



AUTOMODULAR CORPORATION

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ANNUAL INFORMATION FORM
for the fiscal year ended December 31, 2014

Date: March 11, 2015

AUTOMODULAR CORPORATION

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1. GENERAL INFORMATION

Unless otherwise indicated, the information contained in this Annual Information Form (sometimes called the "AIF") is current as of March 11, 2015. All currency references are to Canadian dollars unless otherwise indicated.

1.1 Forward-Looking Information

This Annual Information Form contains statements which, to the extent that they are not recitations of historical fact, may constitute "forward-looking statements" within the meaning of applicable Canadian securities laws. Forward-looking statements may include, but are not limited to, financial and other projections, as well as statements regarding our future plans, objectives or performance, or our underlying assumptions. Words such as "may", "would", "could", "will", "likely", "estimate", "anticipate", "believe", "expect", "intend", "plan", "forecast" or other similar expressions are intended to identify forward-looking statements. Such forward-looking statements, or forward-looking information, reflect management's beliefs, estimates and opinions regarding Automodular's future growth, results of operations, performance and business prospects and opportunities and are not guarantees of future results.

Specific forward-looking information in this document includes;

- by the end of March 2015, Automodular anticipates that it will employ less than ten persons in total, all at its Ajax head office;
- the Board will consider all options available to it including potentially winding down the Company;
- Automodular expects that its cash on hand is sufficient to fund the operational needs of the Company during the 2015 fiscal year and to help fund diversification;
- the Company expects to close its Taylor, Michigan office in March 2015; and
- with respect to the GM litigation, the discovery process will be completed, expert reports will be exchanged, the mandatory mediation will be scheduled and the matter will be set down for trial by October 31, 2015, at which point the court will schedule a trial date.

By its nature, forward-looking information involves certain risks, uncertainties and other factors which may cause actual future results to differ materially from those expressed or implied in any forward-looking statements and include but are not limited to the following which are discussed in greater detail under the sections entitled "*Industry Conditions*", "*Economic Dependence*" and "*Cyclicality*" in this AIF and under "*Risk Factors*" in the Corporation's *Management Discussion and Analysis of Operating Results and Financial Position* ("MD&A") for the year ended December 31, 2014 which is incorporated herein by reference and which is available under the Corporation's profile on the SEDAR website at www.sedar.com as well as on the Corporation's website at www.automodular.com:

- our ability to secure ongoing operations through diversification, either organically or through acquisition;
- our ability to identify, close and integrate acquisitions;
- our ability to finance new business requirements; and
- our dependence on key personnel.

Persons reading this Annual Information Form should not place undue reliance on forward-looking statements and are cautioned that forward-looking statements are only estimates and that our actual future results or performance may be materially different due to inherent risks and uncertainties surrounding future expectations, assumptions not being realized, changes in facts or other unforeseen circumstances. Except as required by continuous disclosure obligations, we do not intend, nor do we undertake any obligation, to update or revise any forward-looking statements to reflect subsequent information, events, results, circumstances or otherwise.

1.2 Definitions

In this Annual Information Form, the following terms shall have the following meanings:

"**Amalgamation**" has the meaning attributed thereto in Section 2.1 of this AIF;

"**Automodular**" or the "**Corporation**" means Automodular Corporation, a corporation existing under the laws of Ontario;

“**common share**” or “**share**” means a common share in the capital of Automodular, unless the context otherwise indicates;

“**Company**” means Automodular and its subsidiaries, as a whole;

“**FIT Program**” means the feed-in tariff program of the Ontario Power Authority, an incentive program for the procurement of renewable energy projects, such as hydro, solar and wind;

“**Ford**” means Ford Motor Company;

“**GM Canada**” means General Motors of Canada Limited;

“**GM US**” means General Motors Company;

“**GM**” means GM Canada and GM US, collectively;

“**NCIB**” means the Normal Course Issuer Bid of the Corporation which commenced August 8, 2012, was renewed on August 19, 2013 and expired on August 18, 2014 whereby, in the open market and under the rules of the Toronto Stock Exchange, the Company purchased its own shares for cancellation;

“**OEM**” means an original equipment manufacturer, such as GM, Ford or Vestas;

“**Tier 1 supplier**” means an automotive supplier of automobile parts and/or services directly to an OEM;

“**Tier 2 supplier**” means an automotive supplier of automobile parts and/or services to a Tier 1 supplier;

“**Unifor**” means the Canadian private sector union which is the successor to the National Automobile, Aerospace, Transportation and General Workers of Canada union (“CAW”) and the Communications Energy and Paperworkers union (“CEP”);

“**Vestas**” means Vestas Nacelles A/S, a Danish corporation and a subsidiary of Vestas Wind Systems A/S, a publicly-traded Danish corporation which, together with its affiliates develops, manufactures, supplies and services a variety of wind turbines and related equipment.

2. CORPORATE STRUCTURE

2.1 Name, Address and Incorporation

Automodular Corporation is a corporation under the laws of Ontario pursuant to articles of amalgamation dated January 1, 2008. On such date, Automodular amalgamated (the “**Amalgamation**”) with its Ontario wholly owned subsidiary, Automodular Assemblies Inc. (“**AAI**”) and the amalgamated corporation continued the business formerly carried on by AAI. The articles of amalgamation were in substance the articles of the parent corporation as they existed immediately prior to the Amalgamation. Originally, Automodular was incorporated by letters patent under the laws of Ontario on May 7, 1957 as Algonquin Building Credits Limited. By Articles of Amendment dated December 3, 1976, the name was changed to Algonquin Mercantile Corporation and by Articles of Amendment dated June 4, 2001, the name was changed to Automodular Corporation. Automodular is governed by the *Business Corporations Act (Ontario)* for corporate law purposes and is a reporting issuer in each of the provinces and territories of Canada except Quebec.

At the date of this Annual Information Form, the head and registered office of Automodular is located in Ajax, Ontario. The mailing and electronic addresses, facsimile and telephone numbers are as follows:

235 Salem Road, Unit 6, Ajax, Ontario L1Z 0B1
 telephone: (905) 619-4200 fax: (905) 619-9466
 website: <http://www.automodular.com>
 e-mail: invest@automodular.com

2.2 Intercorporate Relationships

The Corporation has two subsidiaries, both of which are wholly owned, either directly or indirectly, and both of which are organized in the United States of America. Neither of the subsidiaries currently carries on active operations. The corporate structure of the Company is described in the following table:

NAME	INCORPORATION / AMALGAMATION	OWNERSHIP	NATURE OF BUSINESS
Automodular Corporation	<i>Business Corporations Act (Ontario)</i>	Publicly owned	Currently, seeking strategic diversification opportunities; no active manufacturing or assembly operations. Until December 23, 2014, the supply of modular sub-assemblies and sequenced components to Ford in Oakville, Ontario. In 2012, in addition, the assembling and warehousing of wind turbine components for Vestas.
Tec-Mar Distribution Services, Inc. ("Tec-Mar")	<i>Act 284, Public Acts of 1972 (Michigan)</i>	100% owned by Automodular	Currently none. Until June 2007, the supply of modular sub-assemblies and sequenced components to GM US in Lansing, Michigan.
Automodular Assemblies (Ohio) Inc. ("AAI(OH)")	Delaware General Corporate Law <i>DEL. C. Section 101-398 (Delaware)</i>	100% owned by Tec-Mar	Currently none. Until June, 2010, the supply of modular sub-assemblies and sequenced components to GM US in Lordstown, Ohio.

3. GENERAL DEVELOPMENT OF THE BUSINESS

3.1 Three-Year History of Significant Events

The following is a summary of significant events which occurred during the preceding three years of the Company, arranged in reverse chronological order by fiscal year beginning with 2014 and further summarized by fiscal quarter within each fiscal year. See also Section 4 for a narrative description of the history and current business of the Company.

2014 Developments

Summary and Outlook

Automodular's multi-pronged focus in 2014 was to complete, to the high standards it had demonstrated in the past, its sole remaining automotive parts sub-assembly contract with Ford, to complete an orderly wind-down of its operations at its Oakville, Ontario facilities by year-end and to continue its efforts to diversify its business.

On May 14, 2013, Ford had advised Automodular that, in the fourth quarter of 2014, Ford would insource the assembly work then performed by Automodular. The Oakville hourly and salaried employees did an outstanding job in 2013 and

2014 in very difficult circumstances and their commitment and support was critical in ensuring that Automodular met Ford's expectations throughout the remainder of the contract. Automodular put in place incentive and retention programs for its employees to encourage steady attendance and to focus on continuing to provide a defect-free module to Ford on time, every time. That it was able to complete its contract with Ford with a workforce comprising 40% temporary workers and with minimal defects and an excellent health and safety record, was a testament to the skill of the management team and the caliber of the workforce.

With the completion of its contract with Ford effective December 23, 2014, Automodular's business as a supplier of sub-assembly and sequencing services, primarily to the automotive industry, has come to an end. Automodular has no automotive quotes currently outstanding. Its workforce has been reduced to a fraction of the 525 employees that it employed on average throughout 2014. By the end of March 2015, it anticipates that it will employ less than ten persons in total, all at its head office.

Although operations have ceased for the time being, at this time the Company itself is not winding down.

Initiatives on the diversification front continued through 2014 with both management and the Board of Directors (the "Board") actively engaged in finding ways to leverage management's expertise and enhance shareholder value. The focus was, and continues to be on those opportunities in which Automodular can utilize its complex manufacturing and program management expertise. Automodular has examined many different opportunities to date and continues to be focused on finding the right opportunity at a fair price. Automodular has discontinued its review of the Ontario-based private manufacturing company referred to in its March 6, 2015 press release. However, it continues to assess and review other opportunities on an ongoing basis. There can be no assurance that any transaction will be consummated. Automodular will not enter into a transaction for the sake of merely continuing the Company. If Automodular is not successful in securing new business in a timely fashion, the Board will consider all options available to it including potentially winding down the Company.

For 2014, Automodular reported net earnings of \$14.8 million or \$0.76 per share – after a charge of \$3.5 million pre-tax related to exit costs. The Corporation paid a regular dividend of \$0.06 per share in each of the first three fiscal quarters of 2014; it elected to preserve capital and not to pay a dividend in the fourth fiscal quarter. Automodular's statement of financial position remains strong. At year-end, Automodular's cash and cash equivalents on hand totaled \$54.5 million. Automodular expects that its cash on hand is sufficient to fund the operational needs of the Company during the 2015 fiscal year and to help fund diversification initiatives once they are identified.

See also "2014 Recap and Outlook" in the Company's *Management Discussion and Analysis of Operating Results and Financial Position* for the year ended December 31, 2014 which is incorporated herein by reference and which is available under the Corporation's profile on the SEDAR website at www.sedar.com as well as on the Corporation's website at www.automodular.com.

First Quarter

On January 16, 2014, the Board of Directors declared a regular quarterly dividend of \$0.06 per common share which was paid March 3, 2014 to shareholders of record as at February 3, 2014.

Operations remained strong but results for the first quarter were slightly behind 2013 because of reduced production volumes, the recognition of exit costs and higher legal costs resulting from the GM litigation. See "*Legal Proceedings and Regulatory Actions*".

Second Quarter

On May 8, 2014, the Board of Directors declared a regular quarterly dividend of \$0.06 per common share which was paid June 5, 2014 to shareholders of record as at May 22, 2014.

At the Annual and Special Meeting of Shareholders held on May 8, 2014, the shareholders approved the special resolution reducing the stated capital account maintained for the Company's common shares by the sum of \$19.4 million. The stated capital reduction took effect immediately. The special resolution was submitted to the shareholders for approval because the Board of Directors believed that the stated capital reduction would benefit the Corporation going forward by providing more flexibility in managing the Corporation's capital structure as it considered possible options following the announced termination of the Ford contract.

All salaried employees, other than the executive management team, were provided with formal termination notification during the second and third quarters of 2014.

Also in the second quarter, Automodular provided written notice to the landlords of its two Oakville facilities that it was exercising the early termination options contained in the respective leases and would be turning the facilities over to the landlords on February 28, 2015. At that time, Automodular paid lease termination payments pursuant to the early termination clauses in each lease.

Financial results in the second quarter were negatively impacted by the recognition of exit costs related to Ford's announcement. Second quarter results also suffered from materially lower daily operating volumes and production shutdowns at the Oakville facilities compared to the same period in 2013. The impact of the plant shutdowns was mitigated to some extent by the payment of certain amounts as required under Automodular's contract extension with Ford.

Third Quarter

On August 7, 2014, the Board of Directors declared a regular quarterly dividend of \$0.06 per common share which was paid September 4, 2014 to shareholders of record as at August 21, 2014.

During the quarter, formal termination notice was given to all non-executive corporate staff who supported Oakville operations.

Automodular's NCIB expired during the third quarter of 2014. Automodular did not purchase any shares for cancellation under the NCIB during 2014.

Fourth Quarter

In light of ongoing diversification efforts, the Board of Directors elected not to declare a dividend in the fourth quarter.

Financial results in the fourth quarter benefitted from higher production volumes year over year and improved efficiencies obtained through the Ford contract wind down.

The Ford contract terminated on December 23, 2014. Automodular sold its remaining manufacturing equipment and assets during the month of December. At year-end, a skeleton staff of approximately 20 was retained at the Oakville facilities to prepare to be turned over to the landlords at the end of February 2015.

2013 Developments

Summary

In 2013, Automodular delivered solid financial performance, continued to pay regular and special dividends and continued to build up its cash reserves. In addition, to further enhance shareholder value and to make good use of the Corporation's excess cash, Automodular repurchased during 2013 under its NCIB an aggregate of 833,945 common shares.

On May 14, 2013, Automodular received news from Ford that, in the fourth quarter of 2014, Ford would insource the assembly work then performed by Automodular. Despite its decision, Ford acknowledged the outstanding work performed by Automodular since production started in the fourth quarter of 2006. Ford stated that the decision on their part was a strategic one; they viewed the commodities that Automodular sub-assembled to be "core" to the assembly of a vehicle and their goal was to have all core commodities sub-assembled in their final assembly plants. The existing multi-year agreement with Ford was scheduled to expire on June 30, 2014 but Ford requested that Automodular continue to provide sub-assembly services up to December 23, 2014. In the fourth quarter of 2013, Automodular and Ford signed the written agreement extending the expiry date to December 23, 2014.

Oakville operations continued to run well in 2013 and Automodular's quality performance and health and safety metrics remained strong. Production volumes in 2013 were nominally up over the prior year and earnings were relatively consistent with the same periods in 2012, excluding the impact of the closure costs. The business generated levels of earnings and cash flows over the previous three years that significantly outperformed any traditional

benchmark or financial metric. Since late 2010, Automodular benefitted from strong demand for the vehicles that Ford's Oakville Assembly Plant produced. Annual production volumes consistently exceeded the traditional two-shift volume operating pattern. As Automodular was compensated by Ford on a fully variable basis, it benefitted from these incremental units as the gross margin on the incremental units was higher than on the base production units. The challenge during 2013 was to continue to maintain operating performance in light of the departure of salaried and hourly staff as the Ford contract wound down.

For 2013, Automodular reported net earnings of \$10.4 million or \$0.52 per share – after a charge of \$4.3 million pre-tax related to exit costs. Dividends of \$0.34 per share were paid out to shareholders and the Company ended the year with cash on hand of \$35.9 million.

First Quarter

On January 23, 2013, the Board of Directors declared a \$0.06 per common share regular quarterly dividend which was paid March 4, 2013 to shareholders of record as at February 6, 2013.

Second Quarter

On May 9, 2013, the Board of Directors declared a regular quarterly dividend of \$0.06 per common share which was paid June 6, 2013 to shareholders of record as at May 23, 2013.

As mentioned above, on May 14, 2013, Automodular received notification from Ford that they intended to insource the assembly work which was being performed by Automodular, at the end of the fourth quarter of 2014.

During the second quarter, Automodular purchased for cancellation 412,545 common shares pursuant to its outstanding NCIB.

Management continued its discussions with Vestas (see information under “2012 Developments”) and other wind-based OEMs regarding opportunities in Canada and overseas.

Third Quarter

On August 6, 2013, the Board of Directors declared a \$0.06 per common share regular quarterly dividend which was paid September 3, 2013 to shareholders of record as at August 20, 2013.

On August 7, 2013, Automodular completed the initial term of its NCIB through which it purchased for cancellation a total of 593,375 common shares at a volume weighted average price of \$1.72 per share during the preceding twelve-month period. The Board of Directors approved the renewal of the NCIB on August 6th and under the renewal, Automodular could acquire up to 1,552,790 common shares, representing 10% of the public float of Automodular's common shares issued and outstanding as of August 12, 2013, as defined by the policies of the Toronto Stock Exchange. The renewal term ran from August 19, 2013 until August 18, 2014.

During the third quarter, Automodular purchased for cancellation, pursuant to its NCIB, 401,400 shares at a total cost of approximately \$0.8 million at a volume weighted average price of \$1.97 per share.

Automodular enhanced its presence in the renewable energy industry by exhibiting at the CanWEA (Canadian Wind Energy Association) Annual Conference in Toronto, Ontario.

Fourth quarter

Parsa Kiai, Managing Partner and Portfolio Manager of Steamboat Capital Partners, LLC, (“**Steamboat**”) based in New York City, was appointed to the Board of Directors in November. Mr. Kiai brought to the Board considerable US investment experience and contacts. Steamboat and another United States-based fund, Gobi Capital, LLC (“**Gobi**”), had acquired on a combined basis prior to the date of Mr. Kiai's appointment 1,345,800 common shares or approximately 6.9% of the then issued and outstanding common shares of Automodular. In connection with Mr. Kiai joining the Board, Mr. Kiai, Steamboat, Gobi and Mr. Bo Shan of California, USA, Founder and Portfolio Manager of Gobi, entered into a standstill agreement with Automodular. The agreement contained customary standstill provisions that will expire at the close of the Corporation's 2015 annual meeting unless earlier terminated, including in the event that Mr. Kiai resigns from the Board.

Automodular signed an extension agreement with Ford that extended Automodular's existing agreement with Ford to December 23, 2014. In conjunction with the signing of this agreement, Automodular announced a one-year labour extension agreement for its Oakville-area employees with Unifor.

During the fourth quarter, Automodular purchased for cancellation, pursuant to its NCIB, 20,000 shares at a volume weighted average price of \$2.10 per share.

On November 7, 2013, the Board of Directors declared a regular quarterly dividend of \$0.06 per common share and a special dividend of \$0.10 per common share which was paid on December 5, 2013 to shareholders of record as at November 21, 2013.

2012 Developments

Summary

Automodular entered the 2012 year with a strong balance sheet and cash on hand of \$14.8 million. Demand and resultant production volumes continued to be robust for the vehicles produced by Ford in Oakville and Automodular benefitted from higher incremental daily volumes throughout the year. During 2012, the Corporation submitted an updated quotation with respect to a new vehicle program for Ford in Oakville that was scheduled for commercial production towards the end of 2014. This new program was to replace the existing program under which the Corporation provided sub-assembly services to Ford. Automodular's contract with Ford was scheduled to expire at the end of June 2014. (See "2013 Developments" which discusses Ford's decision to source in-house the sub-assembly work for the new vehicle program).

In the second quarter of 2012, commercial production began at Automodular's Brantford facility for the sub-assembly of components under the contract with Vestas. Vestas is a subsidiary of the publicly-traded Danish company Vestas Wind Systems A/S, a global leader in the wind industry and this contract represented Automodular's first sub-assembly contract outside of the automotive industry. Automodular forged an excellent working relationship with Vestas and met or exceeded all deliverables for its newest customer. Production of the units under contract was completed in the fourth quarter of 2012 and the facility was turned back to the landlord at the end of 2012. Automodular continued to work with Vestas to examine other opportunities in other jurisdictions that contain similar local content requirements as Ontario. Additionally, Automodular gained some additional traction in its discussions with other wind OEMs to provide sub-assembly services.

The Corporation focused on the diversification of its existing operations. Management continued to work with outside consultants to uncover opportunities that would reduce the Corporation's economic dependence on Ford while leveraging the skills sets of its existing management team. Additional sectors examined included but were not limited to: agricultural equipment, modular construction, aerospace, consulting and industrial equipment fabrication.

In 2012, Automodular had net earnings of \$16.8 million or \$0.83 per share – the highest net earnings achieved in its history. It was an outstanding year from both a financial and operating perspective as quality and health and safety metrics were amongst the strongest that the Company had previously experienced. Dividends of \$0.44 per share were paid out to shareholders and the Company ended the year with cash on hand of \$25.0 million.

First Quarter

On January 5, 2012, Automodular signed a definitive agreement with Vestas to sub-assemble certain wind turbine components for use in Ontario wind projects under the Province of Ontario's FIT Program.

Automodular began commercial sub-assembly of certain wind turbine components for the renewable energy industry at its Brantford facility.

At the January 19, 2012 meeting of the Board of Directors, Christopher Nutt, the then President of the Company, was appointed Chief Executive Officer, following the scheduled resignation of Michael Blair on December 31, 2011.

Following a review of its dividend policy, the Board of Directors of Automodular increased the Company's regular quarterly dividend to \$0.06 per common share per quarter from the previous rate of \$0.05 per common share per quarter.

The Board of Directors approved the payment of a regular quarterly dividend of \$0.06 per common share on February 23, 2012 to shareholders of record as at February 9, 2012.

Second Quarter

The Board of Directors approved the payment of a regular quarterly dividend of \$0.06 per common share on June 7, 2012 to shareholders of record as at May 24, 2012.

On June 21, 2012, Automodular celebrated the official opening of its leased Brantford sub-assembly facility dedicated to the renewable energy industry. On hand for the ribbon-cutting ceremony was MPP David Levac as well as Brantford Mayor Chris Friel and other Brantford councilors.

Third Quarter

On July 11, 2012 the Board of Directors approved a NCIB under the policies of the Toronto Stock Exchange. Under the terms of the NCIB, Automodular could acquire up to 1,317,000 common shares, which represented 10% of the public float of Automodular's common shares issued and outstanding as of August 1, 2012, as defined by the policies of the Toronto Stock Exchange. The NCIB term ran from August 8, 2012 to August 7, 2013. The NCIB was subsequently renewed on August 19, 2013.

On August 8, 2012, recently elected director, John Blair, resigned from the Board of Directors. No replacement was appointed at that time.

A regular quarterly dividend of \$0.06 per common share was paid on September 6, 2012 to shareholders of record as at August 23, 2012.

By the end of Q3, 2012, under the NCIB, Automodular had purchased for cancellation a total of 126,575 common shares.

Fourth Quarter

Automodular enhanced its presence in the renewable energy industry by exhibiting at both the CanWEA (Canadian Wind Energy Association) and APPrO (Association of Power Producers of Ontario) Annual Conferences in Toronto, Ontario.

A total dividend of \$0.26 per common shares comprising a regular quarterly dividend of \$0.06 per common share and a special dividend of \$0.20 per common share was paid on December 4, 2012 to shareholders of record as at November 20, 2012.

At the Brantford facility, the sub-assembly of certain wind turbine components for the renewable energy industry, as required by the Vestas contract, was successfully completed. The lease on the facility expired in December 2012 and the facility was returned to the landlord as required under the lease.

By the end of Q4 2012, under the NCIB, Automodular had purchased for cancellation a total of 180,830 common shares.

4. NARRATIVE DESCRIPTION OF THE BUSINESS

4.1 General Summary

As indicated throughout this AIF, Automodular's primary business as a sub-assembler and sequencer for the automotive industry came to an end on December 23, 2014 as a result of Ford's decision to bring in-house the sub-assembly services which had been provided to Ford by Automodular (see "2013 Developments"). For several years, Automodular has been actively seeking to identify and develop or acquire another business to leverage its core manufacturing and project management expertise. It has examined many different opportunities but issues have arisen in connection with each of them; Automodular continues to be focused on finding the right opportunity at the right price.

During 2014, Automodular was a supplier of sub-assembly, sequencing, transportation and logistics services to one automotive OEM plant in Ontario, Ford. At the date of this AIF, the Corporation does not have any operating facilities and

employs fewer than 15 employees. By the end of March, we expect our staff complement to be reduced to fewer than 10 people.

Automodular's primary business, until the end of 2014, was the sequencing and sub-assembly of modules of automobile parts for installation in vehicles being assembled by Ford in Oakville, Ontario. Sequencing meant that the sub-assembled modules, such as an instrument panel or a radiator support, arrived at the customer's final assembly plant in precisely the sequence of their final installation in each vehicle and at precisely the time they were to be installed. The Ford contracts were for the sub-assembly and sequencing of complex modules for Ford's crossover utility vehicles – the Ford Edge, the Lincoln MKX, the Ford Flex and the Lincoln MKT – built at Ford's flexible manufacturing facility in Oakville, Ontario. The contract with Ford terminated on December 23, 2014. In the first quarter of 2015, the Oakville facilities were returned to the landlords.

In 2012, Automodular was also engaged in the sub-assembly and warehousing in Ontario of certain wind turbine components for the renewable energy industry specifically for Vestas. The one-year contract, which was signed in January 2012, represented a step forward into a new industry for Automodular. Automodular's experience in producing high quality products in a prompt and reliable manner was instrumental in obtaining this contract. The Vestas contract was very successful. Automodular's successful entry into this industry has also stimulated interest from other wind OEMs as they are now recognizing that Automodular has the skill sets to sub-assemble wind turbine components. Unfortunately, the sourcing and lead times in the renewable industry can be extremely long. Automodular has concluded that the opportunities in the wind energy sector, in and of themselves, are not substantial enough to rationalize a public company structure.

Automodular's head office in Ajax, Ontario, provides corporate services to the Company in the form of administrative, financial, banking, treasury and insurance services as well as strategic and corporate planning and development.

4.2 Background to Development of Primary Business

Prior to 2005, the Company operated almost exclusively as a Tier 1 supplier to GM but in 2005 the Corporation was awarded a major business contract by Ford. Between 2006 and 2010, the Company supplied services to both GM, in Canada and in the US, and to Ford at its Oakville plant. In 2010, the Company's remaining US operation serving GM US and its remaining operations in Oshawa servicing GM Canada, were closed.

Historically, the Company has not entered into contracts with non-North American automotive OEMs for two reasons. Generally, they want to build the vehicles 100% in house and therefore they do not outsource the assembly of modules. Also, the labour costs they incur are not dissimilar to those incurred by Automodular.

GM Contracts - History

On October 31, 1997, the Corporation acquired 100% of Automodular Assemblies Inc., a privately-held company which supplied modular sub-assemblies to GM Canada's Oshawa car and truck operations. AAI continued to supply the Oshawa car and truck operations of GM Canada until the Amalgamation, after which Automodular directly carried on the GM Canada business.

Automodular's Oshawa-area operations for GM Canada's car and truck plants gradually ceased partly as a result of the elimination of certain car platforms and the consolidation of two car plants into one at the end of 2007 in addition to the elimination in 2009 of GM Canada's remaining truck production in the Oshawa area. GM's last contract with Automodular was for the sub-assembly and sequencing of complex modules for GM's Chevrolet Camaro built at GM Canada's manufacturing facility in Oshawa, Ontario, commencing in 2009. The contract was terminated by GM in 2010. In 2011, Automodular filed a claim in the Ontario courts against GM for breach of contract. See sections entitled "*Legal Proceedings and Regulatory Actions*" in this AIF for more information.

US Expansion and Withdrawal (1998-2010)

The Company expanded into the United States in June 1998. The Company incorporated a Delaware subsidiary to be the major sub-assembler and sequencer for the new Saturn-L Series vehicle then being produced by GM US at its Boxwood facility in Wilmington, Delaware. This business continued until 2004 when GM US terminated the Saturn-L

Series vehicle production in Wilmington. In January, 2003, Automodular indirectly acquired Michigan-based, privately-owned Tec-Mar Distribution Services, Inc., which provided sequencing services from four facilities to four GM US plants throughout Michigan. This business was discontinued in 2007. In 2004, the Company was awarded contracts to sub-assemble and sequence components for the new Chevrolet Cobalt and Pontiac Pursuit vehicles to be produced in GM's Lordstown, Ohio assembly plant. AAI(OH) was incorporated to carry on the Ohio business until June 2010 when all production ceased. AAI(OH) and Tec-Mar continue as legal entities but do not carry on active operations.

Ford Contracts

In 2005, the Corporation was awarded a contract by Ford to provide sub-assembly services for vehicles assembled at Ford's Oakville plant. This was the first Ford contract in the Company's history. Automodular chose to transact the Ford business directly, rather than through a subsidiary, and leased a 260,000 square foot facility in Oakville, Ontario for this purpose. In 2007, Automodular won additional Ford contracts and expanded its operations in Oakville.

The Ford contracts required Automodular to expend approximately \$22 million in capital and preproduction costs in 2006 and 2007. Automodular took occupancy of its first Oakville facility in the first quarter of 2006 and commenced production in October, 2006.

In order to accommodate additional Ford Oakville-area contract awards, Automodular entered into a long-term lease for a second facility in Oakville. The Company took occupancy of this facility in the fourth quarter of 2007 and commercial production began in the second quarter of 2008.

On June 9, 2010, Automodular announced the signing of a multi-year agreement with Ford for an extension of services at its Oakville operations. The agreement was to expire June 30, 2012.

In the second quarter of 2011, Automodular signed a multi-year agreement with Ford for an extension of services in Oakville to June 2014. The multi-year agreement provided certain price reductions in favour of Ford over the course of the agreement some of which were retroactive to January 1, 2011.

During 2012, the Corporation submitted an updated quotation with respect to a new vehicle program for Ford in Oakville that was scheduled for commercial production towards the end of 2014. This new program was to replace the existing program under which the Corporation provided sub-assembly services to Ford.

On May 14, 2013, Automodular received news from Ford that Automodular would not be awarded a new contract but rather, in the fourth quarter of 2014, Ford would commence insourcing the assembly work for the new vehicle program. Automodular's contract with Ford was scheduled to expire at the end of June 2014. At Ford's request, Automodular signed an extension agreement with Ford that extended Automodular's existing agreement with Ford to December 23, 2014 on commercial terms similar to those in its existing agreement with Ford. As part of that agreement, Ford provided certain commercial assurances and agreed to fund Automodular's incremental closure costs related to the extension. Following termination of the extension agreement on December 23rd, Automodular closed its Oakville facilities and returned the buildings to the respective landlords.

4.3 Nature of Business

As previously discussed, at the date of this Annual Information Form, the Corporation has no active operations. However, from the fourth quarter of 2006 until December 23, 2014, it provided services from its two Oakville facilities for the following Ford vehicle platforms:

- Ford Edge
- Lincoln MKX
- Ford Flex
- Lincoln MKT

During 2012, from leased space in Brantford, Ontario, the Corporation also sub-assembled certain wind turbine components for Vestas for use in Ontario wind projects under the Province of Ontario's FIT program.

The Corporation has always strived to meet or exceed its customers' expectations and to be competitive through continuous improvement. The Corporation's goal is and always has been zero defects.

The Corporation's core values reflected its commitment and included the following:

- highest quality in all aspects of the Corporation's business;
- teamwork;
- commitment to customer satisfaction;
- respect for the individual;
- continuous improvement;
- long-term growth and profitability; and
- health and safety.

All of the Corporation's business was by way of an awarded contract. For its automotive work, Automodular was customarily asked to bid on contracts to sub-assemble particular commodities for particular vehicles at a time prior to the launch of the vehicle design, by Tier 1 suppliers or by the OEM directly. Contracts were typically for three to five years but some contracts were for as long as eight years. Theoretically, certain contracts could be terminated by a customer at any time (termination for convenience) but once the Corporation received a purchase order for products of a particular vehicle program it generally continued to supply those products until the end of such program. Purchase orders issued by a customer typically did not require that the customer purchase a minimum volume or value of product. For programs under production, the Corporation was generally unable to request price changes when there was a marked reduction in volumes from production estimates used during the quotation stage. If estimated production volumes were not achieved, the capital and preproduction costs incurred by the Corporation might not be fully recovered. Some contracts provided funds by the OEM to address severance, closure and residual facility costs relating to the closure.

The Corporation was an integral part of the supply chain and fundamental to the final assembly plant which it served. It shipped components for each vehicle being assembled on the assembly line and received orders every forty seconds. Completed assemblies were shipped typically within two hours of receiving those orders. Because of the tight timeline, the Corporation's facilities were generally located within twenty kilometers of the assembly plant. Automodular was responsible for delivering modules that met the quality requirements of its customers - on time, every time and at a cost that made it more profitable for Automodular's customers to use its services than to do the same work themselves.

The Corporation's contract with Vestas was for the sub-assembly of certain components to be used in wind turbine units and was expected to take approximately twelve months to complete. The contract was completed on time and as negotiated. The wind turbine units were manufactured in compliance with the rules of the Ontario Government's FIT Program. At the peak of the contract, the Corporation engaged forty personnel at the Brantford facility.

With respect to its automotive sequencing and sub-assembly business, Automodular did not take title to any materials incorporated into its assemblies; the Corporation had responsibility for process but not parts design. On the other hand, pursuant to its contract with Vestas to provide sub-assembly services in the renewable energy sector, Automodular did purchase and take title to materials as directed by Vestas and bore the risk of loss thereof. Such materials were purchased from a list of approved suppliers and were incorporated in the wind turbine components sold to Vestas or to persons approved by Vestas.

4.4 Sales

In each of 2014 and 2013, Automodular had a single operating segment - the sequencing and sub-assembly of modules of automobile parts for installation in the crossover vehicles being assembled by its customer, Ford.

In 2013 and 2014, all sales were made in Canada. In 2014, sales were \$85,761,000 compared to sales of \$84,613,000 in 2013.

4.5 Principal Properties

As discussed above, the leases for the Company's plant facilities in Oakville, Ontario, from which Automodular provided services to the Ford Assembly Plant in Oakville were terminated early by Automodular and vacated by Automodular at

the end of February 2015. The only premises which the Company now occupies in Canada is leased office space identified below:

CANADA	BUSINESS USE
235 Salem Road, Unit 6, Ajax, Ontario	Head Office

The Company leased temporary office space at 12251 Universal Drive, Taylor, Michigan for preproduction work for its Ford contracts and expects to close that office in March 2015.

4.6 Employees

Following Ford's decision and the signing of the Ford contract extension, Automodular signed a one-year labour extension agreement with Unifor for its Oakville-area employees. The labour extension agreement provided for certain improvements in severance entitlements.

In spite of the challenging circumstances created by Ford's announcement that it intended to insource the work then being performed by Automodular, Automodular's relations with its union and non-union staff were good. In the 19-month period following Ford's announcement, approximately 40% of Automodular's hourly workforce gave notice and left the Company. Of these, approximately 100 persons were hired by Ford. Departed employees were replaced by temporary workers and the operations continued to run well.

For most of 2014, Automodular employed approximately 525 persons, largely at its Oakville, Ontario facilities. On January 1, 2015, approximately 30 persons were in the employ of Automodular. By the end of March 2015, Automodular expects that it will have fewer than ten employees - all at its Ajax, Ontario head office.

4.7 Industry Conditions

The following description of conditions in the automotive sector may shed some light on the Ford insourcing decision which materially impacted Automodular's operations. Ford has stated that the decision to insource the services previously supplied by Automodular was a strategic one, that it viewed the commodities that Automodular sub-assembled to be "core" to the assembly of a vehicle and its goal was to have all core commodities sub-assembled in its final assembly plants. Ford was afforded the opportunity to make this strategic decision due to recent developments in the automotive sector.

Since the acquisition of Automodular Assemblies Inc. in the fourth quarter of 1997, Automodular had been providing complex sub-assembly and sequencing services to North American automotive OEMs. Its success has historically been based on its ability to deliver defect-free modules to the final assembly plant of the OEM on time, every time, at a cost that makes it more profitable for customers to use its services rather than doing the work themselves or awarding the business to one of Automodular's competitors.

Automodular's current situation is the direct result of the changes in the automotive industry since the economic downturn in 2008. As demand for vehicles weakened in 2008, OEMs responded by shutting down their facilities. GM US and Chrysler LLC ("Chrysler") turned to both the American and Canadian governments looking for bailout money. Both GM US and Chrysler went through Chapter 11 bankruptcy proceedings in the United States. In addition, GM, Chrysler and Ford all turned to North American organized labour and demanded significant concessions. As a result of all these items, North American OEMs were able to substantially reduce their cost structures, discard unprofitable brands and create additional capacity in their existing facilities. In particular, concessions by organized labour to allow for two tier wage agreements created the ability for those OEMs to hire new workers at compensation levels that were not dissimilar to what Automodular was paying its hourly workers. Automodular recognized the situation and made efforts to reset its internal cost structure. Traditionally, labour costs make up the largest component of Automodular's costs. Unfortunately we were unsuccessful in obtaining concessions of any consequence from organized labour.

From 2010 onwards, Automodular received significantly fewer opportunities to quote on complex sub-assembly contracts as OEMs were re-examining their make versus buy decisions. OEMs were no longer looking to outsource the

work that we had historically performed and upon contract expiration were seeking to bring outsourced work back into the final assembly plant. Automodular was successful in continuing its Ford contract largely due to the popularity of the vehicles. As long as the demand remained high and inventory levels were lower it was in Ford's best interest to avoid any significant production downtime. Automodular sub-assembled a significant portion of the vehicle, Ford would have had to endure production downtime and significant capital and launch expenditures to transition our work back in house mid-contract. Our contract expiration date, as extended to December 2014, lined up with the launch of the new models, redesigned for global markets for the 2015 Ford Edge crossover and the Lincoln MKX luxury crossover. This provided Ford with an opportunity to make the transition during a time when significant capital and launch expenditures would be required regardless. Ford was also able to secure major provincial and federal funding to assist in the retooling of their plant. It also aligned a significant portion of the production downtime with Ford's normal holiday shutdown periods.

Automodular's Board of Directors, executive management team and senior management have spent substantial time over the last few years searching for and evaluating additional opportunities to leverage our core skills. We fulfilled a contract manufacturing agreement with Vestas, to provide sub-assembly services for certain wind turbine components for the renewable energy industry in Ontario. The contract was successfully completed in 2012 and exceeded our operating and financial expectations. We continue to have discussions with Vestas and other wind OEMs for the provision of services in Ontario and other jurisdictions. Unfortunately, contracts within the renewable energy industry are prone to extremely long sales lead times and significant political risk. In addition, the removal of local content requirements in Ontario has dramatically reduced the opportunities for the Corporation in this space.

4.8 Economic Dependence

The Corporation was dependent on a single automotive OEM customer, Ford, at a time when OEM outsourcing opportunities for sub-assembly work in the automotive industry were decreasing significantly. As a result of the changes in the automotive industry over the last few years as described in Section 4.7, Ford has been able to reduce costs to the extent that its costs to bring sub-assembly work in-house are likely not significantly different than Automodular's costs. It appears that the sub-assembly niche in the automotive industry in Canada is no longer one in which Automodular can compete profitably.

Renewable energy has been a growth industry in Canada and wind energy was the fastest growing renewable energy source in Canada. Wind power generation uses naturally occurring air flow patterns and velocity to turn turbines to generate electricity. The operating costs of producing electricity through wind is significantly lower than most other technologies, given the absence of fuel costs, the ability to automate operations and the relatively low cost, or absence, of regulatory permits and land rights for wind projects. Automodular's participation in the renewable energy industry as a wind turbine component sub-assembler represented a shift away from exclusive reliance on its automotive customers. Automodular may be able to take advantage of other opportunities in the renewable energy industry. However, Automodular has concluded that the opportunities in the wind energy sector, in and of themselves, are not substantial enough to rationalize a public company structure.

Automodular's management expertise in the sub-assembly of components is transferable and is not confined to either the automotive industry or the renewable energy industry.

4.9 Changes to Contracts

On June 9, 2010, Automodular announced the signing of a multi-year agreement with Ford, for an extension of services at its Oakville operations. The agreement was to expire June 30, 2012; it was extended again in 2011 through to June 2014.

Following notification in May 2013 from Ford that they intended to bring in-house the work performed by Automodular, Ford requested Automodular to continue supplying its sub-assembly services until December 2014. Automodular negotiated an extension of its multi-year agreement with Ford upon more favourable terms, including certain commercial assurances and the payment to Automodular of incremental closure costs related to the extension. Following the termination of the extension agreement on December 23, 2014, Automodular closed its two remaining automotive operating facilities located in Oakville, Ontario.

4.10 Cyclical

The automotive industry is cyclical and impacted by various economic and political factors such as interest rates, energy prices, consumer demand and international conflicts. A reduction in vehicle production volumes by Automodular's OEM customer could have resulted in unplanned downtime. Unplanned downtime could have adversely impacted the profitability of the Corporation as the Corporation's earnings were primarily based on a variable piece price and many of its costs are fixed.

Demand for energy is not uniform and varies due to seasonal and daily variations. However, as an assembler of wind turbine components and supplier to the wind energy industry, Automodular was impacted more by Ontario government policies, initiative and incentives. Ontario embraced the development of renewable power. Under the former FIT Program, newly-built, on-shore wind projects were offered long-term power purchase agreements at fixed prices.

4.11 Foreign Operations

Since 2010, Automodular does not have any active foreign operations, either in the United States or elsewhere.

4.12 Risk Factors

In addition to the foregoing, the Corporation incorporates by reference the disclosure contained in the sections entitled "Risk Factors" contained in its *Management Discussion and Analysis of Operating Results and Financial Position* for the year ended December 31, 2014 which is available under the Corporation's profile on the SEDAR website www.sedar.com as well as on the Corporation's website at www.automodular.com.

4.13 Environmental Considerations

The Corporation has not identified environmental risks as a material risk. As a former sub-assembler of automotive and wind turbine components, it was not involved in research and development operations and dealt only with limited quantities of hazardous materials.

4.14 Outlook

The Corporation incorporates by reference the disclosure contained in the section entitled "2014 Recap and Outlook" contained in its *Management Discussion and Analysis of Operating Results and Financial Position* for the year ended December 31, 2014 which is available under the Corporation's profile on the SEDAR website www.sedar.com as well as on Automodular's website at www.automodular.com.

5. DIVIDENDS AND DISTRIBUTIONS

On August 10, 2011, following a review of its dividend policy, the Board of Directors determined that Automodular would resume the payment of regular quarterly dividends at a rate of \$0.05 per common share. The Board also determined that Automodular would pay special dividends from time to time if cash surpluses grew beyond reasonably forecasted needs. At its January 19, 2012 meeting, the Board of Directors increased the regular quarterly dividend to \$0.06 per common share. The \$0.06 dividend was declared and paid regularly until the Board of Directors determined not to declare a dividend in the fourth quarter of 2014 in order to preserve capital in light of possible diversification opportunities.

The following table summarizes the regular and special dividends declared and paid by Automodular on its common shares during its three most recently completed financial years:

Year ended December 31	Record Date	Payment Date	Regular or Special	Amount per share
2012	February 9, 2012	February 23, 2012	Regular quarterly	\$0.06
	May 24, 2012	June 7, 2012	Regular quarterly	\$0.06
	August 23, 2012	September 6, 2012	Regular quarterly	\$0.06
	November 20, 2012	December 4, 2012	Regular quarterly	\$0.06
	November 20, 2012	December 4, 2012	Special	\$0.20
2013	February 6, 2013	March 4, 2013	Regular quarterly	\$0.06
	May 23, 2013	June 6, 2013	Regular quarterly	\$0.06
	August 20, 2013	September 3, 2013	Regular quarterly	\$0.06
	November 21, 2013	December 5, 2013	Regular quarterly	\$0.06
	November 21, 2013	December 5, 2013	Special	\$0.10
2014	February 3, 2014	March 3, 2014	Regular quarterly	\$0.06
	May 22, 2014	June 5, 2014	Regular quarterly	\$0.06
	August 21, 2014	September 4, 2014	Regular quarterly	\$0.06

6. DESCRIPTION OF CAPITAL STRUCTURE

Common Shares:

The authorized capital of Automodular consists of an unlimited number of common shares without nominal or par value. 593,375 shares were purchased for cancellation under the 2012-2013 NCIB and 421,400 additional shares were purchased for cancellation under the 2013-2014 NCIB. The NCIB expired in August 2014 and was not renewed. 19,378,904 common shares were issued and outstanding as at December 31, 2014 and remain issued and outstanding as at the date hereof. Holders of common shares are entitled to receive notice of, to attend and to vote at all meetings of shareholders on the basis of one vote per share held.

Preference Shares:

The authorized capital of Automodular also consists of an unlimited number of preferred shares issuable in series. The directors may fix, from time to time, before the issue of any series of preferred shares, the rights, privileges, restrictions and conditions attaching to each such series, including, without limitation, the issue price per share, the dividend rate, any redemption or conversion terms and any sinking fund provisions. Each series of preferred shares shall rank as to the payment of dividends and distribution of assets on dissolution or winding up, on parity with every other series of preferred shares and in preference to the common shares. The preferred shares may be made convertible into common shares. Each series of preferred shares shall be non-voting, subject to the provisions of the *Business Corporations Act* (Ontario), unless the directors otherwise determine. No series of preferred shares have been created and there are no issued and outstanding preference shares.

7. MARKET FOR SECURITIES

The common shares of Automodular are listed on the Toronto Stock Exchange ("TSX") under the symbol "AM". The Corporation is not aware of any rating of its securities from any approved rating organization.

The following table shows the monthly price range per share and the trading volumes of the Common Shares of the Corporation on the TSX for the year ended December 31, 2014.

COMMON SHARES			
Month	High \$	Low \$	Volume
January 2014	2.50	2.34	1,087,700
February 2014	2.45	2.32	817,800
March 2014	2.47	2.25	676,500
April 2014	2.35	2.13	1,048,900
May 2014	2.34	2.14	546,900
June 2014	2.28	2.15	347,400
July 2014	2.30	2.18	495,500
August 2014	2.33	2.22	686,000
September 2014	2.25	2.17	266,100
October 2014	2.20	2.07	402,200
November 2014	2.16	2.01	718,300
December 2014	2.21	1.95	509,200

8. SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

To the knowledge of the Corporation, the only securities of the Corporation that are subject to a contractual restriction on transfer are the common shares of the Corporation held by Steamboat and Gobi which parties, together with Parsa Kiai and Bo Shan, (collectively, the “**Shareholder Parties**”) entered into a standstill agreement with Automodular dated as of November 22, 2013 (the “**Standstill Agreement**”) (see “*2013 Developments*”). Pursuant to the Standstill Agreement, the Shareholder Parties agreed not to sell, transfer or otherwise dispose of any securities of the Corporation to any person who, together with any other person with whom it is acting jointly or in concert, is or will, upon consummation of such sale, transfer or other disposition, (a) become a beneficial owner of, directly or indirectly, and/or (b) exercise control or direction over, directly or indirectly, 10% or more of the outstanding voting securities of the Corporation.

Designation of Class	Number of Securities that are Subject to Contractual Restriction on Transfer	Percentage of Class
Common Shares	1.3 million	6.9%

The contractual restrictions set forth in the Standstill Agreement survive until the agreement expires at the close of the Corporation’s 2015 annual meeting unless earlier terminated, including in the event that Mr. Kiai resigns from the Board.

9. DIRECTORS AND OFFICERS

9.1 Name, Occupation and Group Security Holdings

The following tables set out, for each of the Corporation’s directors and officers, the person’s name, province or state and country of residence, position(s) with the Corporation, principal occupation during the five preceding years and

the date on which the person became a director or officer. All directors hold office until the next annual meeting of shareholders of the Corporation or until the director resigns, dies, is removed by shareholders or becomes disqualified to serve as a director in accordance with provisions of the *Business Corporations Act* (Ontario).

As a group, the directors and officers of the Corporation beneficially own, or control or direct, directly or indirectly, 1,625,321 common shares of the Corporation representing 8.4% of the issued and outstanding common shares.

Directors

Name and province or state and country of residence	Director since	Principal office with the Corporation, its significant affiliates and/or principal occupation during the 5 preceding years
Leonard Crispino, ICD.D, Ontario, Canada	2012	Founder and President, The Foreign Affair Winery. President and Chief Executive Officer, The Ontario Chamber of Commerce from 2002 until his retirement in 2012.
Rodney G. Hill, CPA, CA Ontario, Canada	2013	Executive Vice-President and Chief Auditor, Ontario Municipal Employees Retirement System ("OMERS"). From 2001 to 2011, Mr. Hill was a Partner with PricewaterhouseCoopers, LLP.
Parsa Kiai New York, New York	2013	Managing Partner and Portfolio Manager, Steamboat Capital Partners, LLC (investment manager), founded by Mr. Kiai in 2012. Partner at Sonterra Capital, LLC (investment advisor to Sonterra Capital Master Fund) until 2012.
R. Peter McLaughlin, Ontario, Canada	2000	Chairman, Greenbriar Holdings Limited (investment company). President, Greenbriar Holdings Limited until January 2014.
Ralph T. Neville, FCPA, FCA Ontario, Canada	2011	Independent Tax Advisor and Consultant.
Christopher S. Nutt, CPA, CA, C.Dir Ontario, Canada	2012	President and Chief Executive Officer. Vice-President, Finance and Chief Financial Officer of the Corporation until August, 2011.
Rae E. Wallin, Ontario, Canada	1998	Retired. President of N-Viro Systems Canada Inc. (bio-solids management company) until his retirement on November 6, 2009.

The Corporation has an Audit Committee whose current members are R. Peter McLaughlin (Chairman), Ralph T. Neville and Rae E. Wallin.

The Corporation no longer has a Diversification Committee. During 2014, all Board members as well as the executive management team attended all meetings of the Diversification Committee; it was determined that consideration of diversification opportunities should be the responsibility of the full Board and not relegated to a committee.

The Corporation does not have a Corporate Governance and Nominating Committee. The Board is of the view that Corporate Governance, board nominations and succession planning should be the responsibility of the full Board and not relegated to a committee.

The Corporation does not have an Executive Committee or a Compensation Committee. All significant operations and executive compensation matters are presented directly to the full Board for approval.

Officers

Name and province or state and country of residence	Appointed	Principal office with the Corporation and/or principal occupation during the 5 preceding years
Christopher Dell, C.Dir ⁽¹⁾ Ontario, Canada	2006	Vice-President, Business Development
Melinda Diebel, CPA, CA, C.Dir Ontario, Canada	2011	Vice-President, Finance and Chief Financial Officer Corporate Controller July 2008 to August 2011.
Travis Doyle, C.Dir ⁽¹⁾ Ontario, Canada	2006	Vice-President, Program Launches
Diane Erlingher, Ontario, Canada	1998	Corporate Secretary
James Gazo, C.Dir ⁽¹⁾ Ontario Canada	2005	Vice-President, Operations
Christopher S. Nutt, CPA, CA, C.Dir Ontario, Canada	2003	President and Chief Executive Officer Vice-President, Finance and Chief Financial Officer from 2003 to August 2011.
Rae E. Wallin Ontario, Canada	2004	Chairman of the Board

(1) Messrs. Dell, Doyle and Gazo have been continuously employed by the Corporation or its predecessor corporation, Automodular Assemblies Inc., in various capacities since 1994, 1996 and 1989 respectively.

9.2 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

To the knowledge of the Corporation, no director or executive officer of the Corporation is, or has been within the ten years prior to the date hereof, a director or chief executive officer or chief financial officer of any company that, (a) was the subject of an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes hereof, an “order” means (a) a cease trade order; (b) an order similar to a cease trade order; or (c) an order that denied the relevant company access to any exemption under securities legislation, that, in each such case, was in effect for a period of more than thirty consecutive days.

To the knowledge of the Corporation, no director or executive officer of the Corporation is, and no shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, , or has been within ten years before the date hereof, 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, except as disclosed below:

R. Peter McLaughlin, a director of the Corporation, is and has been a director of Alliance Surface Finishing Inc. (“**Alliance**”) since 2004 and was a director of its 70% subsidiary, ASF Ontario Production Inc. (“**ASF**”), from 2004 to 2007. On December 12, 2006, both Alliance and ASF filed a Notice of Intention to make a Proposal to Creditors under the provisions of the Bankruptcy Act, Canada. Both companies filed their respective Proposals to Creditors on June 11,

2007, had the Proposals approved by the creditors on June 28, 2007 and received Court approval for same on July 30, 2007. ASF put itself into receivership on December 4, 2007 and had a Trustee in Bankruptcy appointed on December 7, 2007.

To the knowledge of the Corporation, no director, executive officer or shareholder holding a sufficient number of securities to materially affect the control of the Corporation and no personal holding company of any of the foregoing, has, within ten years before the date hereof, become 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 the assets of the director, executive officer, shareholder or holding company.

To the knowledge of the Corporation, no director, executive officer or shareholder of the Corporation holding a sufficient number of securities to materially affect the control of the Corporation, and no personal holding company of any of the foregoing, (a) has been subject to any penalties or sanctions imposed by a court relating to securities legislation, or by a securities regulatory authority; or (b) since December 31, 2000, has entered into a settlement agreement with a securities regulatory authority or, before January 1, 2001, entered into a settlement agreement with a securities regulatory authority which would likely be important to a reasonable securityholder in making an investment decision; or (c) been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable securityholder in making an investment decision.

9.3 Conflicts of Interest

To the knowledge of the Corporation, there are no existing or potential conflicts of interest between Automodular or any of its subsidiaries and any director or officer of Automodular or any of its subsidiaries except as described in section 11 "*Interest of Management and Others in Material Transactions*".

10. LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Automodular has commenced a claim in the Ontario Superior Court of Justice (the "**Claim**") against GM and Inteva Products, LLC and Inteva Products Canada ULC (collectively, "**Inteva**"). The Claim relates to a contract (the "**Contract**") between GM and Automodular for the sequencing and sub-assembly of components and modules for the Chevrolet Camaro. By letter dated April 13, 2010, GM terminated the Contract effective September 20, 2010. GM then entered into a contract with Inteva for the same work that Automodular was performing under the Contract. Automodular alleges that GM's termination of the Contract was wrongful and in breach of the Contract. Automodular is claiming \$20.0 million against GM for breach of contract and against Inteva for inducing breach of contract. Automodular is also seeking punitive damages in the amount of \$5.0 million. The statement of claim was issued on May 13, 2011 and served upon GM and Inteva; the defendants subsequently delivered statements of defence contesting the Claim. The parties have exchanged documentary productions and have conducted initial oral examinations for discovery. Automodular has provided responses to undertakings given during its examination for discovery by the defendants and is awaiting responses to undertakings and further documentary productions from the defendants. Appearances before the court occurred in December 2014 and January 2015 to deal with issues arising from Automodular's examinations for discovery of the defendants. As a result of those appearances, additional information will be exchanged between the parties. The current schedule agreed to by the parties calls for the discovery process to be completed, expert reports to be exchanged, a mandatory mediation to be scheduled and the matter to be set down for trial by October 31, 2015 at which point the Court will schedule a trial date. There can be no assurance that the claim will be successful or that Automodular will recover any amounts from GM or Inteva.

During the financial year, there have been no: (i) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority; (ii) other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (ii) settlement agreements entered into by the Corporation before a court relating to securities legislation or with a securities regulatory authority.

11. INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

During the three most recently completed financial years or during the current financial year of the Corporation, to the knowledge of the Corporation, no director or executive officer of the Corporation, no shareholder that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the securities of the Corporation, and no associate or affiliate of any of them, has or had any material interest, direct or indirect, in any transaction that has materially affected or is reasonably expected to materially affect the Company except as follows:

In November 2013, in connection with Mr. Parsa Kiai's appointment to the Board of Directors of Automodular, Automodular entered into a standstill agreement with Mr. Kiai, Steamboat Capital Partners, LLC, of which Mr. Kiai is Managing Partner and Portfolio Manager, Mr. Bo Shan and Gobi Capital, LLC, of which Mr. Shan is Founder and Portfolio Manager. See also "*2013 Developments*".

In January 2012, the Corporation entered into a consulting contract for strategic advisory services with a company controlled by a former member of the Board of Directors. The contract was for a fixed rate of \$15,000 per month terminable by either party with thirty days' advanced written notice. On July 30, 2012, the party advised Automodular of its decision to terminate the agreement by unilaterally enacting the contract's thirty-day termination clause.

12. TRANSFER AGENTS AND REGISTRAR

The Transfer Agent and Registrar of the Corporation is Computershare Investor Services Inc., 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1.

13. MATERIAL CONTRACTS

Except as set out below, the Company (i) did not enter into any material contracts in 2014 outside the ordinary course of business, or within the ordinary course of business which falls within a category of contract required to be filed under section 12.2 of National Instrument 51-102; and (ii) except as previously filed on SEDAR, has not entered into any material contracts outside the ordinary course of business, or within the ordinary course of business which falls within a category of contract required to be filed under section 12.2 of National Instrument 51-102, which are still in effect:

1. Standstill agreement made between the Corporation, Mr. Parsa Kiai, Steamboat Capital Partners, LLC, Mr. Bo Shan and Gobi Capital, LLC, as further described elsewhere in this AIF.

The above-listed agreement is available on SEDAR under the Corporation's profile at www.sedar.com.

14. INTERESTS OF EXPERTS

PricewaterhouseCoopers LLP ("**PwC**"), the external auditors of the Corporation, reported on the 2014 financial statements of the Corporation. PwC has no registered or beneficial interest, direct or indirect, in any securities or other property of the Company. PwC is independent of the Corporation in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants Ontario.

15. AUDIT COMMITTEE DISCLOSURE

The Audit Committee Charter is attached as Schedule A to this Annual Information Form.

15.1 Composition of the Audit Committee

The members of the Audit Committee are R. Peter McLaughlin (Chairman), Ralph T. Neville and Rae E. Wallin.

15.2 Independence and Reliance on Exemption

All members of the Audit Committee are independent within the meaning of National Instrument 52-110 "Audit Committees". No member has a material direct or indirect relationship with Automodular.

15.3 Relevant Education and Experience

All members of the Audit Committee are financially literate in that they understand the business of the Corporation and the requirements of financial reporting, internal controls and procedures. They are able to understand the accounting principles used by the Corporation to prepare its financial statements and can assess the application of those principles in connection with the accounting for estimates, accruals and reserves.

R. Peter McLaughlin, Chairman of the Audit Committee, has a B.A. and a Law degree. While in law practice, Mr. McLaughlin was involved primarily in the fields of corporate, commercial and securities law and was involved in many merger and acquisition transactions from the perspective of both the purchaser and vendor. He was also involved in numerous securities-related transactions. He is Chairman of Greenbriar Holdings Limited, a private family holding company that invests in new businesses in Ontario. As such, he is responsible for both the review and investigation of business plans and proposals, as well as the review of the financial statements both prior to and following investment.

Ralph T. Neville is a Fellow of the Chartered Professional Accountants Canada and until his retirement was a Partner with BDO Dunwoody LLP. Mr. Neville has over twenty-five years' experience in income tax practice and is an expert witness on taxation matters in the Tax Court of Canada, in criminal court, family law and civil litigation matters. He is also a member of the Board of Directors and the Executive Committee of the Canadian Association of Insolvency and Restructuring Professionals and a Life Member of the Chartered Professional Accountants Canada.

Rae E. Wallin was President of N-Viro Systems Canada Inc., a bio-solids management company, until his retirement on November 6, 2009. Mr. Wallin completed his CMA designation in 1970 and spent 25 years in financial management at General Electric Canada Inc. He was also Vice-President Finance and President of Black & Decker Canada. Mr. Wallin has served on boards and audit committees for more than thirty years.

15.4 External Auditor Service Fees (by Category)

PwC are the external auditors for Automodular. Audit and audit-related fees for Automodular and its subsidiaries are shown on the following table:

External Auditor Services	Fiscal 2014 Fees	Fiscal 2013 Fees \$
Audit fees	139,314	133,003
Audit and accounting related fees	2,684	7,797
Tax fees	86,226	26,880
Total	228,224	167,680

The tax fees in both years were incurred for services consisting of tax compliance, including the preparation and review of Canadian and US tax returns, assistance regarding income, capital and sales tax audits and tax advisory services relating to domestic and international taxation.

15.5 Pre-Approval Policies and Procedures

The Audit Committee of the Corporation has adopted a policy regarding the provision of services by its external auditor. This policy requires audit committee pre-approval of all permitted audit, audit-related and non-audit services.

Subject to the above mentioned policy, the Audit Committee may establish fee thresholds for a group of pre-approved services, provided that such fees will, when combined with all such fees that have not been specifically approved by the Audit Committee, aggregate less than \$25,000 for audit-related services and \$25,000 for general tax consulting services. In such cases, the description of services must be sufficiently detailed as to the type of services to be provided

to ensure that (i) the Audit Committee knows precisely what types of services it is being asked to pre-approve and (ii) the Audit Committee's responsibilities are not delegated to management. All such services will be ratified at the next scheduled meeting of the Audit Committee, and upon such ratification will no longer be included in determining the aggregate fees covered by this limited approval.

None of the fees reported in this Annual Information Form under the heading "*External Auditor Service Fees (by Category)*" were subject to the *de minimis* exception from Audit Committee pre-approval for non-audit services as set out in the Audit Committee Charter.

16. ADDITIONAL INFORMATION

Additional information relating to Automodular can be found under Automodular's profile on SEDAR at www.sedar.com or on Automodular's website at www.automodular.com. Financial information is provided in the Corporation's audited comparative financial statements and its MD&A for the 2014 financial year. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Corporation's securities and securities authorized for issuance under equity compensation plans is contained in Automodular's Management Information Circular prepared for its most recent annual meeting of shareholders held on May 8, 2014 and the Management Information Circular to be prepared for its next annual meeting of shareholders, currently scheduled for May 7, 2015. Securityholders may obtain copies of this Annual Information Form, the Management Information Circular for 2014 and, when available, the Management Information Circular for 2015, and the Annual Report containing the MD&A and the audited comparative financial statements for the most recently completed financial year from the Corporation's office at 235 Salem Road, Unit 6, Ajax, Ontario, Canada L1Z 0B1: telephone 905.619.4200 extension 2100 or by e-mail to the Corporate Secretary at invest@automodular.com.

Schedule A

AUTOMODULAR CORPORATION Charter of the Audit Committee

Purpose of the Committee

The Audit Committee's purpose is to provide assistance to the Board of Directors (the "**Board**") in fulfilling its legal and fiduciary obligations with respect to matters involving the accounting, auditing, financial reporting, internal control and legal compliance functions of Automodular Corporation (the "**Corporation**"). Specifically, to foster communication between directors and external auditors, enhance the independence of the external auditors, and to represent the interests of shareholders through oversight of the external auditors on behalf of the shareholders.

It is the objective of the Audit Committee to maintain free and open communications among members of the Board, the committees of the Board, the external auditors and the financial management of the Corporation.

The Audit Committee shall have a written charter setting out its purpose and responsibilities.

Authority and Membership

The Audit Committee (the "**Committee**") of the Board of Directors is established pursuant to By-law No. 1 and the *Business Corporations Act*, (Ontario) sec. 158 (the "**Act**"). The Committee shall be comprised of three (3) or more directors as determined from time to time by resolution of the Board. Every member must be independent and financially literate. The meaning of "independent" and "financially literate" shall be determined by reference to National Instrument 52-110 Audit Committees ("NI 52-110"), articles 1.4 to 1.6, inclusive, articles 3.1(3) and (4), and 3.9. A person who is not financially literate may be appointed to the Committee, provided the member becomes financially literate within a reasonable period of time following their appointment. Members of the Committee shall be elected by the Board at the annual meeting of the Board or at such other time as may be determined by the Board.

The Chairman of the Committee (the "**Chairman**") shall be designated by the Board, provided that if the Board does not so designate a Chairman, the members of the Committee, by majority vote, may designate a Chairman.

Audit Committee Responsibilities

1. The Committee is responsible for having a written charter setting out its mandate and responsibilities.
2. The Committee is responsible for recommending to the Board:
 - (i) The external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation; and
 - (ii) The compensation of the external auditors.
3. The Committee is directly responsible for overseeing the work of the external auditors engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation, including the resolution of disagreements between management and the external auditors regarding financial reporting.
4. The Committee must pre-approve all non-audit services to be provided to the Corporation or any of its subsidiary entities by its external auditors.
5. The Committee must review the financial statements, management's discussion and analysis and annual and interim earnings press releases before the Corporation publicly discloses the information.
6. The Committee must be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from the financial statements, other than as covered by item 5 above, and must periodically assess the adequacy of those procedures.
7. The Committee is responsible for establishing procedures for:

- (i) The receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and
 - (ii) The confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
8. The Committee is responsible for reviewing and approving the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors.

Pre-Approval of *De Minimis* Non-Audit Services

An audit committee satisfies the pre-approval requirement regarding non-audit services of the external auditor if:

- a. the aggregate amount of all the non-audit services that were not pre-approved is reasonably expected to constitute no more than five per cent of the total amount of fees paid by the Corporation and its subsidiary entities to the issuer's external auditor during the fiscal year in which the services are provided;
- b. the issuer or the subsidiary entities of the issuer, as the case may be, did not recognize the services as non-audit services at the time of the engagement; and
- c. the services are promptly brought to the attention of the Committee of the issuer and approved, prior to the completion of the audit, by the Committee or by one or more of its members to whom authority to grant such approvals has been delegated by the Committee.

Delegation of Pre-Approval Function

- 1. The Committee may delegate to one or more independent members the authority to pre-approve non-audit services in satisfaction of the requirement.
- 2. The pre-approval of non-audit services by any member to whom authority has been delegated pursuant to subsection (1) must be presented to the Committee at its first scheduled meeting following such pre-approval.

Pre-Approval Policies and Procedures

The Committee satisfies the pre-approval requirement in sub-section 2.3(4) of NI 52-110 and in item 4 of "*Audit Committee Responsibilities*" in this Charter if it adopts specific policies and procedures for the engagement of the non-audit services, if:

- a. the pre-approval policies and procedures are detailed as to the particular service;
- b. the audit committee is informed of each non-audit service; and
- c. the procedures do not include delegation of the audit committee's responsibilities to management.

Meetings of the Committee

The Committee shall meet with such frequency and at such intervals as it shall determine is necessary to carry out its duties and responsibilities. The proceedings of all meetings will be minuted.

The Committee may invite such other persons to its meetings as it deems necessary.

The auditor of the Corporation or a member of the Committee may call a meeting of the Committee.

The auditor may attend Committee meetings, is entitled to receive notice of every meeting of the Committee, and at the expense of the Corporation, to attend and be heard thereat, and, if requested by a member of the Committee, shall attend every meeting of the Committee held during the term of office of the auditor. The auditor of the Corporation shall be entitled to attend at the expense of the Corporation and be heard at meetings of the Board of Directors on matters relating to the auditor's duties.

The presence in person or by telephone or other similar means of a majority of the Committee's members shall constitute a quorum for any Committee meetings. All decisions of the Committee will require the vote of a majority of its members present at a meeting at which a quorum is present.

Roles and Responsibilities

1. Financial Reporting

The Committee shall:

- (i) Gain an understanding of the current areas of greatest financial risk and how management is managing these effectively;
- (ii) Consider with the external auditors any fraud, illegal acts, deficiencies in internal control or other similar issues;
- (iii) Review significant accounting and reporting issues, including recent professional and regulatory pronouncements and understand their impact on the financial statements;
- (iv) Ask management and the external auditors about significant risks and exposures and the plans to minimize such risks;
- (v) Establish procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls or auditing matters;
- (vi) Establish procedures for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters;
- (vii) Review any legal matters, which could significantly impact the financial statements; and
- (viii) Review and recommend approval to the Board of:
 - Prospectus-type documents
 - Related news releases
 - Information and earnings guidance provided to analysts and rating agencies.

2. Annual Financial Statements

The Committee shall review the financial statements of the Corporation and shall report to the Board of Directors before such financial statements are approved by the Board under section 159 of the Act (respecting approval of financial statements by directors).

- (i) Meet with management and the external auditors to review the financial statements and the results of the audit;
- (ii) Review the annual audited financial statements prior to presentation to the Board and distribution to shareholders and determine whether they are complete and consistent with the information known to committee members; assess whether the financial statements reflect appropriate accounting principles;
- (iii) Recommend that the annual financial statements and all related documents be received and approved by the Board;
- (iv) Review the financial reports and statements of the Corporation that require the approval of the Board prior to being submitted to a regulatory body;

- (v) Be satisfied that adequate procedures are in place for the review of any disclosure of financial information extracted or derived from these financial statements and periodically assess the adequacy of those procedures;
- (vi) Review complex and/or unusual transactions and judgmental areas such as significant claims and contingencies that could materially impact the Corporation's financial position;
- (vii) Review Management's Discussion and Analysis of financial information in the annual report and the Annual Information Circular; and
- (viii) Review all Related Party transactions.

3. Interim Financial Statements

Assess the fairness of the preliminary and interim statements and disclosures and obtain explanations from management and internal and external auditors on whether:

- (i) Actual financial results for the interim period varied significantly from budgeted or forecasted results;
- (ii) Changes in financial ratios and the relationships in the interim financial statements are consistent with changes in the Corporation's operations and financing practices;
- (iii) Generally accepted accounting principles have been consistently applied;
- (iv) There are any actual or proposed changes in accounting or financial reporting practices;
- (v) There are any significant or unusual events or transactions; and
- (vi) The preliminary announcements and interim financial statements contain adequate and appropriate disclosures.

4. Risk and Uncertainty

The Board of Directors, in consultation with management, identifies the principal business risks, decides on an acceptable level, approves related risk management policies and assigns oversight responsibilities to the Audit Committee or the Board as a whole.

The Audit Committee requests the external auditor's opinion of management's assessment of significant financial risks facing the company and how effectively they are being managed or controlled.

5. Internal Control

The Audit Committee reviews the plans of the internal and external auditors to ensure the combined evaluation and testing of control is comprehensive, well-coordinated, cost effective and appropriate to risks, business activities, changing circumstances, etc.

- (i) Review appointments of key people involved in financial reporting;
- (ii) Review fraud prevention programs and monitors their implementation;
- (iii) Review annual budget and management control procedures;
- (iv) Evaluate whether management is settling the appropriate "control culture" by communicating the importance of internal control and the management of risk and ensuring that all employees have an understanding of their roles and responsibilities;

- (v) Consider how management is held to account for the security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown;
- (vi) Gain an understanding of whether internal control recommendations made by the external auditors have been implemented by management; and
- (vii) Review the process and procedures for Officer certification of financial information.

The Committee has authority to communicate directly with the Corporation's internal auditors.

6. External Audit

The Committee is directly responsible for engaging and overseeing the work of the external auditors for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation. The external auditors shall report all material issues or potentially material issues to the Committee. The external auditor shall report directly to the Committee, and the Committee has the authority to communicate directly with the external auditors of the Corporation.

The Committee shall:

- (i) Review the external auditor's proposed audit scope and approach and ensure no unjustified restrictions or limitations have been placed on the scope;
- (ii) Review the performance of the external auditors;
- (iii) Consider the independence of the external auditor, including reviewing the range of services provided in the context of all consulting services bought by the Corporation;
- (iv) Review the annual audit plan and fees proposed by the external auditors;
- (v) Review the nature and extent of the liaison between the Corporation's staff and the external auditors;
- (vi) Ensure that significant findings and recommendations made by the external auditors are received and discussed on a timely basis;
- (vii) Report to the Board any conflict between the external auditors and management that the Committee has been unable to resolve within a reasonable period of time;
- (viii) Review the draft audit opinion on annual financial statements;
- (ix) Review the management representation letter provided to the external auditors;
- (x) Meet separately with the external auditors to discuss any matters that the Committee or auditors believe should be discussed privately;
- (xi) Make recommendations to the Board regarding the external auditors to be nominated for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation and their compensation; and
- (xii) The Audit Committee expects that, in discharging their responsibilities to the shareholders, the external auditors shall be accountable to the Board through the Audit Committee. The external auditors shall report all material issues or potentially material issues to the Committee.

7. Compliance with Laws and Regulations

The Committee shall:

- (i) Review the effectiveness of the system for monitoring compliance with laws and regulations and the results of management's investigation and follow-up of any fraudulent acts or non-compliance;
- (ii) Obtain regular updates from management and others (e.g. internal and external auditors, legal counsel) concerning the company's compliance with financial related laws and regulations such as:
 - Tax and financial reporting laws and regulations.
 - Legal, tax and withholding remittances.
 - Environmental protection laws.
 - Occupational health and safety laws.
 - Personal Information and Protection of Privacy laws
- (iii) Review insider stock trades for compliance with Automodular Corporate Disclosure Policy;
- (iv) Be satisfied that all regulatory compliance matters have been considered in the preparation of the financial statements; and
- (v) Review the findings of any examination by regulatory agencies.

8. Other Matters

a. Conflicts of Interest

The Committee shall:

- (i) Review the Corporation's policies relating to the avoidance of conflicts of interest between the Corporation and members of management as well as procedures with respect to officers' expense accounts and perquisites, including the use of corporate assets; and
- (ii) Annually, review and approve the CEO's expense accounts for the year then ended.

b. Committee's Right to Seek Independent Advice

The Committee has the authority to seek independent expert advice, including the retaining of independent counsel, accountants or others, as it determines necessary, to assist the Committee in fulfilling its duties and responsibilities and has the authority to set and pay the compensation for any advisors employed.

c. Committee's Caveat

While the Committee has the duties and responsibilities as set out in the Charter, the Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with generally accepted accounting principles.