stuartolson

ANNUAL INFORMATION FORM

March 6, 2018

For the Financial Year Ended December 31, 2017

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CAUTIONARY NOTE REGARDING FORWARD-LOOKING INFORMATION

This Annual Information Form ("**AIF**") for Stuart Olson Inc. ("**Stuart Olson**" or the "**Corporation**") contains certain statements that may constitute forward-looking information within the meaning of applicable securities laws. This forward-looking information relates to, among other things:

1. the future business prospects of any of Stuart Olson's Operating Groups (as defined herein) and the industries in which they operate;
2. the Corporation's assessment if the economic environment, commodity prices and market conditions and the elements necessary for Stuart Olson and its businesses to be successful;
3. the Corporation's estimate of the value of various contracts;
4. the enhancement, predictability and sustainability of Stuart Olson's earnings or revenues through any means whatsoever including, without limitation, project and market diversity;
5. whether or not backlog can be converted into revenue and what the expected margin on such revenue might be;
6. the financial and operational effects on Stuart Olson and its businesses as a result of compliance with environmental protection requirements;
7. management's expectations that the Buildings Group (as defined herein) will be able to convert pre-construction activities into full construction management projects;
8. management's expectations and intentions regarding the Industrial Group (as defined herein), including its ability to meet the needs of its clients, its pursuit of larger projects and its capacity to lead new business origination in the industrial environment; and
9. the payment of future dividends.

Often, but not always, forward-looking information can be identified by the use of such words as "may", "will", "expect", "believe", "plan", "intend", "estimate", "outlook", "forecast", "should", "anticipate" and other similar terminology, including statements concerning possible or assumed future results. Forward-looking information is based on management's reasonable assumptions, analysis and estimates in respect of its experience and perception of trends, current economic conditions and expected developments, as well as other material factors that it considers to be relevant at the time of making such statements.

The forward-looking statements contained in this AIF are based on certain assumptions, including, among other things: the expected performance of the global and Canadian economies and the effects thereof on the Corporation's businesses; the continuation of challenging market conditions in Alberta due to the "lower-for-longer" oil price environment; the global demand for oil and natural gas, its impact on commodity prices and its related effect on capital investment projects in Western Canada; the ability of counterparties with whom the Corporation enters into agreements to meet their obligations; the stability or instability of interest rates; the Corporation's estimates about the projects and the markets in which the Corporation operates remain unchanged; the stability of market conditions and currency exchange rates; the impact of competition; and government policies.

The forward-looking information in this AIF is included solely for the purpose of assisting Stuart Olson's securityholders in understanding Stuart Olson's financial position and the results of its operations as at the date hereof. By its nature, forward-looking information involves known and unknown risks and uncertainties, which give rise to the possibility that management's assumptions, analysis and estimates will be incorrect and that Stuart Olson's anticipated results will not be achieved. Although Stuart Olson believes that the statements with respect to forward-looking information are reasonable and current, such statements should not be interpreted as a guarantee of future performance or results, and will not necessarily be an accurate indication of whether or not such results will be achieved. Forward-looking information is necessarily subject to a number of factors that may cause actual results to differ materially from those results implied by the expectations suggested by such information. Those factors include, without limitation, those other risks and uncertainties described in this AIF in the section with the heading "*Risk Factors*".

When relying on the forward-looking information to make decisions with respect to Stuart Olson, securityholders and others should carefully consider the foregoing factors, although readers are strongly cautioned that the foregoing list of factors is not exhaustive and other factors could adversely affect Stuart Olson's performance. Investors and other readers are encouraged to consider the foregoing risks and other factors carefully when evaluating the forward-looking information and are cautioned not to place undue reliance upon such information when making investment decisions. The forward-looking information in this AIF is current to the date hereof, and is subject to change following such date. While Stuart Olson may elect to do so, unless required by applicable law, it undertakes no obligation to update this information to reflect new information or circumstances at any particular time.

NON-IFRS MEASURES

Certain measures in this AIF do not have any standardized meaning as prescribed by IFRS and, therefore, are considered non-IFRS measures. These non-IFRS measures are commonly used in the construction industry, and by management of the Corporation, as alternative methods for assessing operating results and to provide a consistent basis of comparison between periods. These measures are not in accordance with IFRS, and do not have any standardized meaning. Therefore, the non-IFRS measures in this AIF are unlikely to be comparable to similar measures used by other entities. Non-IFRS measures include: contract income margin; work-in-hand; backlog; active backlog; book-to-bill ratio; working capital; adjusted free cash flow ("**FCF**"); adjusted free cash flow per share; adjusted earnings before interest, taxes, depreciation and amortization ("**adjusted EBITDA**"); adjusted EBITDA margin; earnings before tax ("**EBT**"); long-term indebtedness; indebtedness to capitalization; net long-term indebtedness to adjusted EBITDA; interest coverage; and debt to EBITDA. Further information regarding these measures can be found in the "Non-IFRS Measures" section of the most recently filed MD&A and the discussion of some of these measures below.

Backlog

Backlog means the total value of work, including work-in-hand, that has not yet been completed that: (a) is assessed by the Corporation as having high certainty of being performed by either the existence of a contract or work order specifying job scope, value and timing, or (b) has been awarded, as evidenced by an executed binding or non-binding letter of intent or agreement, describing the general job scope, value and timing of such work, and with the finalization of a formal contract respecting such work currently assessed by the Corporation as being reasonably assured.

Adjusted EBITDA

The Corporation defines adjusted EBITDA as net earnings (loss) from continuing operations before finance costs, finance income, income taxes, capital asset depreciation and amortization, impairment charges, costs or recoveries relating to investing activities, restructuring costs, equity-settled share-based compensation and gains/losses on assets, liabilities and investment dispositions.

EBITDA and adjusted EBITDA are common financial measures used by investors, analysts and lenders as an indicator of operating performance, as well as a valuation metric and as a measure of a company's ability to incur and service debt. The Corporation's calculation of adjusted EBITDA excludes items that do not reflect its ongoing cash operations, including restructuring charges, equity-settled share-based compensation and charges related to investing decisions, and that the Corporation believes should not be reflected in a metric used for valuation and debt servicing evaluation purposes.

While EBITDA and adjusted EBITDA are common financial measures widely used by investors to facilitate an "enterprise level" valuation of an entity, they do not have a standardized definition prescribed by IFRS and therefore, other issuers may calculate EBITDA or adjusted EBITDA differently. EBITDA and adjusted EBITDA are reconciled to net earnings/loss in the Corporation's Management's Discussion and Analysis for the year ended December 31, 2017, a copy of which can be found under the Corporation's profile on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at www.sedar.com.

INTRODUCTION

This AIF is dated March 6, 2018. Except where otherwise indicated, the information in this AIF is provided as of December 31, 2017 and all dollar amounts are expressed in Canadian dollars.

CORPORATE STRUCTURE

Name, Address and Incorporation

The Corporation was incorporated as "Churchill Development Corporation Ltd." on August 31, 1981, under the *Companies Act* of Alberta and was continued under the *Business Corporations Act* (Alberta) (the "**ABCA**") on July 30, 1985. The name of the Corporation was changed to "The Churchill Corporation" by Certificate of Amendment dated July 30, 1985. On June 30, 1987, the Corporation acquired Alberta Investments Ltd. ("**AIL**"), and became a reporting issuer pursuant to an order of the Alberta Securities Commission. The Corporation amalgamated with AIL on December 31, 1987 and the Common Shares (as defined herein) were listed for trading on the Alberta Stock Exchange on December 1, 1987. On December 8, 1999, the Common Shares were listed for trading on the Toronto Stock Exchange (the "**TSX**"). On January 30, 2000, the Corporation consolidated its trading on the TSX and dropped its listing on the Alberta Stock Exchange, which was by then the Canadian Venture Exchange (now the TSX Venture Exchange). The Corporation changed its name from "The Churchill Corporation" to "Stuart Olson Inc." by Certificate of Amendment filed on May 22, 2014.

The Corporation's head office is located at 600, 4820 Richard Road SW, Calgary, Alberta. The Corporation's registered office is located at 400, 3rd Avenue SW, Suite 3700, Calgary, Alberta.

Material Amendments to the Constating Documents of the Corporation

The following material amendments have been made to the articles and other constating documents of the Corporation:

1. Certificate and Special Resolution filed June 28, 1985 to: (i) reorganize the Corporation's share capital to consolidate the class "A" common shares and the class "B" common shares; (ii) modify the Memorandum of Association of the Corporation; (iii) authorize the issuance of up to 110,000,000 class "A" common shares; and (iv) convert all issued and outstanding class "A" common shares and all issued and outstanding class "B" common shares into Class A Common Shares on a one-for-one basis.
2. Articles of Amendment filed July 30, 1985 to change the name of the Corporation from "Churchill Development Corporation Ltd." to "The Churchill Corporation".
3. Articles of Amalgamation filed December 31, 1987 to amalgamate the Corporation and AIL.
4. Amended By laws approved by the Board of Directors of the Corporation (the "**Board**" or the "**Board of Directors**") and ratified by the Corporation's shareholders at the annual and special meeting of shareholders held May 19, 1999 to reduce the quorum requirement for meetings of shareholders from 30% to 10% of the Common Shares.
5. Articles of Amendment filed June 13, 2000 to:
    (a) change the authorized share capital of the Corporation as follows: (i) change the designation of the authorized and issued "Class A Common Shares" to "Common Shares" (the "**Common Shares**"); (ii) change the maximum number of Common Shares that may be issued to an unlimited number; (iii) cancel the authorized classes and series of preferred shares; and (iv) create an unlimited number of a new class of shares designated as "Preferred Shares", issuable in series (the "**Preferred Shares**");

    (b) provide that meetings of shareholders of the Corporation may be held inside or outside of Alberta, at any place in Canada; and

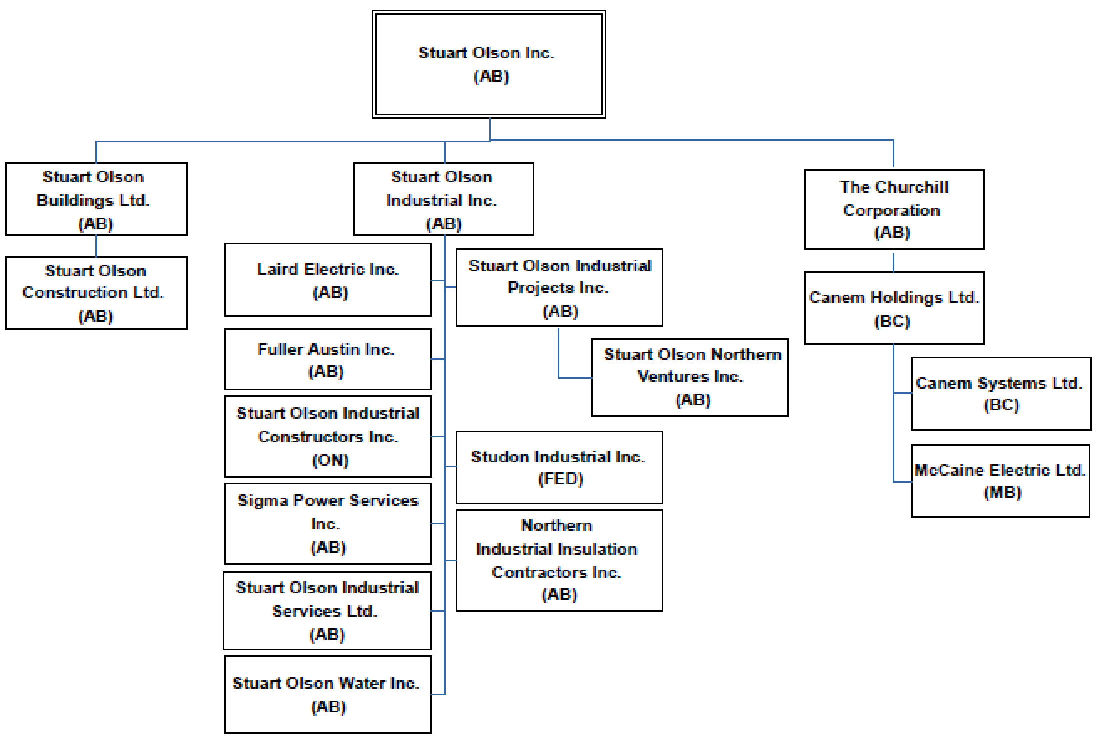
(c) permit the Board to appoint one or more additional directors between annual meetings of shareholders, with the number of additional directors not to exceed one-third of the number of directors who held office at the expiration of the last annual meeting of shareholders of the Corporation.

6. A new By-Law No. 2 of the Corporation was approved by the Board on March 15, 2013 and ratified by the Corporation's shareholders on May 23, 2013 to provide that advance notice must be given to the Corporation in circumstances where nominations of persons for election to the Board are made by a shareholder of the Corporation, other than pursuant to a proposal or a requisition of a shareholder made in accordance with the provisions of the ABCA.

7. Articles of Amendment filed May 22, 2014 to change the name of the Corporation from "The Churchill Corporation" to "Stuart Olson Inc."

Intercorporate Relationships

The chart below shows Stuart Olson's principal operating subsidiaries as at December 31, 2017 and their respective jurisdictions of incorporation or existence, as applicable. The assets or sales and operating revenues of each of the other subsidiaries of the Corporation do not individually constitute more than 10% of the consolidated assets or the consolidated sales and operating revenues of Stuart Olson as at and for the year ended December 31, 2017, nor do they constitute more than 20%, in the aggregate, of the consolidated assets or consolidated sales and operating revenues of Stuart Olson as at and for the year ended December 31, 2017. The Corporation beneficially owns, controls and directs, directly or indirectly, 100% of the votes attaching to all voting securities of each principal operating subsidiary.



GENERAL DEVELOPMENT OF THE BUSINESS

Overview

Stuart Olson is one of the larger publicly traded construction and industrial services companies in Canada. The Corporation provides general contracting and electrical building systems contracting in the institutional and commercial construction markets as well as general contracting, electrical, mechanical and specialty trades, such as insulation, cladding and asbestos abatement, in the industrial construction and services market. The Corporation provides its services to a wide array of clients in both the public and private sectors.

The Corporation has elected to group its operations into four segments for financial statement reporting purposes in accordance with International Financial Reporting Standards 8 ("**IFRS 8**"). Those reporting segments now include General Contracting, Commercial Systems, Industrial Services and Corporate and Other. Of those reporting segments, only the General Contracting, Commercial Systems and Industrial Services segments constitute the operational segments of the Corporation.

The General Contracting segment is comprised of Stuart Olson Buildings Ltd. and all of its subsidiaries (collectively, the "**Buildings Group**"). The Commercial Systems segment is comprised of Canem Holdings Ltd. ("**Canem**"), and its subsidiaries (collectively, the "**Commercial Systems Group**"). The Industrial Services segment is comprised of Stuart Olson Industrial Inc. ("**Stuart Olson Industrial**") and its subsidiaries (collectively, the "**Industrial Group**" and, together with the Buildings Group and the Commercial Systems Group, the "**Operating Groups**").

Each of the Buildings Group, the Commercial Systems Group and the Industrial Group operates independently, provides different products and services to different classes of customers and has revenues and earnings in excess of 10% of the consolidated revenue and earnings of the Corporation, thus justifying separate disclosure under IFRS 8. Similarly, the Corporation regularly analyzes the results of the Operating Groups independently as they generate different gross margin yields and have different risk profiles. The evaluation of results by group and by individual operating entity is consistent with the way in which management performance is assessed.

The three Operating Groups and the Corporate and Other reporting segment are briefly described in the following paragraphs.

Buildings Group

In 2010, following the Corporation's acquisition of The Dominion Company Inc. ("**Dominion**"), Stuart Olson Constructors Inc. (the "**Original Stuart Olson**") and Dominion were operationally combined to form what is now the Buildings Group. The Original Stuart Olson and Dominion had been general contractors since 1939 and 1911, respectively. The Buildings Group provides general contracting services, including integrated project delivery, construction management and design-build services in various market sectors. The group specializes in construction management which involves tight collaboration from early design to handover among the owner, architect, engineer and builder ultimately responsible for construction of the project. The Buildings Group's work in the area has ranged from schools and hospitals to high-rise buildings and includes both new construction and renovation projects. The Buildings Group also offers clients design-build construction services, which involves both design and construction services. In addition, the Buildings Group provides other general contracting services, which include the provision of management, estimating, accounting, site management, field workers and equipment in order to complete projects. The Buildings Group operates through branch offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Mississauga, Ontario.

Commercial Systems Group

The Commercial Systems Group is comprised of Canem Holdings Ltd., which was acquired in July 2010, and its operating subsidiaries. Canem designs, builds, maintains and services critical building systems including electrical and life safety systems, voice, data and communications networks, security infrastructure and other related building technology systems. Canem's primary markets include commercial, institutional, light industrial and multi-tenant residential buildings. With its head office located in Richmond, British Columbia, its services include: (i) design and installation of various building systems (electrical, voice and data-com, security, building maintenance systems, life-safety, etc.); (ii) on-call service for building systems maintenance, repair and troubleshooting; (iii) preventative and scheduled maintenance for critical component installations; (iv) budgeting and pre-construction services; and (v) management of regional and national contracts for multi-site system installations. Canem's acquisition of McCaine Electric Ltd. ("**McCaine**") in 2011 expanded Canem's footprint into Manitoba. In 2017 under the Canem brand, the Commercial Systems Group expanded operations into the Ontario market. The Commercial Systems Group operates through branch offices in Richmond, Victoria and Nanaimo, British Columbia; Calgary, Lethbridge, Red Deer and Edmonton, Alberta, Saskatoon, Saskatchewan, Winnipeg, Manitoba and Cambridge, Ontario.

Industrial Group

In December of 2011, the Corporation realigned the Industrial Group to integrate the existing industrial businesses in order to create a central and coordinated interface through which industrial customers could access the various industrial construction and maintenance offerings. In early 2015, the Corporation acquired Studon Industrial Inc. (formerly Studon Electric & Controls Inc.) ("**Studon**"), which became part of the Industrial Group. Management of the Corporation believes that a fully integrated industrial service offering leads to new business origination by facilitating the pursuit of larger projects and bundled contracts within the industrial environment.

As at December 31, 2017, the Industrial Group was organized into two divisions. The maintenance, repair and operations division (the "**MRO Division**") is comprised of Laird Electric Inc. ("**Laird Electric**") and Studon which are electrical contractors, and Fuller Austin Inc. ("**Fuller Austin**"), Northern Industrial Insulation Contractors Inc. ("**Northern**"), and Sigma Power Services Inc. ("**Sigma Power**") which provide specialty services. The general contracting and construction division (the "**Construction Division**") is made up of Stuart Olson Industrial Constructors Inc. ("**Stuart Olson Industrial Constructors**") and Stuart Olson Water Inc. ("**Stuart Olson Water**"). The companies within the Industrial Group have similar economic characteristics and are similar in terms of services provided, production processes, customers, methods of service delivery and the regulatory environment in which they operate. The businesses carried on by Stuart Olson's endorsed brands operating under each of the MRO Division and Construction Division as at December 31, 2017 can be summarized as follows:

1. Laird Electric is a full service electrical contractor headquartered in Edmonton, Alberta and provides industrial electrical and instrumentation construction and maintenance services. It serves the resource and industrial sectors, including oil sands, oil and gas, petrochemical and mining markets, primarily within the Fort McMurray and greater Edmonton regions.
2. Studon is headquartered in Red Deer, Alberta, and is an electrical and instrumentation services provider offering construction, maintenance and turnaround services to the oil and gas, pipeline and petrochemical industries in British Columbia, Alberta and Saskatchewan. Studon became a part of the Industrial Group on January 6, 2015.
3. Fuller Austin and Northern are headquartered in Edmonton, Alberta. They serve industrial clients with mechanical process insulation, scaffolding, asbestos abatement, building siding, heating, ventilation and air conditioning ("**HVAC**"), fire-stopping, heat trace tubing, fabrication of flexible removable insulated covers and plant maintenance services. Their clients are in the oil sands, oil and natural gas, petrochemical, fertilizer, forest products, power utilities and mining industries.
4. Sigma Power is headquartered in Edmonton, Alberta and provides a full range of technical services on high voltage equipment ranging from 480V to 500KV, including project planning, acceptance testing, start-up and commissioning, maintenance, maintenance testing, infrared scanning, transformer assembly and repair, cable terminations and reliability studies. Sigma Power focusses its services primarily in Northern Alberta serving a broad client base in various industries, including oil and gas, mining, refining, power generation/delivery, petrochemical and pulp and paper.
5. Stuart Olson Industrial Constructors is headquartered in Sudbury, Ontario and is a multi-trade general contractor providing industrial electrical, instrumentation, power line, millwrighting, structural steel, equipment installation, civil construction, mechanical and structural construction and maintenance services to resource and industrial clients, primarily in the mining and power generation industries in Ontario, Manitoba and the Northwest Territories.
6. Stuart Olson Water is headquartered in Calgary, Alberta and is a full multi-trade general contractor providing construction services to the water and wastewater industry primarily in British Columbia, Alberta and Saskatchewan.

Corporate and Other

The Corporate and Other reportable group includes Stuart Olson's corporate officers and staff functions of accounting, treasury, human resources, marketing, information technology services, corporate development, legal, internal audit, payroll, marketing, project controls, supply chain management and business development. The costs of some functions, such as information services and certain centralized payroll and accounting services, are allocated directly to the other business groups, and others remain in Corporate and Other. The corporate office provides strategic direction, operating oversight, legal and human resources services, financing, infrastructure services and management of public company requirements to each of the Operating Groups.

THREE YEAR HISTORY OF THE BUSINESS

2015

On January 6, 2015, Stuart Olson announced that it had completed the acquisition of Studon. Headquartered in Red Deer, Alberta, Studon was an electrical and instrumentation services provider offering construction, maintenance and turnaround services to the oil and gas, pipeline and petrochemical industries in Western Canada. Studon employed between 500 and 1,000 highly skilled electricians and instrumentation trades people at any given time. The purchase price of $77.8 million (the "**Purchase Price**") consisted of an equity purchase price of $67.7 million (the "**Equity Purchase Price**") plus the assumption of net debt and a working capital adjustment. The Equity Purchase Price consisted of $59.9 million in cash (the "**Cash Consideration**") and $7.8 million in Common Shares (the "**Share Consideration**"). The Cash Consideration was funded by a combination of cash on hand and a draw on the Credit Facility. The Share Consideration consisted of 1,103,081 Common Shares at a deemed price of $7.05 per share, calculated using the 20-day volume weighted average trading price of the Common Shares on the TSX as at November 25, 2014. The Share Consideration was subject to a lockup period of up to 720 days, with one-third of such shares being released from lockup every 240 days. The Purchase Price may have increased by a maximum of $24.2 million through earn-out payments over the three years following the closing of the transaction in the event that Studon were to exceed certain financial performance targets. The purchase of Studon was completed on January 6, 2015, at which time Studon became part of the Industrial Group.

On February 4, 2015, Stuart Olson announced that its Buildings Group had been awarded approximately $120 million in new contract awards, including a $90 million construction management contract for a leisure centre complex in Southern Alberta and a $30 million construction management services contract for a regional healthcare provider in Saskatchewan.

On May 19, 2015, Stuart Olson announced that its Industrial Group had been awarded approximately $105 million in new contracts, including a project where Stuart Olson is acting as a consortium partner to construct and commission four synchronous condensers for Manitoba Hydro. The Stuart Olson proportion of the work was estimated at $80 million. The Industrial Group also signed a three year extension to its master service agreement pursuant to which it provides maintenance services to a major oil sands owner, with an estimated value of $25 million over the three year period.

On June 30, 2015, Stuart Olson's Series 1 6.00% convertible debentures originally issued on June 15, 2010 in the aggregate amount of $86,250,000 (the "**2010 Debentures**") matured. Stuart Olson paid out the 2010 Debentures in full on the maturity date.

On July 16, 2015, Stuart Olson announced that it had negotiated improved terms and conditions and a three year extension to the Credit Facility (as defined herein). The new terms and conditions allowed for a maximum borrowing capacity of $175 million, up from $167.4 million, as well as a new maturity date of July 16, 2020. Further, material changes to the Credit Facility included the elimination of the former Working Capital ratio and the Senior Debt to EBITDA ratio financial covenants. The Credit Facility continued to include existing financial covenants related to interest coverage and total debt to EBITDA. The Interest Coverage ratio covenant remained the same at not less than 3:1 and the Debt to EBITDA ratio covenant was reduced by 0.25 such that it would not exceed 3:1, with a temporary increase to 3.25:1 for a period of two quarters following the completion of a material acquisition.

On September 1, 2015, Stuart Olson announced that its Industrial Group and Buildings Group had been awarded approximately $250 million in new contracts. The Industrial Group renewed a master service agreement to provide maintenance and operations repair work to a longstanding oil sands customer, with an estimated value of $90 million over the three year period. The Buildings Group secured multiple contracts in the Ontario and Alberta regions. In southern Ontario, the Buildings Group secured a $90 million design-build project with the largest post-secondary institution in the province. In Alberta, the Buildings Group secured two contracts with a total value of $70 million, being a $40 million construction management project for a seniors care centre and a $30 million design-build project for a research and collections resource facility for a large post-secondary institution.

2016

On January 25, 2016, Stuart Olson announced the appointment of Bob Myles as Chief Operating Officer of the Industrial Group, giving him overall leadership responsibility for the Industrial Group.

On February 24, 2016, Stuart Olson announced that the Industrial Group had been awarded a five-year contract valued at an estimated $500 million to provide maintenance, operation and repair services to a long standing customer in Alberta.

On May 6, 2016, Stuart Olson announced that it had responded to the Regional Municipality of Wood Buffalo Wildfire crisis (the "**Wildfire Crisis**") which had affected over 90,000 individuals in the region, including many members of the Stuart Olson family. The Corporation made an initial donation of $50,000 and committed to matching of any employee donations made in respect of the Wildfire Crisis. The Wildfire Crisis required a shutdown of the majority of Stuart Olson's project sites in the affected region.

On June 16, 2016, Stuart Olson announced preliminary estimates for revenue and adjusted EBITDA of the Industrial Group for the second quarter of 2016. The estimates were provided to announce that the Wildfire Crisis and the resulting shutdowns and slowdowns amongst its oil sands customers would have a material impact on the Industrial Group in the form of lost maintenance revenue, scope decreases on active projects and revenue impacts from deferred projects. At the time Stuart Olson estimated expected revenues for the three months ended June 30, 2016 to be anywhere from $26-$36 million lower than the same period in the previous year.

On July 14, 2016, Stuart Olson announced that it had negotiated improved terms and an extension of the Credit Facility. After giving effect to the amendment and extension, the Credit Facility provided for a $150 million revolving credit facility and a $25 million operating facility resulting in a maximum borrowing capacity of $175 million. The extension resulted in the maturity date of the Credit Facility being extended until July 16, 2021.

On July 20, 2016, Stuart Olson announced the retirement of Al Miller from his position as President and Chief Operating Officer of the Commercial Systems Group effective August 1, 2016 and that the leadership duties of the Commercial Systems Group would be assumed by Doug Hale in his role as Executive Vice President of the Commercial Systems Group.

On August 9, 2016, Stuart Olson announced that its Industrial Group had been awarded approximately $80 million in new contracts including a contract to provide mechanical, electrical and instrumentation services to a mining company in Ontario, and a number of insulation services to Western Canadian clients.

On September 15, 2016, Stuart Olson announced that its Buildings Group had been awarded approximately $105 million in new contracts comprised of both public infrastructure and private commercial projects all in Western Canada.

On November 3, 2016, Stuart Olson announced the award of two new maintenance and repair contracts to its Industrial Group totalling an estimated $130 million including a $100 million award to deliver integrated electrical, instrumentation and insulation services to newly constructed facility in Northern Alberta owned by a long standing oil sands customer.

On December 23, 2016, Stuart Olson announced that it had negotiated amendments to its Credit Facility providing for a change in its required covenant for the interest coverage ratio.

2017

On January 18, 2017, Stuart Olson announced the award of $250 million in new contracts comprised of two Buildings Group contracts with Western Canadian post-secondary institutions totalling $220 million, and an Industrial Group multi-year maintenance, repair and operations type contract valued at $30 million with a long standing mining customer in Saskatchewan.

On February 1, 2017, Stuart Olson announced the removal of a large commercial project valued at $200 million from its December 31, 2016 backlog.

On March 20, 2017, Stuart Olson announced the appointment of John Krill as President and Chief Operating Officer of the Commercial Systems Group, giving him overall leadership responsibility for the Commercial Systems Group.

On June 21, 2017, Stuart Olson announced that its Commercial Systems Group had been awarded approximately $110 million in new contracts. This announcement related to a significant public infrastructure project in Alberta, which was to be performed with a joint venture partner, and a number of smaller projects in British Columbia and Alberta.

On July 20, 2017, Stuart Olson amended the terms of its credit facility. The amendment provided that the Debt to EBITDA ratio was not to exceed 3.25:1.00, and made certain other administrative changes.

MARKET CONDITIONS

The Corporation's ability to manage revenue and cost levels, as well as efficiently execute on projects, despite cyclicality in geographical and customer markets, is critical to the Corporation's success.

Over the past 3 years, the Corporation has seen considerable changes in its core markets and operating geography. In the industrial sector, the price of crude oil has changed from a high of $110/barrel to a low of $26/barrel and resulted in dramatic structural changes to the Canadian industry including customer consolidation, a drive towards efficiency in operating costs and most importantly a significant reduction in capital expenditures across the industry. Near the end of 2017 pricing appeared to have stabilized between $50/barrel to $60/barrel and the industry appeared to be stabilizing and undergoing minor positive developments. Going forward, the National Energy Board maintains its forecast for Canadian production to reach 6 mmb/d post 2035, up from approximately 4 mmb/d in 2016.[1] Alberta's growth is currently expected to be driven primarily from in-situ bitumen production, as large oilsands mining projects are commissioned and the work performed on them transitions from construction to maintenance. Commodity prices appear to have stabilized in 2017, though at a rate lower than 2014, resulting in a changed market with customer consolidation and a consistent drive to lower operating costs. For 2018, it is expected that industrial customers will moderately increase spending in maintenance programs and turnarounds.[2] Saskatchewan continues to lead non-energy spending in mining, while Ontario, Quebec and Northern Canada are seeing stable investments in metal ore and diamond mining.

In the public infrastructure sector, the federal government has initiated a historic funding program of $186 billion over 11 years in an effort to replace aging infrastructure and stimulate the economy. Though the actual funding for capital projects that has been approved and released has fallen short of the plan, the sector outlook remains strong for 2018 with large spending programs in Stuart Olson's key provincial markets and across both the vertical and horizontal infrastructure spaces.

The commercial sector has seen considerable construction over the past 3 years, but the outlook remains less certain in the Corporation's key geography of Alberta. Following significant building programs in both Calgary and Edmonton, in past years the outlook for new capacity in the near to medium term in excess of buildings already under development is not clear. Growth is expected to be strongest in Ontario and in particular the Greater Toronto Area, followed by continuing development in British Columbia's lower mainland.

DESCRIPTION OF THE BUSINESS

General Information

Stuart Olson provides general contracting and electrical building systems contracting in the institutional and commercial construction markets as well as general contracting, electrical, mechanical and specialty services, such as insulation, cladding and asbestos abatement, in the industrial construction and services markets.

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[1] National Energy Board, "Canada's Energy Future 2016 Update – Energy Supply and Demand Projections to 2040", www.neb-one.gc.ca/energyfutures, p. 23.

[2] Buildforce Canada, "Construction and Maintenance Looking Forward – Highlights 2017-2026".

In the past, the majority of the Corporation's business activities were carried out in the four Western Canadian provinces (British Columbia, Alberta, Saskatchewan and Manitoba); however, recent efforts and growth have driven diversification of all the Operating Groups into Ontario, as well as Industrial Group activity in the Territories.

The services provided by each of the Operating Groups are sold directly to clients, owner's engineers or architects, commercial general contractors, industrial general contractors or engineering, procurement and construction contractors. Sales and marketing activities include maintaining relationships with clients and prospecting for new opportunities through personal contact, submitting bids and proposals and limited advertising. Relationships with clients, subcontractors and suppliers, contracts with clients and the goodwill associated with trade names, demonstrated project capabilities and past relationships, all have an impact on the business.

The Corporation's business activity is largely driven by the decisions of businesses, institutions and governments to make capital investments and incur operating expenses. Each client type has unique factors that drive these capital investment and operating expense spending decisions. The following table outlines what the Corporation's management believes are the primary factors influencing the spending decisions of its clients:

Client Type	Primary Factors Influencing Investment Decisions
Commercial/Institutional	• Market demand for facility use • Age of existing facilities and infrastructure • Prevailing construction costs and labour availability • Population growth and demographics • Federal, provincial and municipal government spending programs • Budgetary constraints
Industrial	• Expected long-term price of commodities such as hydrocarbons, uranium and potash • Prevailing construction costs and labour availability • Pipeline and rail capacity • Public infrastructure to support labour migration and transportation • Royalty and taxation regimes • Environmental constraints • Risk and reward expectations

Other as described in this AIF, the sources, pricing and availability of raw materials, component parts or finished products are generally not a significant factor in any of the Corporation's Operating Groups as such costs are usually passed through by contract to the Corporation's clients. For several years prior to 2008 the rapidly expanding market in Alberta and British Columbia created shortages of tradesmen and management personnel as well as some shortages of construction materials. However, in 2009, the availability of skilled labour and management personnel improved and costs for construction materials decreased as a result of the global economic slowdown. In late 2010, labour shortages began to reappear in certain disciplines and the cost of construction materials began to rise. Those discipline specific labour shortages continued in 2014; however, with the falling oil prices towards the end of 2014 and throughout 2015, available discipline specific labour became more prevalent and less of a risk to the Corporation. Any future labour and construction materials shortages could result in cost escalation and lower or higher contract margins depending upon whether the Corporation's client specific commercial conditions allow it to absorb the additional costs associated with these shortages.

Given the nature of the construction business, the importance, duration and effect of identifiable intangible properties, such as copyrights, circulation lists, franchises, patents and trademarks is relatively limited. The Corporation does, however, rely upon the reputation of its brand names, the skills of its employees, proprietary processes and systems and enterprise resource planning software to efficiently manage its business.

Contract Revenue by Operating Group

Comparative contract revenue from the three Operating Groups is set forth in the following table:

Year Ended December 31 ($000s, except percentage amounts)	2017		2016[1]		Increase (Decrease) 2017 over 2016
Buildings Group	540,813	53%	439,168	48%	101,645
Commercial Systems Group	186,809	18%	198,759	22%	(11,950)
Industrial Group	335,214	33%	296,416	32%	38,798
Inter Segment Adjustments	(45,525)	(4%)	(20,797)	(2%)	(24,729)
Total Contract Revenue	1,017,311	100%	913,546	100%	103,764

(1) Certain comparative amounts have been restated since publication of the 2017 AIF. See notes 3 and 5 in the Corporation's 2017 Audited Annual Financial Statements which are available under the Corporation's profile at www.sedar.com.

BUSINESS, SERVICES, MARKETS AND COMPETITIVE ENVIRONMENT

The following sections of this AIF contain detailed descriptions of the business, services, markets and competitive environment of each of the Operating Groups.

Buildings Group

Overview

The Original Stuart Olson was founded by Mr. Stuart Olson in 1939 in Edmonton, Alberta. Dominion (including its predecessor companies) had provided construction services since 1911. The Corporation purchased the Original Stuart Olson from the Olson family in 1989. The Corporation then purchased Dominion in July 2010 and combined the operations of the two companies to form Stuart Olson Dominion Construction Ltd., which changed its name to "Stuart Olson Construction Ltd." in 2014 and rebranded to form the Buildings Group. The Buildings Group provides general contracting services including, stipulated price delivery, integrated project delivery, construction management and design build services, to private and public sector clients in the commercial, industrial and institutional sectors. Its projects generally entail the construction, expansion or renovation of buildings. The Buildings Group operates through its offices in Richmond, British Columbia; Calgary and Edmonton, Alberta; Saskatoon, SK, Winnipeg, Manitoba; and Mississauga, Ontario.

Most of the revenue generated by the Buildings Group is from repeat clients or arises through pre-qualification processes and select invitational tenders. The Buildings Group's business model is to pursue larger projects, and preferably, negotiated construction management type contracts rather than lump-sum, hard bid contracts. The Buildings Group subcontracts approximately 85% of its project work to subcontractors and suppliers and manages the construction process to deliver on its commitments. The high degree of subcontracting can have the effect of reducing the amount of capital required to operate and grow the business.

The Buildings Group uses alternative methods of project delivery as part of its general contracting scope of services, including integrated project delivery, construction management and design build approaches. These methods can provide cost reductions for clients flowing from project re-engineering efficiencies via pre-construction services and increased certainty of on-time and on-budget project completion. These alternative delivery methods have assisted the Buildings Group in building long-term relationships with clients while also optimizing the Corporation's project execution risk and improving contract margins.

The Buildings Group has targeted to expand its participation in the larger projects market during the last five years by leveraging its large project experience. These larger projects have sometimes involved the participation in public-private partnership consortiums, although that market is not currently a priority for the Buildings Group. Larger projects also generally have a greater duration with longer mobilization periods, which can enhance the predictability and sustainability of the Corporation's revenues and earnings and spreads risk as the economy rises and falls in the medium term.

Services

The Buildings Group provides general contracting services, including construction management and design-build services in various market sectors. It specializes in construction management which involves, at a minimum, tight collaboration from early design to handover among the owner, architect, engineer and builder ultimately responsible for construction of the project. The Buildings Group's work in the area has ranged from schools to high-rise buildings and includes both new construction and renovation projects. The Buildings Group also offers clients design-build construction services. The Buildings Group also provides other general contracting services, which include the provision of management, estimating, accounting, site management, field workers and equipment in order to complete projects. The Buildings Group also provides life cycle and energy modeling services including virtual design and construction ("**VDC**").

Market Sectors

The Buildings Group has experience in a wide range of projects in the public and private sectors, including education, recreation, multi-unit residential, retail, hospitality, high technology office, biotechnology and laboratory facilities, office buildings, health and seniors care, public sector construction management and food processing, cold storage and distribution facilities. It is intended that the predictability and sustainability of revenue will be enhanced through project and market diversity.

Competition

The building construction market is highly competitive, with varying degrees of barriers to entry existing in the small-to-medium size project segment of the market, whereas significantly higher barriers to entry exist in the large project segment where bonding capacity, working capital availability and internal organizational capabilities restrict competitors. Competitive factors among the various market participants include: price and approach philosophies to project execution; risk management; relevant project experience; client relationships; quality of service; record in completing similar projects on time and on budget; subcontractor relationships; strength of project team; and performance bonding capability and overall financial strength.

Competitive Strengths

People – The Buildings Group views its people as its greatest competitive advantage and, in that regard, it attempts to provide them with the systems, processes, training and development opportunities to be successful.

Experience – The Buildings Group's detailed integrated project delivery methodology is based on years of successful construction management experience. The company was one of the first general contractors in Western Canada to introduce construction management, as far back as 1983, and has used that experience to refine its current business model.

Strong relationships with subcontractors – The Buildings Group enjoys strong relationships with a variety of different subcontracting firms who have gone through Stuart Olson's selection process, which facilitates the submission of competitive bids and also allows projects to be completed competitively and on a timely basis with an appropriately skilled labour force.

Value engineering and constructability evaluation – The Buildings Group has the ability to assist design consultants with design co-ordination review. The Buildings Group's team is technically proficient and motivated to make an impact on the projects that the company undertakes. Working with the project team, the Buildings Group reviews the design with respect to "constructability" from the earliest phases of design through to completion of working drawings. The Buildings Group's review extends beyond bricks and mortar issues and considers elements such as energy modeling and end of life cost analysis, labour and materials, environmental impact, people and processes.

Insurance coverage – The Buildings Group has entered into an innovative, yet well-tested sub-contractor risk management strategy provided by a leading commercial property-casualty insurance provider serving the global corporate market. Under this strategy, a portion of sub-contractor performance risk is retained by the Buildings Group, with the balance being transferred to the insurance provider. This risk management program is intended to provide extensive control over the subcontractor pre-qualification and credit risk evaluation processes, an ability to manage project risk more effectively and cost efficiencies for the Buildings Group.

Safety – The Buildings Group is continuously improving its safety programs as it develops and strengthens internal safety cultures. The commitment of the Buildings Group to safety and its proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Geographic sector diversity – The Buildings Group has operations in each of British Columbia, Alberta, Saskatchewan, Manitoba and Ontario. By operating in five geographically diverse markets, the Buildings Group reduces its dependence upon any one client base and spreads its overall business exposure across provinces with different economic drivers.

Seasonality

The Buildings Group's business is not particularly seasonal due to the larger size of its projects, although working conditions and productivity can be impacted by cold weather conditions during the winter months and rainy weather during the balance of the year.

Commercial Systems Group

Overview

The Commercial Systems Group is operationally comprised of Canem and its only operating subsidiary, McCaine. Since 1960, Canem (including its predecessor companies) has provided a broad range of services including designing, building, maintaining and servicing electrical and data communications systems for institutional, commercial, light industrial and multi-tenant residential customers. Up to the mid-90's, Canem also provided mechanical construction and maintenance services. The contractual arrangements between Canem and its clients typically take the form of lump sum or construction management contracts.

Canem maintains a head office in Richmond, British Columbia and provides its services through several operating offices in Richmond, Victoria and Nanaimo, British Columbia; Calgary, Edmonton, Red Deer and Lethbridge, Alberta; Saskatoon, Saskatchewan; Winnipeg, Manitoba; and Cambridge, Ontario.

Services

New construction and major renovation projects have generally accounted for the majority of Canem's work, while service and special projects have typically accounted for a relatively smaller portion. Canem's growth strategy includes expanding its service capability in all markets, leveraging typically higher service margins in support of large projects workload growth, while maintaining a ratio of projects/service at 85/15. Canem's service rollout capability is national in scope, and executed by its own forces in Western Canada, and through a network of pre-qualified sub-contractors in the rest of Canada.

Market Sectors

Canem services the public and private sectors, which consist of institutional, commercial, light industrial and multi-tenant residential markets. Canem has a diverse customer base including general contractors, property managers and property owners, developers, government agencies, municipalities, colleges and universities, big-box retailers and telephone and communications carriers.

Competition

Canem has historically provided a more comprehensive range of services and broader geographical presence than most of its competitors, which has enabled it to deliver a single source solution to clients. The competitive factors affecting Canem's business include: price and approach philosophies to project execution; relationships with clients and client representatives; scope of service capabilities; quality of service; record in completing similar projects on time and on budget; safety programs and safety record; performance bonding capability and financial strength; and relevant project experience.

Competitive Strengths

Size – Canem is one of the largest critical building systems contracting companies in Western Canada with significant large project experience and proven track record.

Project controls – Canem has integrated its finance and technology systems and proprietary processes to enhance operating controls via three initiatives currently underway or recently completed: (i) centralized estimating, (ii) process, financial and systems integration with the Corporate and Other segment, and (iii) centralized procurement. These initiatives are intended to contribute to improved productivity and Canem's ability to deliver stronger net profitability.

Focus on higher margin services and markets – Canem is able to select services and markets where the barriers to entry and margins are both high. These markets include large projects; highly complex projects that contain integrated building system components; projects that require extensive logistical expertise; and national service rollouts for clients.

Off-site assembly – Canem uses off-site assembly and modularization (pre-fabrication) of system components in order to enhance quality and improve on-site labour installation productivity.

Expertise – Canem's management believes that the company has advantages in technical expertise that provide it with: (i) access to higher margin design-build projects that use the capabilities of its in–house experts; (ii) access to growth markets, including agri-business, wireless telecommunications, fibre, video, security and fire systems; and (iii) the ability to deliver quality project information services (e.g. job completion status, labour forecasts, and detailed service and material and equipment billing information) with greater reliability than many of its competitors.

Safety – Canem is continuously improving its safety programs as it develops and strengthens internal safety cultures. The commitment of Canem to safety and its proven track record is seen by management as a key competitive advantage in earning the trust of customers. Canem is COR certified in all established markets (BC, Alberta, Manitoba) and is in the process of obtaining COR certification in new markets recently entered (Saskatchewan, Ontario).

Seasonality

The business of the Commercial Systems Group is not typically affected by seasonal factors as most of its work is performed inside buildings.

Industrial Group

Overview

Through the MRO Division and the Construction Division, the Industrial Group is a unique service provider capable of providing clients across industrial business sectors with a fully integrated service delivery model designed to enhance performance throughout the lifecycle of a project. More and more, companies are looking to streamline the delivery process and maximize results through integrated management solutions. Through the MRO Division and the Construction Division, the Industrial Group's comprehensive service offerings enable it to do just that by providing clients with integrated and tailored solutions designed to address the opportunities and challenges unique to every project.

MRO Division

The MRO Division supports it clients in either a single or multi-trade bundled service offering which reduces the total cost of delivery by removing margin stacking; optimizing project indirect staff; and lowering administrative costs both in the team's structure and client transaction costs. The MRO division is described in more detail below.

Overview of the MRO Division

The MRO Division has been in business for over 50 years and was created through both organic growth as well as a number of company acquisitions. The MRO Division is based in Edmonton, Alberta and has offices in Fort McMurray, Red Deer, Calgary, Alberta; Regina, Saskatchewan; and Thunder Bay, Ontario. The MRO Division serves the resource and industrial sectors, including oil sands, oil and gas, petrochemical power generation and mining markets. Most of the MRO Division's client engagements involve multi-year, cost plus contractual arrangements.

Services

The MRO Division provides both union and non-union contracting, maintenance and turnaround services in many industrial areas. These include such services as electrical and instrumentation; mechanical; mechanical process insulation; industrial metal siding and cladding; scaffolding; HVAC; fire-stopping; heat trace tubing; and asbestos abatement. In addition, the MRO Division provides a full range of technical services on high voltage equipment ranging from 480V to 500KV, including project planning, acceptance testing, start-up and commissioning, maintenance, maintenance testing, infrared scanning, transformer assembly and repair, cable terminations and reliability studies.

Market Sectors

The MRO Division provides contracting services to clients in the oil sands, oil and gas, petrochemical, power generation and mining industries. In particular, The MRO Division is most active in the Fort McMurray and Edmonton area construction and maintenance markets. The MRO Division's clients include engineering firms, prime construction and maintenance contractors and industrial owners.

Competition

The competitive factors affecting the MRO Division include: price and solution driven approach philosophies to project execution; management information systems; client relationships; scope of service capabilities; quality of service; record of completing similar projects on time and on budget; operating plant experience (brownfield); safety programs and record; performance bonding capability and financial strength; owner's preference for union versus non-union workforce; and relevant project experience.

Competitive Strengths

Brand name prevalence and experience – Management believes that Stuart Olson, operating under as Stuart Olson and its endorsed brands is one of the more prominent MRO contractors operating in the Canadian oil sands industry. It has a significant and long performance history with multiple industrial owners, which has resulted in strong recognition and relationships within the market sector.

Strong project management and execution – The project management team in the MRO Division has a proven track record for delivering projects ahead of client schedules, all the while meeting or exceeding client expectations.

Ability to access labour – The strong relationship that the MRO Division has with the building trades and its union-contractor status enables it to access a reliable and qualified trade labour supply via the local union halls. In addition, the MRO Division is well connected in the market to provide access to non-union labour sources and as such, it has been able to successfully access labour in the midst of province-wide labour shortages. This can be beneficial during periods of major plant turnarounds and other unexpected events that require a large volume of craft labour to mobilize for short durations and to source labour supply for longer maintenance contract opportunities.

Management experience – The MRO Division's senior leadership team has considerable experience in the maintenance services markets with a proven track record of strong project execution. The team has been able to leverage these skills to secure projects of all sizes and has a proven track record for delivering projects ahead of client schedules.

Safety – The MRO Division is continuously improving its safety and loss prevention programs as it develops and strengthens its internal safety culture. The commitment of the MRO Division to safety and proven track record is seen by management as a key competitive advantage in earning the trust of customers.

Construction Division

The Construction Division is led by both Stuart Olson Industrial Constructors and Stuart Olson Water, supported by the MRO division where appropriate. The Construction Division is a full service, self-performing general contractor across Canada.

Overview of the Construction Division

The Construction Division is based in both Sudbury, Ontario and in Calgary, Alberta and commenced its operations in 2011. It provides industrial electrical, instrumentation, power line, millwrighting, structural steel, equipment installation, civil construction, mechanical and structural construction and maintenance services. It serves the resource, municipal and industrial sectors, including oil and gas, petrochemical, power generation, electrical infrastructure, mining and water and wastewater markets. The Construction Division's client engagements involve both lump sum and cost plus contractual arrangements.

Services

The Construction Division is a full service general contractor that self-performs a large proportion of the work it undertakes. This multi-faceted approach allows it to gain early access to new projects by providing temporary power services for initial project phases; ongoing electrical, mechanical and instrumentation installation during construction phases; full project commissioning; and value added services of continued operations and maintenance support for operating facilities.

Market Sectors

The Construction Division provides full service General Contracting services to clients in the oil and gas, petrochemical, power generation, mining and water and wastewater industries. It is active throughout Canada with most of its activity in the mining and power generation sectors. The clients and partners of the Construction Division include engineering firms, prime contractors, indigenous controlled entities, industrial owners, as well as municipal and provincial energy providers.

Competition

The competitive factors affecting the Construction Division include: price and solution driven approach philosophies to project execution; management information systems; client relationships; scope of service capabilities; quality of service; record of completing similar projects on time and on budget; operating plant experience; safety programs and record; performance bonding capability and financial strength; owners' preference for union versus non-union workforce; and relevant project experience.

Competitive Strengths

Brand name prevalence and experience – Management believes that the Stuart Olson brand reputation has a distinct competitive advantage in terms of the depth of the experience of its management team and its ability to leverage its industrial experience.

Local contractor – The Construction Division is recognized as a local contractor to the mining industry in the Sudbury and Thunder Bay areas with talented, locally-based project management teams who can support projects across Ontario, Manitoba and in the Territories.

Strong project management and execution – The project management team in the Construction Division has a proven track record for delivering projects ahead of client schedules.

Ability to access labour – The strong relationship that the Construction Division has with the building trades and its union-contractor status enables it to access a reliable and qualified trade labour supply via the local union halls. In addition, the Construction Division is well connected in the market to provide access to non-union labour sources. This dual sourcing of labour can be beneficial during periods of major construction periods and other unexpected events that require a large volume of craft labour to mobilize for short durations, as well as to source labour supply for smaller short term competitive construction opportunities.

Powerline and substation work – The ability of the Construction Division to perform "greenfield" electrical infrastructure work on industrial construction projects allows it early entry onto new sites. This enables the Construction Division to establish good working relations with the project owner and can result in the company being invited to participate in requests for proposals as a preferred supplier during engineering and design phases.

Safety – The Construction Division is continuously improving its safety and loss prevention programs as it develops and strengthens its internal safety culture. The commitment of the Construction Division to safety and its proven track record is seen by management as a key competitive advantage in earning trust of customers.

HEALTH, SAFETY AND ENVIRONMENT

Stuart Olson and its subsidiaries are subject to federal, provincial and municipal health, safety and environmental ("**HS&E**") legislation and regulations within the construction and maintenance operations. Stuart Olson recognizes that it must conduct its business in a manner that protects workers, communities, the public, client assets and in a manner that preserves the natural environment. Stuart Olson acknowledges its responsibility to be in compliance with all applicable legislation and regulation. Stuart Olson and its subsidiaries have detailed processes and procedures to assist the Corporation in meeting its legal, employee, community and ethical obligations. These procedures and processes include policies, training programs and governance oversight.

The Board of Directors has established a Health, Safety and Environment Committee to provide greater oversight of the Corporation's compliance with applicable legislation and regulations. The Health, Safety and Environment Committee is supported by an integrated HS&E Council consisting of senior management and safety representatives from each Operating Group in order to monitor performance and facilitate the sharing of best practices.

The financial and operational effects of environmental protection and compliance requirements on the capital expenditures, earnings and competitive position of Stuart Olson are not expected to be material in the 2018 financial year.

EMPLOYEES

Stuart Olson and its subsidiaries had 588 salaried employees on December 31, 2017. Stuart Olson's operating subsidiaries also employ additional construction personnel on an hourly and subcontract basis, which vary within a range of 65 to 85 people depending on the number, size and stage of active projects. As at December 31, 2017, Stuart Olson and its subsidiaries employed 2,427 hourly personnel. The table below sets out the number of hourly and salaried employees of the Corporation by the reportable segments of the Corporation.

Segment	Hourly	Salaried	Total
Buildings Group	314	259	**573**
Commercial Systems Group	940	117	**1,057**
Industrial Group	1,173	131	**1,304**
Corporate and Other	-	81	**81**
Total	**2,427**	**588**	**3,015**

DIVIDENDS

On May 25, 2011, Stuart Olson announced that the Board of Directors had declared its first quarterly dividend of $0.12 per Common Share for the second quarter of 2011. Stuart Olson has paid a quarterly dividend of $0.12 per Common Share since that date or $0.48 per Common Share in each year since, and starting in 2012. During 2017, the Corporation made dividend payments totalling $10,717,075.98. During 2016, 2015 and 2014, the Corporation made dividend payments totalling $10,575,025.44, $10,389,605.00, and $10,598,740.80 respectively. The amount of future dividends will be determined by the Board from time to time and will be subject to the Corporation's earnings, financial requirements, Credit Facility restrictions and other conditions prevailing at that time. The record date for the payment of dividends is typically set as the last day of the applicable financial quarter and the payment date follows approximately two weeks thereafter. Stuart Olson did not declare any dividends at any time prior to the second quarter of 2011. Stuart Olson also announced on June 20, 2011 the commencement of its dividend reinvestment plan (the "**DRIP**"). The DRIP allows Stuart Olson shareholders to elect to direct that any portion of any future cash dividends paid by Stuart Olson be reinvested in Common Shares, which when issued from treasury, are issued at 95% of the weighted average market price of the Common Shares on the TSX for the 10 days preceding the dividend payment date.

CREDIT FACILITY

Stuart Olson entered into a credit facility (the "**Credit Facility**") in July 2010 with a syndicate of lenders and an administrative agent. The Credit Facility was amended once in 2011, twice in 2012, once in 2013, once in 2014, once in 2015, in 2016 was both extended and amended and once in 2017 providing amendments to the debt to EBITDA ratio as well as changing the co-lead arranger for the Credit Facility. The Credit Facility includes a restrictive covenant which limits the dividends Stuart Olson may pay in any 12 month period to $25 million. Management of Stuart Olson does not believe this restriction will have a direct impact on Stuart Olson's ability to pay dividends in the near term. See the section of this AIF with the heading "*Material Contracts*" for further information about the Credit Facility and the sections with the heading "*Three Year History of the Business – 2015*", "*Three Year History of the Business – 2016*" and "*Three Year History of the Business – 2017*" for a discussion of the material amendments to the Credit Facility in 2015, 2016 and 2017, respectively.

CAPITAL STRUCTURE

General Description of Share Capital

The Corporation is authorized to issue an unlimited number of Common Shares and an unlimited number of Preferred Shares. As at December 31, 2017, there were 27,370,727 Common Shares and no Preferred Shares issued and outstanding.

Common Shares

The holders of Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Stuart Olson, to receive any dividends declared by Stuart Olson on the Common Shares, to receive notice of, attend and vote at all meetings of the shareholders of Stuart Olson and, upon a ballot, are entitled to one vote for each Common Share held. In the event of the liquidation or winding-up of Stuart Olson or any other distribution of the assets of Stuart Olson among its shareholders for the purpose of winding-up its affairs, holders of Common Shares have the right, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of shares of Stuart Olson, to share rateably in all such distributions in proportion to the number of Common Shares held by them.

Preferred Shares

Subject to the provisions of the ABCA, the provisions applicable to the Preferred Shares as a class and to the provisions of any outstanding series of Preferred Shares, the Board of Directors is authorized to fix the designation, rights, privileges, restrictions and conditions attaching to each series of Preferred Shares. The Preferred Shares are non-voting, except as provided by law or as otherwise determined by the Board of Directors before the issue thereof.

Debentures

The following is a brief summary of certain attributes and characteristics of the outstanding debentures of the Corporation and certain principal provisions of the trust indenture providing for the issuance of those debentures. The following does not purport to be complete and for full particulars, reference should be made to the 2014 Indenture (as defined herein) available under the Corporation's profile on SEDAR at www.sedar.com.

On September 19, 2014, the Corporation completed the 2014 Debenture Offering pursuant to a trust indenture between the Corporation and Valiant Trust Company (now Computershare Trust Company of Canada), as trustee, dated September 19, 2014 (the "**2014 Indenture**"). As at December 31, 2015, there were $80.5 million aggregate principal amount of 2014 Debentures issued and outstanding which mature on December 31, 2019. The 2014 Debentures are direct, subordinated unsecured obligations of Stuart Olson and rank equally with one another and with all of Stuart Olson's other existing and future subordinated unsecured indebtedness. The 2014 Debentures were issued in principal amount denominations of $1,000 and bear interest at a rate of 6.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year. Stuart Olson may elect, from time to time, provided that there is not a current event of default under the 2014 Indenture, and subject to applicable regulatory approval, to satisfy its obligation to pay interest on any interest payment date (including following conversion, at the time of redemption, or at the time of maturity): (i) in cash; (ii) by delivering Common Shares to the trustee, in which event the holders of the 2014 Debentures will be entitled to receive a cash payment equal to the interest payable from the proceeds of the sale of such Common Shares by the trustee; or (iii) any combination of (i) and (ii) above. The 2014 Debentures are convertible at the holder's option into Common Shares at any time, subject to prior redemption or recall for purchase pursuant to a Change of Control (as defined below), prior to the close of business on the business day immediately prior to December 31, 2019 at a conversion price of $14.15 per Common Share. The 2014 Debentures are not redeemable by Stuart Olson before December 31, 2017. On and after December 31, 2017 and prior to December 31, 2018, the 2014 Debentures are redeemable in whole or in part from time to time at the option of Stuart Olson on not more than 60 days' and not less than 40 days' notice at a price equal to 100% of the principal amount plus accrued and unpaid interest, provided that the volume weighted average trading price of the Common Shares on the TSX during the 20 consecutive trading days ending on the fifth trading day preceding the date on which the notice of redemption is given is not less than 125% of the conversion price. On and after December 31, 2018, and at any time prior to the maturity date, the 2014 Debentures may be redeemed at the option of the Corporation, in whole or in part from time to time, on not more than 60 days' and not less than 40 days' prior notice at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest. A "Change of Control" in the context of the 2014 Debentures is generally defined as: (i) the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares; or (ii) the sale of all or substantially all of the assets of the Corporation, but shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity immediately following the completion of such transaction. In the event of a Change of Control transaction, Stuart Olson shall be required to purchase all of the 2014 Debentures on the date that is 30 business days after the date that notice of the offer respecting such Change of Control is delivered by Stuart Olson to the holders of 2014 Debentures at a price equal to 100% of the principal plus accrued and unpaid interest. Additionally, if a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a change of control consists of: (i) cash; (ii) trust units, limited partnership units or other participating securities of a trust, limited partnership or similar entity; (iii) equity securities that are not traded or intended to be traded immediately following such transactions on a recognized stock exchange; or (iv) other property that is not traded or intended to be traded immediately following such transactions on a recognized stock exchange (a "**Cash Change of Control**"), then, subject to regulatory approvals, during the period beginning ten trading days before the anticipated date on which the Cash Change of Control becomes effective and ending 30 days after the Cash Change of Control purchase offer is delivered, holders of 2014 Debentures will be entitled to convert their 2014 Debentures and, subject to certain limitations, receive, in addition to the number of Common Shares they would otherwise be entitled to receive, an additional number of Common Shares per $1,000 principal amount of 2014 Debentures as set forth in the 2014 Indenture.

Shareholder Rights Plan

Stuart Olson has a shareholder rights plan (the "**Rights Plan**") that was adopted to ensure, to the extent possible, that all shareholders of Stuart Olson are treated fairly in connection with any take-over bid for Stuart Olson. The Rights Plan creates a right that attaches to each present and subsequently issued Common Share. Until the separation time, which would generally occur at the time of an unsolicited take-over bid whereby a person acquires or attempts to acquire 20% or more of the Common Shares, the rights are not separable from the Common Shares, are not exercisable and no separate rights certificates are issued. When exercisable, each right will entitle the holder (other than the 20% acquirer) to purchase from Stuart Olson that number of Common Shares having an aggregate market price equal to twice the exercise price (i.e. at a 50% discount). For example, if the exercise price is $75 and the market price of the Common Shares is $25, the holder of each right would be entitled to purchase Common Shares having an aggregate market price of $150 for $75. The Rights Plan was amended in 2016 which amendments were approved at the same time that the Rights Plan was reconfirmed at the 2016 annual meeting of shareholders of Stuart Olson. The Rights Plan will expire at the close of business on the date of Stuart Olson's annual meeting of shareholders in 2019, unless terminated at an earlier date by the Board of Directors or unless amended and continued with the approval of shareholders at Stuart Olson's annual meeting of shareholders in 2019.

DIRECTORS AND OFFICERS

The Board of Directors

The following are the names and municipalities of residence of the directors of the Corporation as at December 31, 2017 and their respective principal occupations during the last five years. Each director will hold office until the next annual meeting of shareholders or until a successor is elected or appointed.

Name and Municipality of Residence	Principal Occupation During Preceding Five Years	Service as a Director since
Richard T. Ballantyne, P.Eng Salt Spring Island, British Columbia	Currently a Corporate Director, serving on the Board of Directors of Horizon North Logistics Inc. and Scott Point Waterworks District (2012). He has also served on the boards of the British Columbia Safety Authority and Sail Canada. Until 2016, when he wound up his business. Mr. Ballantyne was also President of Timple Consulting Ltd. (a consulting services firm).	May 23, 2013
Albrecht W.A. Bellstedt, B.A., J.D., Q.C.[(1),] Canmore, Alberta	Corporate Director and independent consultant. Mr. Bellstedt serves on the boards of Canadian Western Bank and Capital Power Corporation. Until October 2017, Mr. Bellstedt was on the board of Repsol Oil & Gas Canada Inc.	May 17, 2007
Chad Danard, B.Comm. Calgary, Alberta	Managing Director at TriWest Capital Partners (a Calgary-based private equity firm) since March 2005. Prior thereto, Associate of Morgan Stanley (an international investment bank).	May 22, 2014
Rod Graham, CFA, MBA Calgary, Alberta	President and Chief Executive Officer of Horizon North Logistics Inc. (a resource development service company) since November 2014. Prior thereto, Senior Vice President, Corporate Development and Planning of Horizon North Logistics Inc. from January 2014 to November 2014.	May 23, 2013
Wendy L. Hanrahan, CA Calgary, Alberta	Executive Vice President, Corporate Services, TransCanada Corporation (an energy infrastructure company) since May 1, 2011.	December 9, 2009
David J. LeMay, MBA Calgary, Alberta	President and Chief Executive Officer of the Corporation since June 1, 2013. Prior thereto, President and Chief Operating Officer of the Corporation from August 2012 to May 2013. Prior thereto, President and Chief Operating Officer, Churchill Services Group from January 2012 to August 2012; prior thereto, President and Chief Operating Officer, Laird Electric from November 2008 to December 2011; and prior thereto, Vice President Operations at Laird Electric from July 2007 to November 2008.	June 1, 2013
Carmen R. Loberg, Calgary, Alberta	Corporate Director. Mr. Loberg was a director of HNZ Group Inc prior to its change in ownership in December 2017, he is a director of McCoy Corporation and the Vancouver Fraser Port Authority (Port Metro Vancouver).	July 1, 2009
Ian M. Reid, B.Comm. Edmonton, Alberta	Corporate Director and independent business person. Mr. Reid serves on the board of Canadian Western Bank.	May 17, 2007

Notes:
(1) Mr. Bellstedt is the Chairman of the Corporation.

Board Committee Members

The Board has four committees, being the Audit Committee, the Human Resources and Compensation Committee, the Corporate Governance and Nominating Committee and the Health, Safety and Environment Committee. The members of each of these committees as at December 31, 2017 were as set out in the table below. As Chairman of the Corporation, Mr. Bellstedt is an ex-officio non-voting member of every Committee.

Audit Committee	Corporate Governance and Nominating Committee	Health, Safety and Environment Committee	Human Resources and Compensation Committee
Richard T. Ballantyne	Wendy Hanrahan	Richard T. Ballantyne (Chair)	Chad Danard
Chad Danard	Carmen R. Loberg (Chair)	Rod Graham	Wendy Hanrahan (Chair)
Rod Graham (Chair)	Ian M. Reid	Ian M. Reid	Ian M. Reid
Carmen R. Loberg			

Executive Officers

The following are the names and provinces of residence of the executive officers of Stuart Olson (other than Mr. LeMay) and its Operating Groups as at December 31, 2017 and their respective principal occupations during the last five years.

Name and Municipality of Residence	Principal Occupation During Preceding Five Years
Joette C. Decore, B.Sc., MBA Edmonton, Alberta	Executive Vice President, Strategy and Development of the Corporation since June 1, 2015. Prior thereto, Vice President, Strategy and Development of the Corporation since December 2012. Prior thereto, Vice President, Corporate Development of the Corporation from November 2010 to December 2012. Prior thereto, Vice President of Strategic Planning and Human Resources of the Corporation from June 2009 to November 2010. Prior thereto, Vice President, Performance Improvement of the Corporation. Prior thereto, management consultant with the management consulting division of PricewaterhouseCoopers from 2000 to 2008.
Bill Pohl Calgary, Alberta	Vice President Finance Operations since November 2017. Prior thereto, Vice President Finance since July 2013. Prior thereto, Director of Accounting at URS Flint, a part of URS Corporation from June 2012 until July 2013. Prior thereto, Senior Business Director at URS Canadian Operations Ltd., a part of URS Corporation from September 2009 until June 2012. Prior thereto, Senior Manager Accounting and Finance at KBR Canada Ltd., a part of KBR Inc. from November until August 2009. Prior thereto, General Accounting Manager at Weatherford Canadian Partnership, a part of Weatherford International from February 2004 until October 2007.
Tara Rihn, B. Sc., EMBA Calgary, Alberta	Vice President Project Services since January 2016. Prior thereto, Vice President Technical Services at Terracon Geotechnique Ltd., a private geology and geotechnical engineering and field services company from January 2014 until December 2015. Prior thereto, Vice President Project Services at URS Flint, a part of URS Corporation from May 2012 until March 2013. Prior thereto, Vice President Project Services at Flint Energy Services Ltd. from July 2011 until April 2012.
Daryl E. Sands, B.Comm., CA Calgary, Alberta	Executive Vice President and Chief Financial Officer of the Corporation since November 2009. Prior thereto, Senior Vice President, Finance and Chief Financial Officer of the Corporation from June 2007 to November 2009.
Richard Stone, B.Comm, LLB, Calgary, Alberta	Vice President, General Counsel and Corporate Secretary of the Corporation since November 2016. Prior thereto, Partner at Bennett Jones LLP since November, 2015. Prior thereto, Vice-President, Legal and Corporate Secretarial at the ATCO Group from January 2014 until October 2015. Prior thereto, associate lawyer, Bennett Jones LLP from May 2007 to December 2013.

Name and Municipality of Residence	Principal Occupation During Preceding Five Years
Operating Group Executives	
Arthur Atkinson Calgary, Alberta	Chief Operating Officer, Buildings Group since June 1, 2015. Prior thereto, Executive Vice-President, Buildings Group from June 2014 to May 31, 2015. Prior thereto Vice-President, Southern Alberta Region for the Buildings Group from April 2012 to June 2014, and Vice-President, British Columbia Region for Buildings Group from May 2008 to March 2012.
John Krill, P.Eng., MBA Calgary, Alberta	Chief Operating Officer, Commercial Systems Group since March 20, 2017. Prior thereto, from March 2016 to April 2017, Chief Operating Officer of Ainsworth Inc., a multi-trade maintenance and service contractor across Canada. Prior thereto, from 2011 to 2016, an executive with Ainsworth Inc. During the period of 2000 - 2014, served as Chairman of the Board of Directors for Woodstock Hydro Services Inc., a privately held medium sized electrical distribution company in Ontario.
Bob Myles B.Sc., B. Eng., P.Eng. Calgary, Alberta	Chief Operating Officer, Industrial Group since February 2016. Prior thereto, President and CEO at Tartan Canada Corporation, a private mechanical maintenance and construction contractor operating in Western Canada since September 2011. Prior thereto, from 2002 until 2011, an executive at the ATCO Group, holding numerous senior management positions, most recently, Managing Director, Energy.

As at December 31, 2017, the directors and executive officers of the Corporation, as a group, beneficially owned, directly or indirectly, or exercised control or direction over 428,604 Common Shares, or approximately 1.57% of the issued and outstanding Common Shares of the Corporation. The information as to the beneficial ownership of the Common Shares, not being within the knowledge of the Corporation, has been confirmed by the directors and executive officers of the Corporation individually.

CORPORATE CEASE TRADE ORDERS AND BANKRUPTCIES

To the knowledge of management, except as otherwise disclosed herein, no director or executive officer of the Corporation is, or has been, within the past 10 years before the date hereof, a director or executive officer of any issuer that: (i) while that person was acting in that capacity, was the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days, or was subject to an event that resulted, after the person ceased to be a director or executive officer, in the issuer being the subject of a cease trade or similar order or an order that denied the issuer access to any exemption under securities legislation for a period of more than 30 consecutive days; or (ii) 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.

Mr. Bellstedt ceased being a director of Sun Times Media Group, Inc. (formerly Hollinger International Inc.) in June of 2008. Sun Times Media Group, Inc. went into Chapter 11 bankruptcy protection under the U.S. Bankruptcy Code in 2009.

CONFLICTS OF INTEREST

Certain directors and officers of the Corporation and its subsidiaries are associated with other reporting issuers or other corporations which may give rise to conflicts of interest. Directors who have a material interest in any person who is a party to a material contract or a proposed material contract with the Corporation are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the contract. In addition, the directors are required to act honestly and in good faith with a view to the best interests of the Corporation.

MARKET FOR SECURITIES

2014 Debentures

The 2014 Debentures are listed and posted for trading on the TSX under the stock market symbol "SOX.DB.A". The following is a summary of the price ranges as well as the total monthly volumes traded (based on aggregate trading value) on the TSX from January 1, 2017 to December 31, 2017.

Period	High ($)	Low ($)	Volume
January 2017	102.86	98.00	1,671,000
February 2017	102.50	102.00	902,000
March 2017	103.00	101.50	607,000
April 2017	103.00	102.00	306,000
May 2017	103.40	102.40	376,000
June 2017	102.75	101.50	842,000
July 2017	102.26	101.00	253,000
August 2017	102.00	100.00	603,000
September 2017	101.65	100.49	456,000
October 2017	101.50	100.50	939,000
November 2017	102.50	100.50	355,020
December 2017	103.01	101.50	368,000

Common Shares

The Common Shares are listed and posted for trading on the TSX under the stock market symbol "SOX". The following is a summary of the price ranges as well as the total monthly volumes traded on the TSX from January 1, 2017 to December 31, 2017.

Period	High ($)	Low ($)	Volume
January 2017	5.91	5.15	1,493,175
February 2017	5.98	5.15	715,503
March 2017	6.08	5.34	966,944
April 2017	5.85	5.34	1,227,453
May 2017	5.42	5.20	710,357
June 2017	5.49	5.25	799,548
July 2017	5.40	4.99	546,644
August 2017	5.40	5.07	374,430
September 2017	5.40	5.06	453,158
October 2017	5.38	5.13	460,737
November 2017	6.47	5.28	1,991,584
December 2017	7.24	6.29	933,756

RISK FACTORS

The Corporation is subject to certain risks and uncertainties that are common in the construction industry and that may affect future performance. The risks described below are not exhaustive. The Corporation operates in a very competitive and ever-changing environment. New risk factors emerge from time to time and it is not possible for management to predict all such risk factors, nor can it assess the impact of all such risk factors on the Corporation's business.

The Operations of the Corporation are Dependent on the Price of Oil and Natural Gas

Macro-economic and geopolitical factors associated with oil and natural gas supply and demand are prime drivers for pricing and profitability within the oil and natural gas industry. Generally, when oil and natural gas prices are relatively high, demand for the Corporation's services is high, while the opposite is true when oil and natural gas prices are low.

Some of the Corporation's accounts receivable are with customers involved in the oil and natural gas industry, whose revenues may be impacted by fluctuations in oil and natural gas prices. The collection of receivables may be adversely affected by any prolonged weakness in oil and natural gas prices.

Regional Concentration

A large percentage of all Operating Groups' revenues originates in Alberta. This regional concentration makes the Corporation's performance sensitive to impacts of localized factors, such as, weather conditions, major disasters, provincial rules and regulations, provincial and municipal governments, available workforce and economic factors and trends that are specific to Alberta.

Potential for Non-Payment and Credit Risk and Ongoing Financing Availability

During the term of a contract, Stuart Olson may be required to use its working capital to fund construction costs until payments are collected from clients. If a client defaults in making its payments on a project, Stuart Olson would generally have a right to register a lien against the project. If the client were ultimately unable or unwilling to pay the amounts owing to the Corporation, a lien against the property would normally provide some security that Stuart Olson could ultimately realize what is owed; however, in these situations the Corporation's ability to ultimately collect what it is owed cannot be assured. A greater incidence of payment default by clients could result in a financial loss to the Corporation that could have a material adverse effect on its operating results and financial position.

Stuart Olson's operations, particularly its industrial operations, require a significant amount of working capital due to the requirement for large workforces on many projects. The Corporation's ability to obtain additional capital is a significant factor in achieving its strategy of expansion in the industrial services industry. There can be no assurance that the current working capital of Stuart Olson will be sufficient to enable it to implement all of its objectives. As well, there can be no assurance that, if, as and when Stuart Olson seeks equity or debt financing, it will be able to obtain the required funding on favourable commercial terms, or at all. Any such future financing may also result in dilution to existing shareholders.

Regulations

The operations of Stuart Olson's clients are subject to or impacted by a wide array of regulations in the jurisdictions in which they operate, such as applicable environmental laws. As a result of changes in regulations and laws relating to these industries, client operations could be disrupted or curtailed by governmental authorities. The high cost of compliance with applicable regulations may cause clients to discontinue or limit their operations or may discourage companies from continuing further development activities. As a result, demand for the Corporation's services could be substantially affected by regulations adversely impacting these industries.

Dependence on the Public Sector

A significant portion of the Buildings Group's revenue is derived from contracts with various governments or their agencies. Consequently, any reduction in demand for the Buildings Group's services by the public sector, whether from funding constraints, changing capital spending plans or changing political priorities, would likely have an adverse effect on the Corporation if that business could not be replaced from within the private sector.

Client Concentration

The Commercial Systems Group does a significant amount of work with a small number of major general contractors. Consequently, the loss of, or a significant reduction in business with, one or more of these contractors, whether as a result of completion of a contract, early termination, or a failure or inability to pay amounts owed, could have a material adverse effect on the Commercial Systems Group's and consequently Stuart Olson's business and results of operations. Similarly, the Industrial Group has a narrow concentration of clients. The loss of, or significant reduction in business with, one or more of these clients could have a material adverse effect on the Industrial Group, and consequently on Stuart Olson's business and results of operations.

Labour Matters

Periods of high construction activity can create shortages of labour. In the past, the rapidly expanding markets in, among others, Alberta and British Columbia, have created general shortages of tradesmen and management personnel. Stuart Olson's operating companies attempt to mitigate labour shortages through positive union relationships, competitive remuneration, enhanced in-house training programs and expanded recruiting, both within Canada and internationally. If Stuart Olson is unable to recruit and retain enough employees with the appropriate skills, the Corporation may be unable to maintain its client service levels, and it may not be able to satisfy increased demand for its services. Similarly, a significant portion of Stuart Olson's labour force is unionized and accordingly Stuart Olson is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors. Any future labour shortage or disruption may lead to construction cost escalation which could decrease contract margins, should clients not agree to absorb these additional costs. In addition, the June 2017 amendments to the Alberta Labour Relations Code could result in impacts to the Corporation's labour structure in Alberta. If the current structure is impacted it may affect the Company's competitiveness and profitability.

Loss of Key Management; Inability to Attract and Retain Management

The success of the Corporation is highly influenced by the efforts of key members of management including its executive officers. The loss of the services of any of the Corporation's key management personnel could negatively impact the Corporation. The future success of the Corporation also depends heavily on its ability to attract, retain and develop high-performing personnel in all areas of its operations. Most organizations in the construction industry face this challenge, and accordingly, competition for qualified personnel is significant. If the Corporation ceases to be seen by current and prospective employees as an attractive place to work, it could experience difficulty in hiring and retaining the right people. This could have an adverse effect on current operations of the Corporation and would limit its prospects and impair its future success.

Industry and Inherent Project Delivery Risks

The Corporation performs construction activities under a variety of contracts including lump-sum, guaranteed maximum price, cost reimbursable and design-build. Some forms of these construction contracts carry more risk than others.

Historically, a portion of the Corporation's revenue has been derived from lump sum contracts pursuant to which a commitment is provided to the owner of the project to complete the project at a fixed price ("**Lump Sum**") or guaranteed maximum price ("**GMP**"). In Lump Sum and GMP projects, in addition to the risk factors of a fixed unit price contract (as described below), any errors in quantity estimates or schedule delays or productivity losses, for which contracted relief is not available, must be absorbed within the Lump Sum or GMP, thereby adding a further risk component to the contract. These contracts, given their inherent risks, have from time to time resulted in significant losses on projects. The failure to properly assess a wide variety of risks, appropriately execute these contracts or contractual disputes may have an adverse impact on financial results.

The Corporation is also involved in fixed unit price construction contracts under which Stuart Olson is committed to provide services and materials at a fixed unit price. While this shifts the risk of estimating the quantity of units to the contract owner, any increase in the Corporation's cost over the unit price bid, whether due to estimating error, inefficiency in project execution, inclement weather, inflation or other factors, will negatively affect the Corporation's profitability.

In certain instances, the Corporation commits to a customer that it will complete a project by a scheduled date or that the facility will achieve certain performance standards. If the project or facility subsequently fails to meet the schedule or performance standards, the Corporation could incur additional costs or penalties commonly referred to as liquidated damages. Although the Corporation attempts to negotiate waivers of consequential or liquidated damages, on some contracts, the Corporation is required to bear the risk for failure to meet certain contractual milestones. These penalties may be significant and could materially impact the Corporation's financial position or results of future operations. Furthermore, schedule delays may also reduce profitability because staff may be prevented from pursuing and working on new projects. Project delays may also reduce customer satisfaction which could impact future awards.

Stuart Olson occasionally participates in design-build projects pursuant to which, in addition to the responsibilities and risks of a fixed unit price or Lump Sum contract, it assumes the additional risk of quality or design-related flaws or failures. This risk is managed by using external consultants for the design component as well as by the purchase of appropriate insurance protection. Design remediation work could result in additional contract costs that may not be reimbursed by the client.

Certain of the Corporation's contractual requirements may also involve financing elements, where the Corporation is required to provide one or more letters of credit, performance bonds or financial guarantees. There can be no assurance that the Corporation will be able to obtain the necessary financing on favourable or commercially reasonable terms and conditions to satisfy such requirements, nor that its working capital and bonding facilities will be adequate in order to issue the required letters of credit and performance bonds.

Change orders, which modify the nature or quantity of the work to be completed, are frequently issued by clients. Final pricing of these change orders is often negotiated after the changes have been started or completed. Disputes regarding the quantum of unpriced change orders could impact the Corporation's profitability on a particular project, ability to recover costs, or in a worst case scenario, result in significant project losses. The timing of the resolution of these events can have a material impact on income and liquidity and thus can cause fluctuations in the revenue and income of the Corporation in any one reporting period.

Subcontractor Performance

The profitable completion of some contracts depends to a large degree on the satisfactory performance of subcontractors as well as design and engineering consultants who complete different elements of the work, especially within the Buildings Group. If these subcontractors or consultants do not perform to accepted standards, the Corporation may be required to hire different subcontractors to complete the tasks, which may impact schedule, add costs to a project, impact profitability on a specific job and, in certain circumstances, lead to significant losses. A major subcontractor default or failure to properly manage subcontractor performance could materially impact results.

Unanticipated Shutdowns

A portion of Stuart Olson's work is generated from the development, expansion and ongoing maintenance of oil sands mining, extraction and upgrading facilities. Shutdowns of these facilities due to events outside of the Corporation's control or the control of the Corporation's clients, such as the cancellation of projects due to a downturn in oil and gas prices, natural disasters, mechanical breakdowns, technology failures or pressure from environmental activists, could lead to the temporary shutdown or complete cessation of projects on which Stuart Olson is working. These events could materially and adversely affect the Corporation's business and results of operations.

Failure of Clients to Obtain Required Permits and Licenses

The development of construction projects requires Stuart Olson's clients to obtain regulatory and other permits and licenses from various governmental licensing bodies. Stuart Olson's clients may not be able to obtain all necessary permits and licenses required for the development of their projects, in a timely manner or at all. These delays are generally outside the Corporation's control. The major cost associated with these delays is personnel and associated overhead that is designated for the project which cannot be reallocated effectively to other work. If the client's project is unable to proceed, it may adversely impact the demand for the Corporation's services.

Maintaining Safe Worksites

Stuart Olson's success as a contractor is highly dependent on its ability to keep its construction worksites safe. Failure to do so can have serious impacts beyond the threat to personal safety of its employees and others. It can expose the Corporation to fines, regulatory sanction and even criminal prosecution. The Corporation's safety record and worksite safety practices have a direct bearing on its ability to secure work.

Joint Venture Partners

Stuart Olson undertakes certain contracts with joint venture partners. The success of its joint ventures depends on the satisfactory performance of Stuart Olson's joint venture partners in their joint venture obligations. The Corporation may provide joint and several guarantees in connection with these joint ventures, and in each case, seeks to obtain reciprocal guarantees and assurances from its partners. The failure of the joint venture partners to perform their obligations or their insolvency could impose additional financial and performance obligations on Stuart Olson that could result in increased costs.

Cyber Security Risks

The Corporation uses a number of information technology systems for the management and operation of its business and is subject to a variety of information technology and system risks as part of its normal operations, including potential breakdown, invasion, virus, cyber-attack, cyber fraud, security breach and destruction or interruption of the Corporation's information technology systems by third parties or individuals within the organization. Although the Corporation has security measures and controls in place that are designed to mitigate these risks, a breach of its security measures and/or loss of information could occur and could lead to a number of adverse consequences, including but not limited to: the unavailability, disruption or loss of key functionalities within the Corporation's control systems and the unauthorized disclosure, corruption or loss of material and confidential information, breach of privacy laws and a disruption to the Corporation's business.

The Corporation attempts to prevent such breaches through, among other things, implementing various technology security measures, providing cyber security training to all personnel, segregating control systems from its general business network, engaging skilled consultants and employees to manage the Corporation's technology applications, conducting periodic audits and adopting policies and procedures as appropriate. To date, the Corporation has not been subject to a cyber security breach that has resulted in a material impact on its business or operations; however, there is no guarantee that the measures the Corporation takes to protect its information technology systems will be effective in protecting against a breach in the future.

Competition and Reputation

There is strong competition in the construction industry. The Corporation competes with a broad range of companies in each market, some of which are substantially larger than the Corporation. In addition, an increase in the number of international companies entering the Canadian marketplace has also made the market more competitive. Each competitor has its own advantages and disadvantages relative to Stuart Olson. New contract awards and contract margin are dependent upon the level of competition and the general state of the markets in which Stuart Olson operates. Fluctuations in demand in the segments in which Stuart Olson operates may impact the degree of competition for new work. Competitors that have greater financial and other resources can better bear the risk of under-pricing projects, whereas smaller competitors may have lower overhead cost structures and therefore may be able to provide their services at lower rates. The Corporation's business may be adversely impacted to the extent that it is unable to successfully compete with these companies. The loss of existing clients to competitors or the failure to win new projects could materially and adversely affect the Corporation's business and results of operations.

Reputation in the construction industry is a significant factor in the long-term success of the Corporation. Adverse opinions may impact long-term financial results and can arise from a number of factors including errors or losses on specific projects, employee sentiment, questions concerning business ethics and integrity, corporate governance, the accuracy and quality of financial reporting and public disclosure as well as the quality and timing of the delivery of key products and services. Stuart Olson has put in place various controls and procedures to mitigate this risk;

however, these controls and policies cannot guarantee that future breaches of such controls and procedures will not occur, which may or may not impact the financial results of the Corporation.

Limitations of Insurance

Any catastrophic occurrence in excess of insurance limits at projects where Stuart Olson's structures are installed or services are performed could result in significant professional liability, product liability, warranty or other claims against the Corporation. Such liabilities could potentially exceed Stuart Olson's current insurance coverage and the fees derived from those services. A partially or completely uninsured claim, if successful and of a significant magnitude, could result in substantial losses.

Litigation Risk

In the normal course of the Corporation's operations, whether directly or indirectly, the Corporation has been, and in the future it may become, involved in, named as a party to, or the subject of, various legal proceedings and legal actions relating to, among other things, construction disputes for which insurance is not available, human resources matters, personal injuries, property damage and general commercial and contractual matters arising from its business activities. Litigation is inherently uncertain. Accordingly, adverse outcomes to current litigation or pending litigation are possible. These potentially adverse outcomes could include financial loss, damage to the Corporation's reputation or reduction of prospects for future contract awards.

Corporate Guarantees and Letters of Credit

In the course of business, the Corporation may be required to guarantee the performance of contracts for one or more of its Operating Groups by providing guarantees or letters of credit. If Stuart Olson's capacity to issue letters of credit under its Credit Facility and its cash on hand are insufficient to satisfy clients and surety providers, its business and results of operations could be adversely affected. Letters of credit are issued mainly to provide security to third parties in the case of non-performance under a contract. Significant claims under letters of credit and/or corporate guarantees could materially and adversely affect the Corporation's business, financial stability and operating capacity.

Performance Bonds

Stuart Olson companies are often required to provide performance and labour and material payment bonds as assurance for contract completion. The surety industry has endured a certain degree of instability and uncertainty as a result of recent economic conditions, which may constrain the overall industry capacity. Furthermore, the issuance of bonds under the Corporation's surety program is at the sole discretion of the surety companies on a project by project basis. As such, even sizable sureties may be unwilling to guarantee bonding support on every project. Although the Corporation believes that it will be able to continue to maintain adequate surety capacity under the Surety Program to satisfy its requirements, should those requirements be materially greater than anticipated, or should sufficient surety capacity not be available to the Corporation for any reason, this may have an adverse impact on the ability of the Corporation to operate its business or take advantage of all market opportunities.

Volatility of Market Trading

The market price of the Corporation's securities may be volatile and could be subject to fluctuations in response to quarterly variations in operating results, changes in financial estimates by securities analysts, or other events or factors. In addition, the financial markets have experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of many companies providing services to the commodity industry. Often these fluctuations have been unrelated to the operating performance of such companies or have resulted from the failure of the operating results of such companies to meet market expectations in a particular quarter. Broad market fluctuations, or any failure of the Corporation's operating results in a particular quarter to meet market expectations, may adversely affect the market price of the Corporation's securities.

Dividends

The payment of dividends on the Common Shares is at the discretion of the Board of Directors of the Corporation. In establishing the amount of any dividend, the Board of Directors will take into consideration, among other things, the needs: (i) to meet future requirements for increases in working capital; (ii) to maintain equity to meet contract security requirements; (iii) to provide the financial capacity to withstand any downturn in the construction industry should it occur,; (iv) to expand the business; and (v) and the desirability of maintaining the dividend rate. There can be no assurances that the dividend rate will not be reduced or suspended in the future.

Compliance with Environmental Laws

The Corporation is subject to numerous federal, provincial and municipal environmental laws and judicial, legislative and regulatory developments relating to environmental protection on an ongoing basis. While the Corporation strives to keep informed of and to comply with all applicable environmental laws, circumstances may arise and incidents may occur that are beyond the Corporation's control that could adversely affect it. During its history, Stuart Olson has experienced incidents, emissions and spills of a non-material nature. None of these incidents has resulted in any liability to the Corporation to date, although there can be no guarantee that any future incidents will be of a non-material nature. Management is not aware of any pending environmental legislation that would be likely to have a material adverse impact on any of the Corporation's operations, capital expenditure requirements or competitive position, although there can be no assurance that future legislation will not be proposed, and if implemented, may have a material adverse impact on the Corporation's operations.

SIGNIFICANT ACQUISITIONS

The Corporation acquired Studon on January 6, 2015. See the section with the heading "*Three Year History of the Business – 2015*" for further details pertaining to the acquisition of Studon. The Corporation filed a Form 51-102F4 in connection with the acquisition of Studon under its profile on SEDAR on March 23, 2015.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation is involved in various legal proceedings in the ordinary course of its business. In the opinion of management, all such legal proceedings are adequately covered by insurance, or if not so covered, the amount of any such claim for damages, exclusive of interest and costs, does not exceed 10% of the Corporation's current assets.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of directors or executive officers of the Corporation, any shareholder that is a direct or indirect beneficial owner of, or who exercises control or direction over, more than 10% of the Corporation's voting securities, or any "associate" or "affiliate" (as those terms are defined in the *Securities Act* (Alberta)) of any of the foregoing persons, in any transaction in the Corporation's three most recently completed financial years or during the current financial year that has materially affected or will materially affect the Corporation.

INTEREST OF EXPERTS

The Corporation's independent auditors are Deloitte LLP. Deloitte LLP has advised management of the Corporation that they are independent within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Alberta.

TRANSFER AGENTS AND REGISTRARS

AST Trust Company (Canada), at is offices in Calgary and Toronto, is the transfer agent and registrar of the Common Shares.

Computershare Trust Company of Canada, at is offices in Calgary and Toronto, is the transfer agent and registrar of 2014 Debentures.

MATERIAL CONTRACTS

Stuart Olson entered into the Credit Facility with a syndicate of lenders and an administrative agent on July 22, 2010, as later amended on each of July 12, 2011, July 12, 2012, December 21, 2012, July 12, 2013, June 5, 2014, July 16, 2015, July 14, 2016, December 23, 2016 and July 20, 2017. The Credit Facility provides Stuart Olson with a committed $150 million revolving credit facility, and $25 million operating facility maturing on July 16, 2021. The Credit Facility has no required principal payments prior to maturity and revolves through the application of funds received by Stuart Olson and the additional advance of available loan amounts as requested from time to time by Stuart Olson. The Credit Facility is collateralized by a general security agreement covering all of the current and future assets of Stuart Olson.

Stuart Olson entered into the 2014 Indenture with Valiant Trust Company (now Computershare Trust Company of Canada) on September 19, 2014. The 2014 Indenture sets out the terms and conditions of the 2014 Debentures. See "*Capital Structure – Debentures*".

Stuart Olson established the Surety Program with Travelers and Continental in October of 2011 and later amended that program in June of 2012. The Surety Program was again amended in 2013, at which time Travelers and Continental were replaced by Chubb Insurance Company of Canada and Liberty Mutual Insurance with respect to the issuance of future performance and labour and material bonds as assurance against contract completion. See "*Risk Factors – Performance Bonds*" and "*Three Year History of the Business*".

The Corporation's material contracts are available under the Corporation's profile on SEDAR at www.sedar.com.

AUDIT COMMITTEE INFORMATION

Pursuant to National Instrument 52-110 Audit Committees ("**NI 52-110**"), the Corporation is required to disclose its audit committee practices, as summarized below.

Audit Committee Charter

The responsibilities and duties of the Committee are set out in the Audit Committee's Terms of Reference, the text of which is attached as Schedule "A" to this AIF.

Composition of the Audit Committee

As at the date hereof, the Audit Committee of the Corporation was composed of Chad Danard, Richard T. Ballantyne, Rod Graham (Chair) and Carmen R. Loberg.

The Board of Directors believes that the composition of the Audit Committee reflects a high level of financial literacy and expertise. Each member of the Audit Committee has been determined by the Board to be "financially literate" as defined under NI 52-110. The Board has made this determination based on the education, breadth and depth of experience of each member of the Committee. Each member of the Audit Committee has been determined by the Board to be "independent" as defined under NI 52-110.

Relevant Education and Experience of Audit Committee Members

The following is a description of each member of the Audit Committee's education and experience that is relevant to the performance of his responsibilities in that role:

Mr. Rod Graham has significant public and private company management and board experience in private equity, financial markets, operations, strategic planning and general financial management. He is currently the President and Chief Executive Officer of the publicly traded company, Horizon North Logistics Inc. after having served as Senior Vice President, Corporate Development and Planning. Prior to serving in his current position, he was a director and the President and Chief Executive Officer of ZCL Composites Inc. and, prior thereto, a co-founder and managing director of Northern Plains Capital Ltd., a private equity firm. Mr. Graham has also served as a director, member and Chair of the Audit Committee of several other public and private companies. In addition to his practical experience, Mr. Graham is a Chartered Financial Analyst, holds a Business Administration degree from Wilfrid Laurier University (Honours) and an MBA from the University of Western Ontario (Ivey Scholar).

Mr. Carmen R. Loberg retired in 2010 as President and CEO of NorTerra Inc. a privately held investment and Management Company with diverse investments in transportation, logistics, manufacturing and industrial supplies with combined revenues in excess of $500 million. In his 10 years as CEO, Mr. Loberg participated in all Audit Committee meetings of the company and worked closely with the subsidiary financial reporting structures and the firm's independent auditors. Mr. Loberg is a member of the Audit Committee of the Vancouver Fraser Port Authority (Port Metro Vancouver). Until its change in ownership in 2017, Mr. Loberg was a director of HNZ Group Inc. (a global operator of helicopters), Mr. Loberg attended all Audit Committee meetings and chaired that company's Governance Committee. He also chairs the Governance Committee of McCoy Global Inc. (an international supplier to the energy industry). Mr. Loberg regularly attends continuing education sessions on audit committee matters offered by the Institute of Corporate Directors and leading Canadian accounting firms.

Mr. Chad Danard has developed significant financial-related skills through his role at TriWest Capital, where he is directly responsible for the financial function for the firm and is actively involved in analyzing new investment opportunities, including the completion of financial due diligence prior to investment and the ongoing monitoring of portfolio companies once an investment has been made. As a board member of a number of private companies, Mr. Danard works closely with Chief Financial Officers and the auditors of those businesses to ensure appropriate reporting of financial results. Prior to joining TriWest, Mr. Danard worked for Morgan Stanley in the investment banking practice, where financial analytics were a critical part of his role. Mr. Danard also completed a Bachelor of Commerce degree from Queen's University, with a significant focus on finance and accounting related course work. Mr. Danard graduated as the top ranked student in the program.

Mr. Richard T. Ballantyne Mr. Ballantyne retired in 2005 as the President of Terasen Pipelines Ltd. (a transportation and service provider to the energy industry), having held such position since 2001. From 1998 to 2000, Mr. Ballantyne was the Director, Transmission and Project Development of BC Gas Utility Ltd. and previously held various positions with Trans Mountain Pipe Line Co. Ltd. and Shell Canada Ltd.

During his career, Mr. Ballantyne has been a Director on numerous public and private boards. He is currently a director of Horizon North Logistics Inc., where he serves as a member of the Audit Committee and the Health, Safety and Environmental Committee. He previously was a director of Canadian Hydro Developers Inc. where he sat on the Audit Committee and Special Committee, Cimarron Engineering Ltd. and Terasen Pipelines (Trans Mountain) Inc. He is currently the Chair of the Trustees of Scott Point Waterworks District and has been a director on several other not-for-profit boards.

Mr. Ballantyne holds a Bachelor of Applied Science in Mechanical Engineering from the University of British Columbia and has completed the Executive Program at the Banff School of Advanced Management and the Director's Education Program through the Institute of Corporate Directors.

Pre Approval Policies and Procedures

The Audit Committee has adopted a policy for the engagement of non-audit services of Deloitte LLP. The text of the policy is attached as Schedule "B" to this AIF.

External Auditor Service Fees

Aggregate fees ($ thousands, but excluding GST) billed by Deloitte LLP during the fiscal years ended December 31, 2017 and 2016 were as follows:

Fee (000's)	**2017**	**2016**
Audit Fees	$827	$1,014
Audit-Related Fees	8	16
Tax Fees	0	10
All Other Fees(1)	46	283
Total	$881	$1,323

Notes:

(1) "All Other Fees" In 2016 this amount relates to the Canadian Public Accountancy Board project controls framework and pension plan audits. In 2017 this amount relates to the Canadian Accountancy Board and pension plan audits.

ADDITIONAL INFORMATION

Additional information relating to the Corporation may be obtained by accessing the Corporation's profile on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Stuart Olson's securities and securities authorized for issuance under equity compensation plans is contained in Stuart Olson's Management Information Circular for its most recent annual meeting of shareholders.

Additional financial information is provided in Stuart Olson's Consolidated Financial Statements and Management's Discussion and Analysis for the financial year ended December 31, 2017.

Copies of any of the foregoing documents and this AIF may be obtained by accessing SEDAR at www.sedar.com, or are available upon request from the Investor Relations department of the Corporation (inquiries@stuartolson.com or 403-685-7777).

SCHEDULE “A” – Audit Committee Terms of Reference
To the Annual Information Form of
Stuart Olson

Purpose

The Audit Committee (the “**Committee**”) is a standing committee of the Board of Directors of Stuart Olson Inc. (the “**Corporation**”). Its purpose is to assist the Board of Directors in fulfilling its oversight responsibilities in respect of (i) the integrity of the Corporation’s financial statements and other public financial disclosure documents (ii) the effectiveness of the Corporation’s accounting and financial reporting processes and systems of internal controls (iii) the identification and monitoring of financial risks (iv) the Corporation’s compliance with legal and regulatory requirements (v) the qualifications, performance and independence of the external auditors of the Corporation (vi) the performance of the Corporation’s internal audit function and (vii) the disclosure policies and procedures of the Corporation;

Composition and Operations

1. The Committee shall be composed and operate in accordance with the Standing Committees of the Board General Terms of Reference. Pursuant to section 3.1(1), (2) and (3) of National Instrument 52-110 - *Audit Committees* and section 171 (2) of the *Business Corporations Act* (Alberta), the Committee must be composed of a minimum of three independent Directors.

2. The Corporate Governance & Nominating Committee will recommend to the Board of Directors members for appointment to the Committee and the Chair of the Committee.

3. The Committee shall be comprised exclusively of independent Directors. All members must be financially literate. The terms “independent” and “financially literate” will be interpreted as outlined in National Instrument 52-110 - *Audit Committees*.

4. The Committee shall be provided with appropriate and timely access to information on new regulatory requirements, accounting and audit standards as outlined by the Chartered Professional Accountants of Canada or other relevant international standard setting authorities, best practices in Corporate Governance as outlined by the Institute of Corporate Directors and any other training, both in the form of an induction program for new members and on an ongoing basis, as required to support the Audit Committee in fulfilling their responsibilities.

5. The Committee shall meet at least once each quarter before interim and annual financial reports are filed with the regulators, with authority to convene additional meetings as circumstances require.

6. The Committee shall meet periodically, and at least annually, with the external auditor without management being present. In addition, the Committee shall meet with the external auditor, as it deems appropriate to consider any matters of concern that the external auditor determines should be brought to the attention of the Board or shareholders.

7. A majority of the Committee will constitute a quorum. Minutes of each meeting will be prepared by a person designated by the Committee to act as secretary.

8. The President and Chief Executive Officer (“**CEO**”) and the Chief Financial Officer (“**CFO**”) would be expected to be available to attend meetings or portions thereof.

9. The Committee provides open avenues of communication amongst management (particularly the CFO), employees, external and internal auditors and the Board. In particular any person may

provide to the Committee his/her concerns or complaints regarding accounting, internal accounting controls and auditing matters.

10. Following a Committee meeting, the Committee Chair shall report on the Committee's activities to the Board of Directors at the next Board of Directors meeting.

Duties and Responsibilities

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

1. Financial Statements and Other Financial Information

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

a) The Corporation's annual financial statements and annual MD&A;

b) The Corporation's quarterly financial statements, quarterly MD&A and earnings press releases;

c) The financial content of the Annual Report and any reports required by government or regulatory authorities;

d) The Annual Information Form and any prospectus/private placement memoranda;

e) Any management report that accompanies published financial statements (to the extent such a report discusses the financial position or operating results) for consistency of disclosure with the financial statements themselves; and

f) Ensure that adequate procedures are in place for reviewing the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, and periodically assess the adequacy of these procedures.

2. Financial Reporting

The Committee shall review:

a) The appropriateness of accounting policies and financial reporting practices used by the Corporation;

b) Any significant proposed changes in financial reporting and accounting policies and practices to be adopted by the Corporation;

c) Any new or pending developments in accounting and reporting standards that may affect the Corporation;

d) Significant accounting and reporting issues impacting the financial statements, including complex or unusual transactions, highly judgmental areas and key estimates determined by management;

e) Procedures for the receipt, retention and treatment of any complaints or concerns received by the Corporation (either directly or anonymously) regarding accounting, internal accounting controls, auditing or any other matters; and

f) On a quarterly basis, the Audit Committee will review quarterly financial disclosures, assess and confirm as appropriate its compliance with the annual Audit Committee work plan.

3. Financial Risk Management

The Committee will review and obtain reasonable assurance that financial risk management practices are operating effectively to produce accurate, appropriate and timely management and financial information. These include:

a) Review the Corporation's financial risk management controls and policies;

b) Obtain reasonable assurance that the information systems of the Corporation are reliable;

c) Reviewing the adequacy of security of information, information systems and recovery plans;

d) Monitoring compliance with statutory and regulatory obligations; and

e) Reviewing the adequacy of accounting and finance resources.

4. Internal Control

The Committee shall require management to implement and maintain appropriate systems of internal controls, including internal controls over financial reporting and for the prevention and detection of fraud and error. The Committee shall:

a) Meet with the internal auditor and with management to assess the adequacy and effectiveness of the systems of internal control and to obtain on a regular basis reasonable assurance that the organization is in control;

b) Receive reports from the CEO and the CFO as to the existence of any significant deficiency or material weakness in the design or operation of the internal controls over financial reporting which are reasonably likely to adversely affect the corporation's ability to record, process, summarize and report financial information;

c) Receive reports from the CEO and the CFO as to the existence of fraud, whether or not material, that involves management or other employees;

d) Review the procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, auditing matters and ethical breaches that may be submitted by any party internal or external to the organization;

e) Review complaints that might have been received, current status, and resolution if one has been reached;

f) Review procedures for the confidential, anonymous submission by employees of the organization of concerns regarding questionable accounting or auditing matters; and

g) Review external auditors' management letters and management's response to such letters.

5. Disclosure

The Committee will review the Disclosure Policy and procedures of the Corporation and obtain reasonable assurance that they are effective in meeting the requirements of applicable legislation and regulatory agencies. This includes:

a) Reviewing the Corporation's Disclosure Policy;

b) Monitoring compliance with the Disclosure Policy, particularly as it relates to the disclosure of financial related matters; and

c) Receive and review reports from the Disclosure Committee related to financial matters.

6. Internal Audit

The Committee shall:

a) Review the appointment, replacement, reassignment or dismissal of the head of the Corporation's internal audit function;

b) Review the independence of the head of the Stuart Olson internal audit function;

c) Review with management, the external auditors and internal audit the charter, plans, activities, staffing and organizational structure of the internal audit function;

d) Approve the annual internal audit plan;

e) Approve the internal audit charter periodically, at least once every three years;

f) Review with the internal auditor the results of their audit examinations, including but not limited to any restrictions imposed by management during the audit, any significant findings on internal audits and management's responses thereto, the auditor's evaluation of the Corporation's system of internal accounting controls, procedures, documentation and any changes required in the scope of their internal audit; and

g) On a regular basis meet separately with the head of the Corporation's internal audit function to discuss any matters that the Committee or the head of internal audit believes should be discussed privately.

7. External Audit

The external auditor shall report directly to the Committee, shall meet at least twice annually with the Committee and will be expected to be available to attend meetings or portions thereof as requested by the Committee and to be heard at those meetings on matters relating to the external auditor's duties.

The Committee will review the planning and results of external audit activities and oversee the work of the external auditor, including:

a) Review and recommend to the Board, for shareholder approval, the external auditor to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Corporation;

b) Recommend to the Board the appropriate compensation of the external auditor;

c) Review and approve the annual audit plan, including but not limited to:

   I. Engagement letter

   II. Objectives and scope of the audit work

   III. Procedures for quarterly review of financial statements

   IV. Materiality limit

   V. Areas of audit risk

   VI. Staffing

   VII. Timetable

   VIII. Coordination of audit efforts between the internal auditors and external auditors to assure completeness of coverage, reduction of redundant efforts and the effective use of audit resources.

d) Meet with the external auditor to discuss the Corporation's quarterly and annual financial statements and the auditor's report including the appropriateness of material accounting policies and underlying estimates;

e) Review any significant disagreement between management and the external auditor regarding financial reporting;

f) Review and advise the Board with respect to the planning, conduct and reporting of the annual audit, including but not limited to:

   I. Any difficulties encountered, or restrictions imposed by management, during the annual audit;

   II. Any significant changes required in the external auditors audit plan;

   III. Any significant accounting or financial reporting issues;

   IV. The external auditor's evaluation of the Corporation's system of internal controls, procedures and documentation;

   V. The post audit or management letter containing any findings or recommendations of the external auditor and schedule of unadjusted differences, including management's response thereto and the subsequent follow-up of any identified internal control weaknesses; and

   VI. Any other matters the external auditor brings to the Committee's attention;

g) Review the external auditor's report on all material subsidiaries;

h) Review and receive assurances on the independence of the external auditor;

i) Review and pre-approve the non-audit services to be provided by the external auditor firm or its affiliates in accordance with the Audit Committee Pre-Approval Policy;

j) Review and approve the Corporation’s policy restricting the hiring of certain employees or former employees of the external auditors;

k) Review and evaluate the performance of the independent auditors on an annual basis, with a more comprehensive evaluation when deemed required;

l) Review with the full Board of Directors any proposed discharge of the independent auditors;

m) Ascertain that the lead audit partner is performing audit services in accordance with applicable Canadian securities regulations and Canadian professional standards on independence with respect to length of service; and

n) Consider, with management, the rationale for engaging audit firms other than the principal independent auditors.

8. Pension Plans

a) Receive and review information in respect of the financial aspects of the Canem Systems Ltd. (“**Canem**”) and Stuart Olson Construction Ltd. (“**SOCL**”) pension plans (the “**Pension Plans**”), including:

  i. Review and consider financial and investment reports and the funded status relating to the Pension Plans. Provide recommendations to the Canem and SOCL Board of Directors on pension contributions;

  ii. Receive, review and report to the Stuart Olson Board of Directors on the actuarial valuation and funding requirements for the Pension Plans;

  iii. Review annually the Statement of Investment Policies and Procedures (“**SIP&P**”);

  iv. Report to the Human Resources and Compensation Committee with regard to the financial impact of any proposed changes in the Corporation’s pension plans;

  v. Approve the appointment and termination of auditors; and

  vi. Review the decisions of the Canem Board of Directors and SOCL Pension Committee in regard to the appointment and termination of investment managers.

9. Other

a) Review insurance coverage of significant business risks and uncertainties;

b) Review material litigation and its impact on financial reporting;

c) Review policies and procedures for the review and approval of executive expenses and perquisites;

d) Review correspondence with the regulators;

e) Periodically review the Corporation’s Code of Conduct Policy to ensure that it is adequate and up to date;

f) Review the Terms of Reference for the Committee annually and make recommendations to the Board as required;

g) Review all related party transactions between the Corporation and any officers or directors;

h) Review policies and practices with respect to trading and hedging activities; and

i) Engage independent outside counsel and other advisors as it determines necessary to carry out its duties.

SCHEDULE "B" – Audit Committee Pre-Approval Policy
To the Annual Information Form of

Stuart Olson Inc.

Background

Both the Canadian Securities Administrators and the CICA have implemented rules or standards to support the independence of the external auditor. Under these, the Audit Committee is required to pre-approve all non-audit services performed by the external auditor in order to assure that the provision of such services does not impair the auditor's independence. Unless a type of service to be provided by the external auditor has received general pre-approval, it will require specific pre-approval by the Audit Committee of Stuart Olson Inc. (the "Corporation"). Any proposed services exceeding pre-approved cost levels will require specific pre-approval by the Audit Committee.

The appendices to this Policy describe the Audit, Audit-related, Tax and All Other services that have the pre-approval of the Audit Committee. The term of any pre-approval is valid for 120 days from the date of pre-approval, unless the Audit Committee specifically provides for a different period. The Audit Committee will periodically review & revise, when appropriate, the list of pre-approved services, based on subsequent determinations.

Delegation

The Audit Committee may delegate pre-approval authority to one or more of its independent members. The member or members to whom such authority is delegated shall report any pre-approval decisions to the Audit Committee at its next scheduled meeting. The Audit Committee will not delegate its responsibilities to pre-approve services performed by the external auditor to management.

Audit Services

The annual Audit services engagement terms and fees will be subject to the specific pre-approval of the Audit Committee. The Audit Committee will approve, if necessary, any changes in terms, conditions and fees resulting from changes in audit scope, company structure or other matters.

In addition to the annual Audit services engagement approved by the Audit Committee, the Audit Committee may grant pre-approval for other Audit services, which are those services that only the external auditor reasonably can provide. The Audit Committee has pre-approved the Audit services listed in Appendix A. All other Audit Services not listed in Appendix A must be separately pre-approved by the Audit Committee.

Audit-Related Services

Audit-related services are assurance and related services that are reasonably related to the performance of the audit or review of the Corporation's financial statements and that are traditionally performed by the external auditor. The Audit Committee believes that the provision of Audit-related services does not impair the independence of the auditor, and has pre-approved the Audit-related services listed in Appendix B. All other Audit-related services not listed in Appendix B must be separately pre-approved by the Audit Committee.

Non-Audit Services - General

The Audit Committee must be informed of each non-audit service. In the event that the Corporation did not recognize the services as non-audit services at the time of the engagement, the services must be promptly brought to the attention of the Audit Committee and approved, prior to the completion of the audit, by the Audit Committee or by one or more of its members to whom authority to grant such approvals has been delegated.

Tax Services

The Audit Committee believes that the external auditor can provide Tax services to the Corporation such as tax compliance, tax planning and tax advice without impairing the auditor's independence. However, the Audit Committee will not permit the retention of the external auditor in connection with a transaction initially recommended by the external auditor, the purpose of which may be tax avoidance and the tax treatment of which may not be supported in the Income Tax Act and related regulations. The Audit Committee has pre-approved the Tax services listed in Appendix C. All Tax services involving large and complex transactions not listed in Appendix C must be separately pre-approved by the Audit Committee.

All Other Services

A list of the CICA prohibited non-audit services is attached to this policy as Exhibit 1. The rules and relevant guidance of the CICA should be consulted to determine the precise definitions of these services and the applicability of exceptions to certain of the prohibitions.

Pre-Approval Fee Levels

Pre-approval fee levels for a particular service to be provided by the external auditor will be established periodically by the Audit Committee. Any proposed services exceeding these levels will require specific pre-approval by the Audit Committee.

Supporting Documentation

With respect to each proposed pre-approved service, the external auditor will provide detailed back-up documentation, which will be provided to the Audit Committee, regarding the specific services to be provided.

Procedures

Requests or applications to provide services that require separate approval by the Audit Committee will be submitted to the Audit Committee by both the external auditor and the Chief Financial Officer, and must include a joint statement as to whether, in their view, the request or application is consistent with the CICA standard on auditor independence.

Appendix A
Pre-Approved Audit Services for Fiscal Year

Service	Threshold
Statutory audits or financial audits for the Corporation and for subsidiaries or affiliates of the Corporation	Up to $ 10,000
Services associated with securities commissions registration statements, periodic reports and other documents filed with the securities commissions or other documents issued in connection with securities offerings (e.g., comfort letters, consents), and assistance in responding to securities commissions comment letters	Up to $ 10,000
Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, or other regulatory or standard setting bodies	Up to $ 10,000
Consultations and services provided in the review of conversion activities related to acquired entities to provide a level of reliance for the annual audit.	Up to $ 10,000
Services associated with the review of the Corporation's quarterly financial statements and reporting to the audit committee.	Up to $ 10,000

Appendix B
Pre-Approved Audit-Related Services for Fiscal Year

Service	Threshold
Due diligence services pertaining to potential business acquisitions/dispositions.	Up to $ 10,000
Agreed-upon or expanded audit procedures related to accounting and/or billing records required to respond to or comply with financial, accounting or regulatory reporting matters.	Up to $ 10,000
Internal control reviews and assistance with internal control reporting requirements.	Up to $ 10,000
Consultations by the Corporation's management as to the accounting or disclosure treatment of transactions or events and/or the actual or potential impact of final or proposed rules, standards or interpretations by the CICA, ASC, or other regulatory or standard-setting bodies.	Up to $ 10,000
Attest services not required by statute regulation.	Up to $ 10,000

Appendix C
Pre-Approved Tax Services for Fiscal Year

Service	Threshold
Canadian and US federal, state, provincial and local tax planning and advice, including guidance on entering into new jurisdictions (states or provinces); and on withdrawal procedures, if required.	Up to $ 10,000
Canadian and US federal, state, provincial and local tax compliance including dealing with notices and/or assessments from these jurisdictions; assistance with specific correspondence or requests from state or city/county; and application for refunds when required.	Up to $ 10,000
International tax planning and advice	Up to $ 10,000
International tax compliance	Up to $ 10,000
Review of federal, state, local and international income, franchise, and other tax returns	Up to $ 10,000
Licensing [or purchase] of income tax preparation software[3] from the independent auditor, provided the functionality is limited to preparation of tax returns or calculation of supporting amounts necessary to prepare tax returns or tax elections.	Up to $ 10,000
Due diligence services pertaining to review of tax returns of potential business acquisitions and tax planning for acquisition deal structures.	Up to $ 10,000

[3] Licensing or purchasing income tax preparation software is permitted, so long as the functionality is limited to preparation of tax returns. If the software performs additional functions, each function must be evaluated *separately* for its potential effect on the auditor's independence.

Exhibit 1
Prohibited Non-Audit Services

- Bookkeeping or other services related to the accounting records or financial statements of the audit client[4]
- Financial information systems design and implementation[2]
- Appraisal or valuation services, fairness opinions or contribution-in-kind reports[2]
- Actuarial services[2]
- Internal audit outsourcing services[2]
- Management functions
- Human resources
- Broker-dealer, investment adviser or investment banking services
- Legal services
- Expert services unrelated to the audit

[4] Provision of these non-audit services is permitted if it is reasonable to conclude that the results of these services will not be subject to audit procedures. Materiality is not an appropriate basis upon which to overcome the rebuttable presumption that prohibited services will be subject to audit procedures because determining materiality is itself a matter of audit judgment.