# **AIRBOSS OF AMERICA CORP.**

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**ANNUAL INFORMATION FORM**

**For the year ended December 31, 2015**

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**March 30, 2016**

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## **GENERAL INFORMATION**

Certain information contained in this Annual Information Form has been obtained from publicly available information from third party sources. AirBoss of America Corp. (the “Company” or “AirBoss”) has not verified the accuracy or completeness of any information contained in such publicly available information. In addition, the Company has not determined if there has been any omission by any such third party to disclose any facts, information or events which may have occurred prior to or subsequent to the date as of which any such information contained in such publicly available information has been furnished or which may affect the significance or accuracy of any information contained in any such information and summarized herein.

Unless indicated otherwise, or the context otherwise requires, references in this document to “AirBoss”, “the Company”, “we”, “us”, “our Company”, or “our” refer to AirBoss of America Corp. and its consolidated subsidiaries, except when it is clear that such terms refer to AirBoss of America Corp. only. All dollar amounts shown are in US dollars unless otherwise indicated.

## **FORWARD-LOOKING STATEMENTS**

Certain statements contained or incorporated by reference herein, including those that express management’s expectations or estimates of future developments or AirBoss’ future performance, constitute “forward-looking statements” within the meaning of applicable securities laws and can generally be identified by words such as “will”, “may”, “could”, “expects”, “believes”, “anticipates”, “forecasts”, “plans”, “intends” or similar expressions. These statements are not historical facts but instead represent management’s expectations, estimates and projections regarding future events and performance.

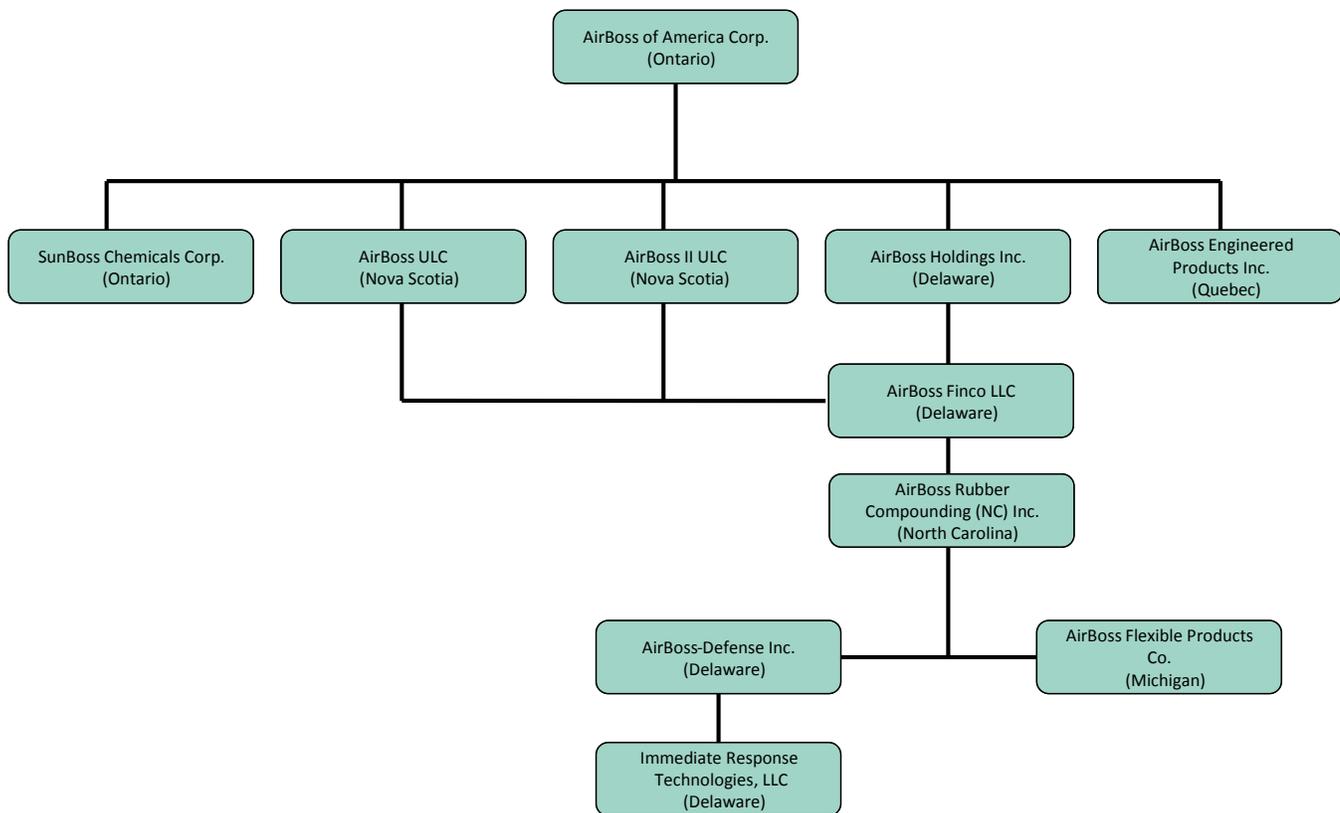
Forward-looking statements are necessarily based upon a number of estimates and assumptions that, while considered reasonable by management at the time the statements are made, are inherently subject to significant business, economic and competitive risks, uncertainties and contingencies. AirBoss cautions that such forward-looking statements involve known and unknown contingencies, uncertainties and other risks that may cause AirBoss’ actual financial results, performance, or achievements to be materially different from its estimated future results, performance or achievements expressed or implied by those forward-looking statements. Numerous factors could cause actual results to differ materially from those in the forward-looking statements, including without limitation: impact of general economic conditions, its dependence on key customers; cyclical trends in the tire and automotive, construction, mining and retail industries; sufficient availability of raw materials at economical costs; weather conditions affecting raw materials, production and sales; AirBoss’ ability to maintain existing customers or develop new customers in light of increased competition; AirBoss’ ability to successfully integrate acquisitions of other businesses and/or companies or to realize on the anticipated benefits thereof; changes in accounting policies and methods, including uncertainties associated with critical accounting assumptions and estimates; changes in the value of the Canadian dollar relative to the US dollar; changes in tax laws and potential litigation; ability to obtain financing on acceptable terms; environmental damage caused by it and non-compliance with environmental laws and regulations; potential product liability and warranty claims and equipment malfunction.

This list is not exhaustive of the factors that may affect any of AirBoss’ forward-looking statements. All of the forward looking information in this Annual Information Form is expressly qualified by these cautionary statements. Investors are cautioned not to put undue reliance on forward-looking statements. All subsequent written and oral forward-looking statements attributable to AirBoss or persons acting on its behalf are expressly qualified in their entirety by this notice. Forward-looking information contained herein is made as of the date of this Annual Information Form and, whether as a result of new information, future events or otherwise, AirBoss disclaims any intent or obligation to update publicly these forward-looking statements except as required by applicable law. Risks and uncertainties about AirBoss’ business are more fully discussed and discussed under the heading “Risk Factors” beginning on page 11.

## THE COMPANY

AirBoss of America Corp. was formed under the *Business Corporations Act* (Ontario) upon the amalgamation of Greenstrike Gold Corp. and 846241 Ontario Limited under the name “IATCO Industries Inc.” on October 13, 1989. The articles of amalgamation were amended by articles of amendment filed on April 18, 1994 to change its name to “AirBoss of America Corp.” On December 31, 1996, the Company, through its subsidiary ITRM Inc., purchased substantially all of the assets of International Technical Rubber Manufacturing Inc. ITRM Inc. was amalgamated with AirBoss on July 1, 1998. The Company maintains its registered office and head office at 16441 Yonge Street, Newmarket, Ontario, L3X 2G8.

In addition to the parent company, AirBoss of America Corp., operations are carried on by the following six wholly-owned operating subsidiaries: AirBoss Rubber Compounding (NC) Inc., AirBoss Engineered Products Inc./AirBoss Produits d’Ingénierie Inc., AirBoss-Defense Inc., AirBoss Flexible Products Co., Immediate Response Technologies, LLC and SunBoss Chemical Corp. AirBoss ULC, AirBoss ULC II, AirBoss Holdings Inc. and AirBoss Finco LLC are holding companies incorporated as part of the acquisitions of AirBoss Flexible Products Co. and Immediate Response Technologies, LLC. None of these entities carry on any operations on behalf of AirBoss.



## OUR BUSINESS

AirBoss is a group of complementary businesses using compounding technology and engineering expertise to create value for its customers, through the design, development, manufacture and sale of rubber compounds and specialty finished products to industrial customers, the automotive industry and the defense, first response and healthcare markets. AirBoss operates in three business segments: AirBoss Rubber Compounding; AirBoss Engineered Products; and Automotive. Each of these segments is discussed in detail under the section entitled “Description of the Business” below.

### AirBoss Rubber Compounding

AirBoss, through its AirBoss Rubber Compounding division and AirBoss Rubber Compounding (NC) Inc., is engaged in custom rubber compounding, supplying mixed rubber for use in mining, transportation, industrial rubber products, military, automotive, conveyor belting, and other products, primarily in North America. With a capacity to supply over 250 million pounds of rubber compounds annually, AirBoss Rubber Compounding is one of North America’s largest custom rubber compounding companies and is located in Kitchener, Ontario and Scotland Neck, North Carolina, USA. SunBoss Chemicals Corp. sources chemicals used in the rubber compounding business for both internal consumption and external sales to customers who mix compounds internally, and its financial results are included in the financial disclosure provided in respect of the AirBoss Rubber Compounding business.

### AirBoss Engineered Products

AirBoss Engineered Products division operates a Defense products line and an Industrial products line out of Acton Vale, Quebec, Bromont, Quebec and Landover, Maryland, USA. AirBoss Engineered Products Inc. /AirBoss Produits d’Ingénierie Inc. (or “AEP”), AirBoss-Defense Inc. and Immediate Response Technologies, LLC (“IRT”) collectively operate our Defense business, which is a leader in the development, manufacture and sale of Chemical, Biological, Radiological and Nuclear (“CBRN”) protective equipment and related products for military, first response and healthcare applications. IRT was acquired by AirBoss-Defense Inc. on July 24, 2015. AEP also operates our Industrial products business, which develops and manufactures calendered, extruded and molded products for a broad range of applications and industries.

### Automotive

AirBoss Flexible Products Co. operates our Automotive division and is a leading manufacturer and supplier of innovative and cost-effective anti-vibration and noise dampening solutions primarily to the North American automotive market. Our Automotive division designs, engineers and manufactures rubber, synthetic rubber and rubber-to-metal bonded products that are used to eliminate or control undesired vibration and noise, to enhance interior comfort, increase the durability of a vehicle and improve the overall experience of a vehicle’s passengers.

### Contributions to Consolidated Revenue

The breakdown of the percentage contribution towards AirBoss consolidated revenues for 2015 and 2014 for each business segment is set out in the chart below:

<b>Business Segment</b>	<b>Contribution in 2015</b>	<b>Contribution in 2014</b>
AirBoss Rubber Compounding	36%	44%
AirBoss Engineered Products	17%	15%
Automotive	47%	41%

## GENERAL DEVELOPMENT OF THE BUSINESS

### Developments in the last three years

#### **AirBoss Rubber Compounding**

In general, lower commodity prices for natural and synthetic rubber over the past few years have negatively impacted revenues at Rubber Compounding. In addition, within the last two years sales volume from traditional customer segments, primarily from the resources sector, has declined. However, the implementation of operational efficiency initiatives, the diversification of our customer base and the transition to higher margin compounds have resulted in improved operating and financial performance for AirBoss Rubber Compounding over the last three years, with increasing gross margins and profitability at the division despite the lower revenue and sales volume.

#### **AirBoss Engineered Products**

##### *Defense Products*

On the whole, defense spending has remained relatively low over the period due to factors such as budget sequestration in the U.S. and uncertain global political and economic environments that have affected government spending in the U.S. and the rest of the world. This has impacted demand for our Defense products globally since 2013.

On July 24, 2015, we acquired IRT to expand the product offering and customer base of our Defense business, and we expect it will provide a platform of future products and programs to support growth when defense-related spending increases. This acquisition is discussed below under the section entitled “ – Significant Acquisitions”. Following the acquisition of IRT, we have begun the integration of its business with our existing Defense products and personnel. As part of the integration process, we also undertook certain restructuring actions in 2015, including the closure of our facility in Vermont and the transfer of its manufacturing equipment and activity to our Acton Vale, Quebec facility.

##### *Industrial Products*

In 2015, the Industrial products business experienced softness in demand compared to 2014, as macroeconomic conditions negatively impacted many of its market segments. In light of the challenges facing this business, management remains focused on business development projects for new customers and diversified end-use applications.

#### **Automotive**

Our Automotive division was established with the acquisition of AirBoss Flexible Products Co. in October 2013, to add to our speciality rubber products offering with injection molding capabilities for the automotive industry. Since that time, profitability at Automotive continues to grow as a result of the strong manufacturing environment in the automotive sector, and in particular in the North American market as a result of increased demand in the light truck segment across all manufacturers, and improved customer penetration through the sale of a broader product mix to key customers. The acquisition has positively impacted the Company’s consolidated performance contributing to increased revenue, gross margins, and overall profitability.

### *Other Developments*

In December 2015, AirBoss amended its senior secured credit facilities to, among other things, increase borrowing availability to approximately \$138 million, extend the maturity of the facilities and increase flexibility under the governing credit agreement to support future growth opportunities. The increased availability is comprised of an increased \$60 million revolving facility, a term loan of \$75 million (consolidating the two prior outstanding acquisition financing loans), a term loan of C\$4.3 million (unchanged from the prior facility) and an accordion feature of up to an additional \$50 million of availability, upon the satisfaction of customary conditions for such features. The maturity dates of the revolving credit facility and the US dollar term loan were extended from October 2018 to December 2020, while the maturity date of the Canadian dollar term loan remains at October 2018.

### **Significant Acquisitions**

On July 24, 2015, AirBoss, through its wholly-owned subsidiary AirBoss-Defense Inc., acquired all of the membership interests of IRT, a privately-owned U.S. company that is a leading provider of personal protection and safety products for CBRN hazards, as well as communicable diseases and respiratory threats for the military, first responder, healthcare, law enforcement and industrial communities. The acquisition was made for initial cash consideration of \$36.7 million, subject to working capital adjustments, with the potential for additional earn-out payments in a combination of cash and equity having a maximum aggregate value of up to approximately \$25 million, subject to the achievement of specific performance objectives over the 60 month period following the close of the transaction. The acquisition consideration and related expenses were financed with cash on hand and debt, with the Company utilizing a new \$38 million term loan under its existing debt facilities. Further information on the transaction can be found in the Business Acquisition Report Form 51-102F4 filed by the Company on SEDAR at [www.sedar.com](http://www.sedar.com) in respect of the acquisition, which is hereby incorporated by reference into this Annual Information Form.

## DESCRIPTION OF THE BUSINESS

### **AirBoss Rubber Compounding**

Our Rubber Compounding division manufactures over 1,700 different custom compounds from various synthetic polymers and/or natural rubber, strengthening agents and various additives and chemicals, for a wide variety of customers in North America from its locations in Kitchener, Ontario and Scotland Neck, North Carolina. Formulas are developed by Rubber Compounding's chemists and technical staff to meet specific customer requirements or are supplied by the customer.

Management believes the main advantage the Company has over many of its competitors is its large capacity, state-of-the-art equipment and the high level of automation of its production processes. This allows the Company to maximize efficiency due to larger batch sizes and shorter production cycles. The Company provides its customers with consistent quality products from thorough quality control processes, continuous improvement initiatives, sourcing of high quality raw materials and blending production batches. Increased compound homogeneity is a key factor in improving the quality of end products.

Custom compound development is crucial in both maintaining customer relationships and developing new business. The Company has established a complete compound research and development laboratory, A2UL certified, which is separate from its quality control laboratory.

### *Facilities*

The Kitchener facility includes approximately 950,000 square feet of manufacturing and warehouse space, and 50,000 square feet of office space. The facility in North Carolina is a 150,000 square foot with manufacturing and office space. AirBoss Rubber Compounding also conducts research and development from a small facility in Raleigh, North Carolina.

### *Markets*

The Company's custom rubber compounds are used in the manufacture of solid tires, off-road pneumatic tire retreads, conveyor belting, mining products, automotive parts, and other industrial rubber products in the construction, infrastructure, oil & gas and other markets. No single market or industry accounted for more than 27% of the revenues at AirBoss Rubber Compounding in 2015. One of the factors that management believes distinguishes AirBoss in the industry is the high percentage of its business that is focused on diverse industrial markets, in comparison to most of the other North American custom compound manufacturers whose business is primarily automotive based, and accordingly exposed to the cyclicity of a single industry.

### *Competition*

Recent consolidations and prevailing market conditions have resulted in a very competitive environment where manufacturing efficiency and worldwide raw material purchasing are key requirements for success. The Company's largest competitor in North America is Hexpol AB, which has recently consolidated several North American custom compounders and now has a stated capacity of 440,000 metric tons (or approx. 1 billion pounds) of rubber compound annually in North America.

Except for Hexpol, competitors in the United States generally have smaller manufacturing capacity than AirBoss and are typically more specialized. Of the remaining competitors in North America, we believe that three possess capacity to process over 100 million pounds of rubber annually, four have between 50-100 million pounds of rubber compound capacity and the rest have fewer than 50 million pounds of rubber compound capacity. Capacity is a strategic variable governing the ability to produce competitively priced compounds and to sustain research and development activities. Another key competitive factor is the location of the Company's manufacturing facilities, as freight costs and exchange rates impact cost competitiveness. The location of the

Company's manufacturing facilities in Kitchener, Ontario and Scotland Neck, North Carolina allows it to benefit from close proximity to the United States and Canadian industrial heartlands and an efficient highway system.

### *Marketing, Sales and Distribution*

Rubber compounds are sold through highly trained sales personnel with access to significant technical resources, including an extensive product development laboratory and experienced polymer chemists. The Company advertises in industry trade publications and on the Internet, and participates in industry trade conventions in North America. The current customer base encompasses most industrial rubber segments in North America.

Distribution costs represent a significant proportion of total product cost, and accordingly it is advantageous to be close to major markets and customers. In addition, many rubber compounds do not have a long shelf life and short shipping distances help preserve product quality. With the Company's facilities in the south-eastern United States and Kitchener's close proximity to industrialized areas in Canada and the United States such as the Ohio Valley, AirBoss believes it is well situated to serve major rubber-based manufacturing markets.

### *Manufacturing*

The majority of the mixing of custom rubber compounds for both internal use and sale to external customers is done at the Company's facility in Kitchener, Ontario. The plant is ISO 9001:2008, ISO 14001:2004 and OHSAS 18001:2007 registered. The manufacturing process is capital intensive. AirBoss Rubber Compounding operates five mixers at its Kitchener location with a mixing capacity of 180 million pounds annually (depending on product mix). The mixers and material handling within the plant are highly automated. The Company utilizes the latest modern technology for the automated handling of many different grades of carbon black as well as custom designed robotic equipment for piling and packaging of finished compound in strip form. Batch sizes of each of the five mixers range up to almost 800 pounds in batch cycle times ranging from two to five minutes.

The facility in Scotland Neck, North Carolina with 50 million pounds annual rubber mixing capacity supplements the capabilities of the Kitchener plant. The Kitchener and Scotland Neck facilities, combined with approximately 20 million pounds of capacity the Company maintains in its AEP facility in Acton-Vale, Quebec, provide a combined custom rubber compound capacity of up to 250 million pounds annually.

### **AirBoss Engineered Products**

AirBoss Engineered Products operates in Canada and the United States and is comprised of two product lines; Defense products and Industrial products. Defense products accounted for 54% of Engineered Products' sales in 2015, and include hand, foot and respiratory protective wear (gloves, over-boots, boots, gas masks and filters), respiratory systems such as powered air purifying respirators ("PAPRs") and shelters and infectious disease isolation systems ("ISOPods") for military, first response, law enforcement and healthcare applications. The Industrial products line includes a wide variety of non-vulcanized products for the tire retreading, recreational vehicle, industrial hose, construction and other industries, and accounted for the remaining 46% of Engineered Products' sales in 2015. AirBoss Engineered Products is supported by internal research and development for customised product design and development.

### *Facilities*

Both product lines share manufacturing, development and administrative resources at our facility in Acton-Vale, Quebec, which is a 260,000 square foot facility. Research and development, sales and administrative functions for Defense are located in a 15,000 square foot facility in Bromont, Quebec and additional research & development, manufacturing and administrative resources for Defense are located in our 76,000 square foot facility in Landover, Maryland.

## *Markets*

AirBoss Defense markets its products globally to customers in the armed forces and other military organizations, law enforcement agencies, first responder organizations and in the healthcare and industrial communities. In particular, we market our gas masks, rubber gloves, boots and over-boots for military, law enforcement and first responder applications requiring CBRN contaminant protection and also develop and supply extreme cold weather (“ECW”) footwear protection for military use and rubber compounds and pre-forms for military tank track repair. Following the acquisition of IRT in 2015, AirBoss Defense now offers additional products specializing in CBRN protection, including rapidly deployable shelters and ISOPDs, PAPRs and filter canisters for these same markets.

Industrial products are sold in North America to companies which require large-scale high volume calendered products (rubber on fabric), extruded rubber products, rubber mixed products, molded products and strained rubber (to remove impurities).

## *Competition*

Our Defense products business competes in all markets with several North American and European-based companies. With respect to CBRN hand and footwear, we believe the design of our over-boot is unique in the CBRN marketplace and that competitors in the glove market tend to manufacture less expensive products of varying quality levels that often do not offer the same level of protection as AirBoss’ gloves. In general, advantages of our rubber-based Defense products (such as hand and footwear and gas masks) over our competitors’ products include a proven longer protective life and the ability for our products to be decontaminated under field conditions. The technological advantages for many of our protective products result from extensive rubber compound development that has gone into the products. Largely because of jointly-developed design features and superior product performance, our CBRN gloves and over-boots are currently the preferred choice of many western militaries including the US Joint Services and the Canadian armed forces, and our C4 gas mask is currently the only gas mask purchased by the Canadian Department of Defense. AirBoss is the only remaining manufacturer of firefighter boots and ECW boots in North America, and competition is primarily imports from Asia. We are a PAPR supplier to most of the companies competing in the gas mask and filter space, and we therefore benefit from a large portion of their tactical customers. Further, our PAPRs have the advantage of being approved by the National Institute for Occupational Safety and Health (“NIOSH”) and are supported by such customers as the US National Guard Bureau. For respiratory products, we also obtain a competitive advantage due to our in-house filter production capability. We expect that the launch of our new low burden gas mask (LBM) combined with a PAPR system (once NIOSH approved) will create additional opportunities to gain more traction in the gas mask and filter markets. Various competitors manufacture products that are similar to our ISOPDs and shelters, but we believe AirBoss Defense has a strong footprint and reputation in the CBRN community (both military and civilian). Opportunities exist to expand into other military, healthcare and first responder markets, and there has been a recent consolidation of competitors in this area.

The main competitors for Industrial products are US-based custom rubber mixers which provide calendered and extruded products as well as a number of companies located in Quebec. In this segment, AirBoss’ competition includes Hexpol (mixing, extrusion, calendering) and Soucy-Techno Inc. (mixing).

## *Marketing, Sales and Distribution*

Defense products are primarily marketed to our customers in North America (including the Canadian and U.S. armed forces) directly by in-house business development and contract managers, and to our international customers through both direct sales efforts and a network of independent agents. The Company also deals directly with prime contractors and distributors in the U.S., Europe, Asia and the Middle-East that bid on complete CBRN clothing ensembles, which include suits as well as gloves, over-boots and gas masks, or on other larger product offerings that could include our Defense products. A key strategy of the Company is to work with government program managers, bulk purchasing agents and acquisition agencies to incorporate the most stringent specifications for applicable products into their solicitations. Fire protective footwear and certain CBRN

protective wear products targeted to the first response market are sold through an arrangement with a distributor in Canada and the United States. Price, prompt delivery and excellent customer service are crucial to maintaining and increasing market share.

Industrial products are generally marketed and sold directly to customers by our in-house business development and sales personnel. These products are shipped to their destination from our Acton-Vale facility via third party carriers.

### *Manufacturing*

The CBRN boots, gloves and gas mask face plates and components and many of the related rubber compounds are manufactured in Acton-Vale, together with assembly, inspection and packaging of these products. Gas mask filters, PAPRs, decontamination shelters, ISOPODs, and thermal targeting materials are manufactured, assembled, inspected and packaged in Landover.

Manufacture of all Industrial products and production of rubber compounds used for the manufacture of Defense and Industrial products occurs in the Acton-Vale facility, which includes rubber mixing, calendaring and extruding equipment as well as 12 molding injection presses and two compression presses.

### **Automotive**

Our Automotive division designs, engineers, manufactures and sells injection molded and metal bonded anti-vibration and noise-suppression products (including exhaust hangers, engine mounts, boots, sway bar bushings and spring insulators) primarily to the North American automotive industry.

### *Facilities*

The research & development, design, manufacture and administrative resources for our Automotive division are located in Auburn Hills, Michigan, where we lease three facilities with combined tooling, prototyping, molding, assembly, and warehousing and office space of 311,000 square feet.

### *Markets*

AirBoss Automotive produces low cost, high quality products primarily for the “big three” North American automakers and major Tier I/II suppliers to both domestic and global automotive manufacturers. Following the acquisition of the Automotive division, we began to focus on expanding our direct sales to automakers beyond the traditional North American manufacturers and in 2015 we began production on parts supplied directly to a major Asian automaker on certain of its vehicle lines.

### *Competition*

We compete with a number of auto part manufacturers of anti-vibration and noise suppressing parts in our markets, including Vibracoustic, Tokai Rubber Industries, ZF Friedrichshafen AG and Hutchinson Antivibration Systems, Inc. We believe our competitive advantages include: long-term customer relationships, sophisticated technical capabilities, cost-effective manufacturing processes and collaborative supplier relationships, which allows for superior speed-to-market response.

### *Marketing, Sales and Distribution*

Automotive products are primarily marketed to our customers (vehicle manufacturers and their Tier I/II suppliers) directly through in-house sales and business development personnel. Our marketing and sales staff is closely supported by our engineering and design personnel; a key advantage, as we believe our customers value our Automotive division as a technical resource for anti-vibration solutions.

Products are shipped from our facilities to their final destinations via third party carriers. Having a steady supply of parts available is fundamental to keeping automotive assembly lines running. Our proximity to automotive manufacturers enables Automotive to meet this deliverable for customers and to support customers with engineering and technical expertise.

### *Manufacturing*

All of our North American auto part manufacturing activity, together with technical sales and engineering, prototyping and tooling, in-house secondary processes, as well as quality and logistics expertise that support the smooth running of manufacturing processes occur at our Auburn Hills facilities. Equipment at the facility includes: 65 injection molding presses with 90 to 800 ton capability; rubber-to-metal bonding capability; automation and assembly; testing and validation and mold shop and tool room with CNC and EDM capabilities. In addition, portions of our parts are manufactured in Asia through a joint venture with a local supplier based on various factors, including customer requirements. All of the rubber compounds used to manufacture our parts in North America are supplied by AirBoss Rubber Compounding.

### **Environmental Matters**

The Company handles hazardous chemicals in its manufacturing process and accordingly is subject to environmental regulation by federal, state, provincial, and local authorities. Manufacturing facilities in Kitchener, Ontario, Scotland Neck, North Carolina and Auburn Hills, Michigan are ISO 14001:2004 certified. The Company has secured liability insurance coverage for potential environmental risks, which the Company believes to be appropriate for the nature of its operations. Management does not anticipate being required to make any significant capital expenditures to comply with applicable environmental regulations, and does not believe that there are any significant financial or operational effects of environmental protection requirements on capital expenditures, earnings or our competitive position now or in the reasonably foreseeable future.

### **Employees**

The number of Company employees as of December 31, 2015 is set out in the table below.

<b>Name of Business</b>	<b>Number of Employees</b>
AirBoss Rubber Compounding	287
AirBoss Engineered Products	306
Automotive	432
Corporate Office	12
<b>Total</b>	<b>1,037</b>

Approximately 147 employees of the AirBoss Engineered Products and 324 Automotive employees are unionized under collective bargaining agreements. The Automotive collective bargaining agreement was renewed in 2014 for a three-year period. The AirBoss Engineered Products collective bargaining agreement was renewed in 2015 for a two-year period.

## **Raw Materials**

All critical raw materials required by the Company, in particular natural rubber, are commodities readily traded in world markets. Synthetic rubber and carbon black costs are affected by, among other things, world petroleum prices. The Company sources its raw materials globally and is not dependent on any single source for its raw materials and to date has been able to secure the amount and quality of raw materials needed to meet production requirements.

## **Intangible Property**

Proprietary technology used in our business includes both patented technology (owned or licensed from third parties) and “know-how” that is not or cannot be the subject of intellectual property protection through registration. We protect our “know-how” by carefully safeguarding its storage, use and transmission, including the use, where appropriate, of confidentiality agreements controlling the dissemination of information. Except for some products in the Defense line, patented technology does not play a significant role in the protection of proprietary technology at AirBoss. AirBoss has registered various trademarks, including “AirBoss”, in Canada and in the United States for use in connection with products from all of its business segments.

## **Sales to Significant Customers**

During the financial year ended December 31, 2015, sales to five customers represented 32% (30% in 2014) of the consolidated sales of the Company. During 2015, one customer represented 8% (10% in 2014) of consolidated sales.

## **RISK FACTORS**

### **Impact of Economic Cycle**

The demand for the Company’s products can vary in accordance with general economic cycles and the economic conditions of the industry sectors that are served by the Company. In addition, such industry sectors are cyclical in nature. The Company is particularly sensitive to trends in the automotive, tire, energy generation, construction, mining and transportation industries because these industries are significant markets for the Company’s business and are highly cyclical. In a severe economic slowdown, prices for coal, copper and other mined materials may fall, affecting demand for conveyor belting, off-road retread tires and other rubber products manufactured by our customers out of rubber compounds manufactured by AirBoss.

### **Dependence on Key Customers and Contracts**

From time to time, a significant portion of the Company’s sales for a given period may be represented by a small number of customers. One customer represents 8% (2014 –10%) of total sales. Five customers represented 32% of sales in 2015 (2014–30%). The loss of any such customers or the delay or cancellation of any orders under certain high-volume contracts could have a significant impact on the Company.

### **Raw Materials and Inventory**

The Company depends on certain outside sources for raw materials used in the production of its products, the price and availability of which are subject to market conditions. As a result, any unforeseen shortage of such raw materials could delay delivery, increase costs and decrease profitability. This occurred in 2008 and recurred in 2011 as the world-wide production of key materials such as synthetic rubber and carbon black did not keep up with demand. The Company was not subject to shortages at that time as it maintains supply sources in different areas of the world. This cannot be relied upon to avoid shortages in the future.

Raw material markets have been extremely volatile with key materials doubling or halving in price within a short period. Excess inventory or shortages could prove costly to the Company in these markets.

The Company does not have long-term supply contracts with its suppliers and purchases most raw materials on a purchase order basis. The price of many raw materials, such as carbon black and synthetic rubber, ethylene propylene diene monomer (“EPDM”) and silicone is directly or indirectly affected by factors such as exchange rates and the price of oil. Although the Company attempts to pass price changes in raw materials on to its customers, it may not always be able to adjust its prices, especially in the short-term, to recover the costs of increased raw material prices. Conversely, if raw material prices decrease significantly and rapidly, the Company may be at risk to recover the cost of any inventory purchased based on demand at higher prices.

The following table approximates the financial impact (assuming changes are not passed along to its customers) on the Company of a 10% **increase** in the cost of its most critical raw materials based upon purchases made in the respective years:

\$Millions Increase (decrease)	Earnings before tax	
	2015	2014
Natural and synthetic rubber	(2.06)	(2.89)
Carbon black	(1.24)	(2.06)
EPDM	(0.68)	(0.69)
Silicone	(1.02)	(0.83)
	<b>(5.00)</b>	(6.47)

### Weather

The Company uses natural rubber in the manufacture of certain rubber products. Weather conditions impact the harvesting season and supply of natural rubber.

Certain products are acquired overseas and are delivered by ocean freight. Weather conditions can impact timely delivery.

### Competition

The Company competes directly against major North American companies in the custom rubber compounding, automotive and industrial rubber product market segments and North American and European companies in the defense product segments. Some of these companies have strong established competitive positions in these markets, including a local presence in international markets where the Company does not. In the case of rubber compounding, the industry leader may have greater resources, both financial and technical, than the Company and has long-standing relationships with some of the Company’s prospective customers using well-established marketing and distribution networks. Furthermore, since there is a commodity-like element to certain segments of the Company’s rubber mixing business, the customers of this business are price sensitive and may be able to purchase their requirements elsewhere in a relatively short period of time. The Company competes with international companies who may also have greater financial resources or who may be sheltered by domestic tariffs. See “Description of the Business” for a more detailed discussion of competition for each of our three business segments.

## Currency Exposure

The Company has revenues and expenses denominated in both Canadian (“CAD”) and US (“USD”) dollars. In addition, the cost to the Company of certain key raw materials and other expense items and the competitiveness of prices charged by the Company for its products will be indirectly affected by currency fluctuations. Changes in the value of the Canadian dollar relative to the US dollar could have a material positive or adverse effect on the Company’s results of operations.

The Company reviews its currency exposure positions from time to time and acts accordingly by increasing or decreasing the proportion of operating or term loan borrowings denominated in CAD funds as a natural balance sheet hedge or establishing forward contracts to purchase CAD dollars to manage its foreign exchange related cash-flow risk. However, there is no assurance that such strategies will be successful or cost effective and the profitability of the Company’s business could be adversely affected by currency fluctuations. The following table approximates the following impact on the Company of a \$0.10 decrease in the value of one CAD dollar in the Company’s USD functional currency (million):

\$Millions Increase (decrease)	Earnings before tax	
	2015	2014
Sales (1)	(2.5)	(3.1)
Purchases (2)	6.3	5.8

(1) Based upon Canadian dollar-denominated sales in 2015.

(2) Based upon combined 2015 Canadian purchases and expenses.

## Environmental

The Company handles various chemicals and oils in its manufacturing process, the nature of which may expose it to risks of causing or being deemed liable for environmental or other damages. While its use of potentially hazardous materials is limited, the Company ensures that its operations are conducted in a manner that minimizes such risks and maintains insurance coverage considered reasonable by management. To date, no regulatory authority has required the Company to pay any material fines or remediation expenses in connection with any alleged violation of environmental regulation. However, there can be no assurance that future environmental damage will not occur or that environmental damage due to prior or present practices will not result in future liabilities. The Company is subject to environmental regulation by federal, provincial, state and local authorities. While management believes that the Company is in substantial compliance with all material government requirements relating to environmental controls on its operation, changes in such government laws and regulations are ongoing and may make environmental compliance increasingly expensive. It is not possible to predict future costs, which may be incurred to meet environmental obligations.

## Product Liability and Warranty Claims

As a manufacturer of rubber-based products, the Company faces a risk of product liability and warranty claims. Although the Company carries commercial general liability insurance in an amount considered reasonable by management and consistent with industry standards, any claim which is successful and is not covered by insurance or which exceeds the policy limit could have an adverse effect on the Company. Warranty claims have not been material and are within industry standard expectations.

## **Capacity and Equipment**

Our rubber compounding facilities have an annual capacity to produce approximately 250 million pounds at the current product mix.

The Company remains committed to continuous maintenance and upgrading of its equipment. Critical equipment remains not only in a high state of repair, but is also technologically up to date so that the Company is able to ensure the reliability of supply at competitive prices and at a high quality standard.

The Company has also made investments in capacity and efficiency in its Acton operations. In recent years, the Company purchased molds and injection-molding equipment and established a production facility in Vermont to enhance its presence in protective products, such as CBRN protective gloves, defense footwear and gas masks. The acquisition of Flexible Products Co. increased the number of rubber injection molding presses; continued growth will utilize any existing excess capacity.

Should additional equipment be required to fulfill any substantial increases in sales, it can be readily sourced in the market.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

AirBoss is occasionally named as a party in various claims and legal proceedings, which arise during the normal course of its business. AirBoss reviews each of these claims, including the nature of the claim, the amount in dispute or claimed and the availability of insurance coverage. Although there can be no assurance that any particular claim will be resolved in the Company's favour, management does not believe that the outcome of any claim or potential claims of which it is currently aware will have a material adverse effect on the Company.

During fiscal 2015, the Company (i) was not subject to any penalty or sanction imposed by a court relating to securities legislation or by a securities regulatory authority, (ii) was not subject to any other penalty or sanction imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision, and (iii) did not enter into any settlement agreement before a court relating to securities legislation or with a securities regulatory authority.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as disclosed in the following paragraph, no director, executive officer, person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of any class of the voting securities of the Company, and no associate or affiliate of the foregoing persons, has or has had any direct or indirect material interest 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 Company.

Pursuant to the purchase and sale agreement related to the acquisition of IRT, described above under the heading "General Development of the Business - Significant Acquisitions", certain individuals employed or formerly employed with the vendors of IRT, including Thomas H. Ripley, the current President of AirBoss Engineered Products Inc. (which operates our Engineered Products division), could potentially earn additional amounts of deferred purchase price consideration under earn-out provisions. The purchase and sale agreement and a Form 51-102F4 Business Acquisition Report has been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com) and are incorporated by reference herein.

## MATERIAL CONTRACTS

On July 24, 2015, we completed the acquisition of all of the membership interests of IRT, as described above under the heading “General Development of the Business - Significant Acquisitions” pursuant to a purchase and sale agreement dated June 17, 2015 between AirBoss-Defense Inc., the Company, IRT and the vendors. The purchase and sale agreement provides for customary representations, warranties and indemnities in favour of AirBoss that survive the completion of the acquisition for time periods that range from 18 months (for most representation and warranties) to the applicable statute of limitations (for limited fundamental representation and warranties). The purchase and sale agreement and a Form 51-102F4 Business Acquisition Report has been filed on SEDAR and are available at [www.sedar.com](http://www.sedar.com).

There are no other contracts, other than contracts entered into in the ordinary course of business, that are material to the Company and that were entered into within the most recently completed financial year, or before the most recently completed financial year but are still in effect.

## CAPITAL STRUCTURE

The capital structure of the Company is comprised of an unlimited number of Class A shares without par value designated as common shares (“Common Shares”). The rights of the holders include the rights to vote at all meetings of shareholders and, subject to the rights, privileges, restrictions, and conditions attaching to any other class of shares of the Company, to receive the remaining property of the Company upon dissolution. The number of Common Shares outstanding as at December 31, 2015 was 23,021,850.

The capital structure of the Company also consists of an unlimited number of Class B preference shares without par value and issuable in series subject to the filing of articles of amendment. The directors may fix, from time to time before such issue, the number of shares that is to comprise each series and the designations, rights, privileges, restrictions, and conditions attaching to each series. No Class B preference shares were outstanding as at December 31, 2015.

## DIVIDEND RECORD AND POLICY

Holders of Common Shares are entitled to receive dividends if, as and when declared by the Board of Directors, out of funds legally available for such payments. It is the current policy of the Company to pay dividends on a quarterly basis, subject to a review of the anticipated cash requirements of AirBoss’ operating assets and manufacturing activities, and for any potential acquisitions, combined with the current and projected financial position of AirBoss. Our Board of Directors reviews the dividend policy quarterly. We are not required under the policy to pay dividends at any time and our Board of Directors may reduce, defer, or eliminate our Common Share dividend in the future.

The Company has declared the following dividends per share on its outstanding Common Shares during the past three years:

Fiscal Period	Dividend per Common Share
2013	\$0.20
2014	\$0.20
2015	\$0.24

Our ability to pay dividends may be impacted by customary provisions in our credit facilities which limit the payment of dividends if the amount of a proposed dividend, aggregated with all other such dividends, is in excess of a stated threshold and certain financial covenants are also not met. Based on the stated threshold and our compliance with the relevant financial covenants, we do not believe these provisions are likely to restrict our ability to pay dividends in the foreseeable future.

### **MARKET FOR SECURITIES**

The Common Shares are listed on the TSX and trade under the stock symbol “BOS”. The monthly volume of trading and price ranges for the Common Shares for the year ended December 31, 2015 are set forth in the following table:

<b>Date</b>	<b>Open</b>	<b>High</b>	<b>Low</b>	<b>Close</b>	<b>Volume</b>
January	12.23	14.75	11.73	13.97	2,059,777
February	13.95	15.04	13.95	14.94	2,830,778
March	14.90	15.68	13.75	15.46	1,128,732
April	15.43	15.93	15.06	15.64	1,814,536
May	15.75	18.00	15.57	17.55	2,216,120
June	17.57	22.67	17.06	22.30	2,500,747
July	22.49	24.94	20.82	24.12	1,956,564
August	24.06	24.73	15.85	22.08	2,157,042
September	21.58	24.47	17.60	20.30	1,674,836
October	20.39	21.33	18.62	19.46	1,421,542
November	19.59	21.94	17.13	19.05	1,852,887
December	19.18	19.52	17.26	17.47	1,867,039

## DIRECTORS AND OFFICERS

The tables below provide the names, province or state and country of residence, the office held with the Company and the principal occupation of each of the directors and executive officers of the Company during the past five years and, with respect to each director, the date of his or her election as director.

### Directors

Name and Residence	Position(s) with the Company	Principal Occupation	Period of Service as a Director of the Company <sup>(1)</sup>
P. Grenville Schoch Ontario, Canada	Chairman, CEO & Director	Chairman and CEO of the Company	October 13, 1989 to Present
Brian A. Robbins <sup>(2)</sup> Ontario, Canada	Director	President and Chief Executive Officer of Exco Technologies Limited (a TSX-listed tooling manufacturing corporation)	June 5, 1997 to Present
Robert L. McLeish <sup>(2)(3)(4)</sup> Ontario, Canada	Lead Director	Corporate Director and Chairman of Dundee Corporation (a TSX-listed investment holding company)	February 1, 1999 to Present
Richard F. Crowe Ontario, Canada	Director	Corporate Director	February 24, 2005 to Present
Mary Matthews, CPA, C.A., ICD.D, <sup>(2)(3)(4)</sup> Ontario, Canada	Director	Corporate Director and President and Co-Founder of Santa Comes to Bay Street (a registered charity).	May 29, 2006 to Present
Alan J. Watson <sup>(3)(4)</sup> New South Wales, Australia	Director	Corporate Director and Chairman of Wilson Group Limited (a publicly-traded Australian investment management company).	September 10, 2007 to Present
Robert L. Hagerman Ontario, Canada	Director	Corporate Director. Previous President and CEO of the Company until his retirement on May 8, 2014.	October 13, 1989 to Present

Notes:

- (1) Under the by-laws of the Company, each director will hold office until the close of the next annual meeting of shareholders.
- (2) Member of the Audit Committee. Mr. Robbins is the Chairman of this Committee.
- (3) Member of the Compensation Committee. Mr. McLeish is the Chairman of this Committee.
- (4) Member of the Nominating and Corporate Governance Committee. Ms. Matthews is the Chairman of this Committee.

## Executive Officers

<b>Name and Residence</b>	<b>Position(s) with the Company</b>
Gren Schoch Ontario, Canada	Chairman and CEO
Lisa Swartzman Ontario, Canada	President
Wendy Ford Ontario, Canada	Chief Financial Officer
Timothy R. Toppen Ohio, USA	Deputy Chairman
Darren Wasylucha Ontario, Canada	Secretary and Senior Executive Vice-President, Corporate
Robert Dodd Ontario, Canada	Executive Vice-President President, AirBoss Rubber Compounding
Douglas Reid Michigan, USA	President, AirBoss Flexible Products Co.
Thomas Ripley Maryland, USA	President, AirBoss Engineered Products

To the knowledge of the Company, as at March 15, 2016, all directors and senior officers as a group beneficially owned, directly or indirectly, or exercised control or direction over 6,116,841 Common Shares representing approximately 26.6% of the Common Shares outstanding (based on 23,026,353 Common Shares outstanding as at March 15, 2016).

### **NAMES AND INTERESTS OF EXPERTS**

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

## AUDIT COMMITTEE INFORMATION

### Membership of Committee

The Audit Committee of AirBoss is comprised of the following three members: Brian A. Robbins (Chair), Mary Matthews and Robert L. McLeish. The responsibilities and duties of the Committee are set out in the Committee's charter, attached as Appendix A to this Annual Information Form.

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise and has determined that each member of the Audit Committee is "independent" and "financially literate" under Canadian securities laws as defined in National Instrument 52-110 - *Audit Committees*. The Board has made these determinations based on the education and breadth and depth of the committee members' experience.

Mr. Brian Robbins, the President, Chief Executive Officer and Director of Exco Technologies Limited ("**Exco**"), joined the AirBoss Board of Directors in 1997 and is Chair of the Audit Committee. Exco is a TSX-listed supplier of innovative technologies servicing the die-cast, extrusion and automotive industries, with global operations. Mr. Robbins has spent his entire career with Exco. Mr. Robbins is also a director of Héroux-Devtek Inc., a TSX-listed aerospace company, and a member of its audit committee.

Ms. Mary Matthews, CPA, CA, ICD.D, has held various senior roles in credit, banking, marketing and the investment business over her career. Ms. Matthews joined the AirBoss Board of Directors in 2006 and is Chair of the Nominating and Corporate Governance Committee. Currently Ms. Matthews is a private investor.

Mr. Robert McLeish, CFA, spent 35 years in the investment business with Merrill Lynch Canada, retiring from the role of Vice-Chairman and Director in 1998. Mr. McLeish joined the AirBoss Board of Directors in 1999. Mr. McLeish is also Chairman of Dundee Corporation, TSX-listed investment holding company, and a member of its audit committee.

### Audit related fees

KPMG LLP and were engaged in 2015 to render an audit opinion on the consolidated financial statements of AirBoss and the fees for all services performed are summarized in the table below:

Description	2015 (\$US)	2014 (\$US)
Audit fees	460,066	333,905
Audit-related fees	153,058	Nil
Tax fees	Nil	Nil
All other fees	6,255	Nil
<b>Total</b>	<b>619,379</b>	<b>333,905</b>

The Audit Committee has adopted a policy to pre-approve any audit and non-audit services to be provided to AirBoss or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. Audit, audit related services, and tax compliance services as identified in the annual audit plan and presented by the external auditors, are approved by the Audit Committee annually. Non-audit services over \$10,000 are approved on a case-by-case basis.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Common Shares is Computershare Investor Services, Inc., at its principal office located at 100 University Avenue, 8<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1.

## **ADDITIONAL INFORMATION**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company's information circular for its annual general and special meeting of shareholders on May 14, 2015. Additional financial information is provided in the Company's comparative financial statements and MD&A for the financial year ended December 31, 2015. A copy of such documents may be obtained upon request from the Secretary of the Company, 16441 Yonge Street, Newmarket, Ontario, L3X 2G8.

**APPENDIX “A”**  
**AUDIT COMMITTEE CHARTER**

**Role and Objective**

The Audit Committee (the “Committee”) is a committee of the board of directors (the “Board”) of AirBoss of America Corp. (“AirBoss”) to which the Board has delegated its responsibility for oversight of the nature and scope of the annual audit, management’s reporting on internal accounting standards and practices, financial information and accounting systems and procedures, financial reporting and statements and recommending, for approval of the Board, the audited financial statements, interim financial statements and other mandatory disclosure releases containing financial information. The primary objectives of the Committee are as follows:

1. To assist directors on meeting their responsibilities in respect of the review and approval of the financial statements of AirBoss and related documentation;
2. To provide a communication link between independent directors and external auditors;
3. To enhance the external auditor’s independence;
4. To increase the credibility and objectivity of financial reports; and
5. To strengthen the role of the outside directors by facilitating in depth discussions between directors on the Committee, management and external auditors.

**Approval of Charter**

Amendments to the Audit Committee Charter require approval by the Board.

**Membership of Committee**

1. The Committee shall be comprised of at least three (3) directors of AirBoss, none of whom are members of management of AirBoss and all of whom are “independent” (as such term is used in National Instrument 52-110 - *Audit Committees* (“NI 52-110”) unless the Board shall have determined that the exemption in NI 52-110 is available and has determined to rely thereon.
2. The Board shall appoint the Committee Chair.
3. All of the members of the Committee shall be “financially literate” (as defined in NI 52-110) unless the Board shall determine that an exemption under NI 52-110 from such requirement in respect of any particular member is available and has determined to rely thereon in accordance with the provisions of NI 52-110.

## **Mandate and Responsibilities of Committee**

1. The Committee shall provide oversight on the work of the external auditors, including resolution of disagreements between management and the external auditors regarding financial reporting.
2. The Committee shall satisfy itself on behalf of the Board with respect to AirBoss' Internal Control Systems and its ability to:
  - identify, monitor and mitigate business risks; and
  - ensure compliance with legal, ethical and regulatory requirements.
3. The primary responsibility of the Committee is to review the annual and interim financial statements of AirBoss and related management's discussion and analysis ("MD&A") prior to their submission to the Board for approval. The process should include but not be limited to:
  - reviewing changes in accounting principles and policies, or in their application, which may have a material impact on the current or future years' financial statements;
  - reviewing significant accruals, reserves or other estimates such as the ceiling test calculation;
  - reviewing accounting treatment of unusual or non-recurring transactions;
  - reviewing disclosure requirements for commitments and contingencies;
  - reviewing adjustments raised by the external auditors, whether or not included in the financial statements;
  - reviewing unresolved differences between management and the external auditors; and
  - obtaining explanations of significant variances with comparative reporting periods.
4. The Committee is to review the financial statements, prospectuses, MD&A, annual information forms ("AIF") and all public disclosure containing audited or unaudited financial information (including, without limitation, annual and interim press releases and any other press releases disclosing earnings or financial results) before release and prior to Board approval. The Committee must be satisfied that adequate procedures are in place for the review of AirBoss' disclosure of all other financial information.
5. With respect to the appointment of external auditors by the Board, the Committee shall:
  - recommend to the Board the external auditors to be nominated;
  - recommend to the Board the terms of engagement of the external auditor, including the compensation of the auditors and a confirmation that the external auditors shall report directly to the Committee;
  - on an annual basis, review and discuss with the external auditors all significant relationships such auditors have with the Company to determine the auditors' independence;
  - when there is to be a change in auditors, review the issues related to the change and the information to be included in the required notice to securities regulators of such change; and

- review and pre-approve any non-audit services to be provided to AirBoss or its subsidiaries by the external auditors and consider the impact on the independence of such auditors. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services, provided that the member report to the Committee at the next scheduled meeting such pre-approval and the member comply with such other procedures as may be established by the Committee from time to time.
6. Review with external auditors (and internal auditor if one is appointed by AirBoss) their assessment of the internal controls of AirBoss, their written reports containing recommendations for improvement, and management's response and follow-up to any identified weaknesses. The Committee shall also review annually with the external auditors their plan for their audit and, upon completion of the audit, their reports upon the financial statements of AirBoss and its subsidiaries.
  7. The Committee shall review risk management policies and procedures of AirBoss (e.g. hedging, litigation and insurance).
  8. The Committee shall establish a procedure for:
    - the receipt, retention and treatment of complaints received by AirBoss regarding accounting, internal accounting controls or auditing matters; and
    - the confidential, anonymous submission by employees of AirBoss of concerns regarding questionable accounting or auditing matters.
  9. The Committee shall review and be apprised of any intent of AirBoss regarding the hiring of partners and employees who work on AirBoss' account and former partners and employees of the present and former external auditors of AirBoss.
  10. The Committee shall have the authority to investigate any financial activity of AirBoss. All employees of AirBoss are to co-operate as requested by the Committee.
  11. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in filling their responsibilities at the expense of AirBoss without any further approval of the Board.

### **Meetings and Administrative Matters**

1. At all meetings of the Committee every motion shall be decided by a majority of the votes cast. In case of an equality of votes, the Chair of the meeting shall not be entitled to a second or casting vote.
2. The Chair shall preside at all meetings of the Committee, unless the Chair is not present, in which case the members of the Committee present shall designate from among the members present the Chair for purposes of the meeting.
3. A quorum for meetings of the Committee shall be a majority of its members, and the rules for calling, holding, conducting and adjourning meetings of the Committee shall be the same as those governing the Board unless otherwise determined by the Board.

4. Meetings of the Committee, unless otherwise excused from all or part of any such meeting by the Chair.
5. The Committee shall meet with the external auditor at least once per year (in connection with the preparation of the year-end financial statements) and at such other times as the external auditor and the Committee consider appropriate.
6. Agendas, approved by the Chair, shall be circulated to Committee members along with background information on a timely basis prior to the Committee meetings.
7. The Committee may invite such officers, directors and employees of AirBoss as it may see fit from time to time to attend meetings of the Committee and assist thereat in the discussion and consideration of the matters being considered by the Committee.
8. Minutes of the Committee will be recorded and maintained and circulated to directors who are not members of the Committee or otherwise made available at a subsequent meeting of the Board.
9. The Committee may retain persons having special expertise and/or obtain independent professional advice to assist in fulfilling its responsibilities at the expense of AirBoss.
10. Any members of the Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Committee as soon as such member ceases to be a director. The Board may fill vacancies on the Committee by appointment from among its members. If and whenever a vacancy shall exist on the Committee, the remaining members may exercise all its powers so long as a quorum remains. Subject to the foregoing, each member of the Committee shall hold such office until the close of the next annual meeting of shareholders following appointment as a member of the Committee.
11. Any issues arising from these meetings that bear on the relationship between the Board and management should be communicated to the Chair of the Board by the Committee Chair.