



ECHELON FINANCIAL HOLDINGS INC.

**Notice of Special Meeting of Shareholders
to be held on January 23, 2019**

AND

Information Circular

DATED DECEMBER 21, 2018

ECHELON FINANCIAL HOLDINGS INC.

December 21, 2018

Dear Shareholders:

You are invited to attend a special meeting of the holders of common shares of Echelon Financial Holdings Inc. that will be held at the offices of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario at 10:00 a.m. (Toronto time) on January 23, 2019.

At the meeting, you will be asked to consider and, if thought advisable, approve a special resolution authorizing (i) the sale of all or substantially all of the assets of Echelon Financial; including the sale of all the shares of our wholly-owned subsidiary, Echelon Insurance, and the warranty business that is currently carried on inside Echelon Financial, to a subsidiary of CAA Club Group for \$175,000,000 in cash; and (ii) a reduction in the stated capital of Echelon Financial to permit a special distribution to shareholders. The sale to CAA is subject to a number of conditions including shareholder and regulatory approval.

After careful consideration, the Board of Directors of Echelon Financial has unanimously determined that the sale to CAA is in the best interests of Echelon Financial and recommends that shareholders vote "FOR" the resolution set forth in the accompanying Information Circular for the meeting.

The recommendation of the Board is based on various factors described more fully in the accompanying Information Circular, including the fact that the sale price represents a 42% premium to the book value of Echelon Insurance as at June 30, 2018 (a 41% premium to the book value at September 30, 2018), and the opinions of both National Bank Financial Inc. and Blair Franklin Capital Partners Inc., the financial advisors to the Special Committee of the Board, that, as of the date thereof, the consideration to be received by Echelon Financial pursuant to the sale to CAA is fair, from a financial point of view, to Echelon Financial. Shareholders representing in excess of 50% of the outstanding shares have agreed to vote in favour of the sale.

The Information Circular contains additional information about the sale to CAA and the shareholder meeting. Please give this material your careful consideration and, if you require assistance, consult your financial, tax or other professional advisors.

If shareholders approve the transaction with CAA, we hope to receive the necessary regulatory approvals and close the sale by March 31, 2019.

Following closing of the sale, the Board intends to declare a special cash distribution. The current estimate is that the distribution will be approximately \$110 million, or about \$8.80 per share, on a fully-diluted basis. The special distribution will be partly a return of capital to shareholders and partly a dividend.

Following the sale to CAA and the first special distribution to the shareholders, Echelon Financial will continue to provide support to The Insurance Company of Prince Edward Island for a transition period and will continue to defend arbitration proceedings in Denmark relating to the sale in 2017 of its European subsidiary to New Nordic Advisors. Echelon Financial will be a much smaller company and will not carry on business except as noted above. The only assets of Echelon Financial at that point will be its 75% shareholding in The Insurance Company of Prince Edward Island (with a book value for Echelon Financial of about \$10 million) and a meaningful cash reserve. EFH intends that one or more further distributions will be made to shareholders when circumstances permit.

If you are a registered shareholder and are unable to attend the meeting in person, please complete and deliver the Form of Proxy enclosed with this letter and the Information Circular by mail or by fax in order to ensure your representation at the meeting. Other acceptable methods of delivery of your proxy (telephone and internet) are set forth in the accompanying Information Circular. If you are a non-registered shareholder and receive these materials from your broker or another intermediary, please complete and return the Form of Proxy provided to you in accordance with the instructions provided by your broker or intermediary.

On behalf of the Board, I would like to express our gratitude for the support our shareholders and employees have demonstrated with respect to our decision to move ahead with the proposed sale. We look forward to seeing you at the meeting.

Yours very truly,

(Signed) "*Murray Wallace*"
Chair of the Board of Directors

ECHELON FINANCIAL HOLDINGS INC.

NOTICE OF SPECIAL MEETING OF SHAREHOLDERS

Notice is hereby given that a special meeting (the “**Shareholder Meeting**”) of the holders (the “**Shareholders**”) of common shares (the “**Shares**”) of Echelon Financial Holdings Inc. (“**EFH**”) will be held at the offices of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario, on January 23, 2019 at 10:00 a.m. (Toronto time) for the following purposes:

1. to consider and to vote on, with or without variation, a special resolution, the full text of which is set forth in Schedule A to the accompanying management information circular of EFH dated December 21, 2018 (the “**Information Circular**”), to approve (i) the sale of all or substantially all of the assets of EFH; including the sale of all the shares of Echelon Insurance and the warranty business of EFH to a subsidiary of CAA Club Group; and (ii) a reduction in the stated capital of EFH to permit a special distribution to Shareholders (the “**Sale Transaction Resolution**”), all as more particularly described in the Information Circular; and
2. to transact such other business as may properly come before the meeting or any adjournment thereof.

In order to become effective, the Sale Transaction Resolution must be passed by an affirmative vote of not less than two-thirds (66⅔%) of the votes cast by Shareholders present in person or represented by proxy at the Shareholder Meeting and voting thereon.

The specific details of the foregoing matters to be put before the meeting are set forth in the Information Circular accompanying this Notice of Meeting.

The record date for determination of Shareholders entitled to receive notice of and to vote at the Shareholder Meeting is December 14, 2018 (the “**Record Date**”). Only Shareholders whose names have been entered in the applicable register of Shares on the close of business on the Record Date will be entitled to receive notice of and to vote at the Shareholder Meeting. Shareholders who acquire Shares after the Record Date will not be entitled to vote such securities at the Shareholder Meeting.

All Shareholders are invited to attend the meeting. *Registered shareholders* who are unable to attend the meeting in person are requested to complete, date and sign the enclosed form of proxy and send it in the enclosed envelope or otherwise to the Secretary of EFH c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 1-866-249-7775 or 416-263-9524 or to the Secretary of EFH at EFH’s registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. *Non-registered Shareholders* who receive these materials through their broker or other intermediary should complete and send the voting instruction form in accordance with the instructions provided by their broker or intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of EFH not later than 10:00 a.m. (Toronto time) on January 21, 2019, or in the case of any adjournment of the meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjournment.

Shareholders have a right to dissent with respect to the Sale Transaction Resolution and, if the Sale Transaction Resolution becomes effective, to be paid the fair value of their Shares in accordance with the provisions of Section 185 of the Business Corporations Act (Ontario) (“OBCA”). A Shareholder may only exercise the right to dissent under Section 185 of the OBCA in respect of Shares which are registered in that Shareholder’s name. Failure to comply strictly with the provisions of the OBCA may result in loss or unavailability of the right to dissent. The execution or exercise of a proxy does not constitute a written objection for the purposes of Section 185 of the OBCA. A dissenting Shareholder must submit to EFH a written objection to the

Sale Transaction Resolution at or before the Shareholder Meeting, which dissent notice if delivered before the Shareholder Meeting must be received by EFH, at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5 Attention: Ken Coulson or to kcoulson@echeloninsurance.ca, not later than 10:00 a.m. (Toronto time) on January 21, 2019 or immediately prior to the Shareholder Meeting on the date that any adjourned or postponed Shareholder Meeting is reconvened or held, as the case may be), and must otherwise strictly comply with the dissent procedures prescribed by the OBCA. A Shareholder's right to dissent is more particularly described in the Information Circular, and the text of Section 185 of the OBCA is set forth in Schedule B to the accompanying Information Circular.

Persons who are beneficial owners of securities registered in the name of a broker, custodian, nominee or other intermediary who wish to dissent should be aware that only the registered holders of securities are entitled to dissent. Accordingly, a beneficial owner of securities desiring to exercise the right to dissent must make arrangements for the securities beneficially owned by such holder to be registered in such holder's name prior to the time the written objection to the Sale Transaction Resolution is required to be received by EFH or, alternatively, make arrangements for the registered holder of such securities to dissent on behalf of the holder.

DATED the 21st day of December, 2018.

By Order of the Board of Directors

(Signed)

Ken Coulson
Secretary

TABLE OF CONTENTS

	Page
1 - INFORMATION CIRCULAR AND PROXY STATEMENT	9
Forward-Looking Information.....	9
2 - GLOSSARY OF KEY TERMS	11
3 - GENERAL PROXY MATTERS.....	15
Solicitation of Proxies	15
Appointment of Proxyholder	15
Revocation of Proxy.....	15
Voting of Proxies.....	15
Beneficial Shareholders.....	16
Voting Shares and Principal Holders Thereof	17
4 - SALE TRANSACTION.....	18
Introduction	18
Background to the Sale Transaction	18
Unanimous Recommendation of the Special Committee.....	20
Unanimous Recommendation of the Board.....	20
Reasons for Entering into the Share Purchase Agreement	20
Risks of Entering into the Share Purchase Agreement	22
Summary of the Share Purchase Agreement.....	22
Voting and Support Agreements	24
Special Distribution of Proceeds.....	24
EFH After Closing.....	25
Fairness Opinion of National Bank	25
Fairness Opinion of Blair Franklin	26
Dissent Rights.....	27
Form of Special Resolution and Vote Required	28
Recommendation of the Board of Directors	28
5 - RISK FACTORS	29
No Certainty that All of the Conditions Precedent will be Satisfied or Waived.....	29
The Share Purchase Agreement May be Terminated in Certain Circumstances	29
Restrictions on Soliciting Acquisition Proposals.....	29
Loss of Key People.....	29
Key Relationships	30
EFH Not Sustainable as Public Company	30
Cash Reserves May be Insufficient.....	30
Delisting from the TSX.....	30
6 - CANADIAN FEDERAL INCOME TAX CONSIDERATIONS.....	30
Return of Capital.....	31
Residents of Canada	31
Non-Residents of Canada	32
7 - INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS.....	33

8 - MANAGEMENT CONTRACTS.....	33
9 - AUDITORS	34
10 - INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON.....	34
11 - ADDITIONAL INFORMATION.....	34
12 - APPROVAL OF INFORMATION CIRCULAR.....	34
13 - CONSENT OF NATIONAL BANK FINANCIAL INC.	36
14 - CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC.....	37
Schedule "A" Sale Transaction Resolution.....	38
Schedule "B" Dissent Rights.....	39
Schedule "C" Fairness Opinion of National Bank Financial Inc.	44
Schedule "D" Fairness Opinion of Blair Franklin Capital Partners Inc.	50

ECHELON FINANCIAL HOLDINGS INC.

MANAGEMENT INFORMATION CIRCULAR FOR THE SPECIAL MEETING OF SHAREHOLDERS JANUARY 23, 2019

1 - Information Circular and Proxy Statement

This Information Circular is furnished in connection with the solicitation of proxies by the Board of Directors of EFH for use at the Shareholder Meeting and at any adjournments thereof, for the purposes set forth in the accompanying Notice of Meeting. No person has been authorized to give any information or make any representation in connection with the Sale Transaction or any other matters to be considered at the Shareholder Meeting other than those contained in this Information Circular and, if given or made, any such information or representation must not be relied upon as having been authorized.

Shareholders are encouraged to obtain independent legal, tax, financial and investment advice in their jurisdiction of residence with respect to this Information Circular, and the consequences of the Sale Transaction.

All capitalized terms used in this Information Circular but not otherwise defined herein have the meanings set forth under “*Glossary of Key Terms*”. All references to dollar amounts are references to Canadian dollars (\$). Information contained in this Information Circular is given as of December 21, 2018, unless otherwise specifically stated.

Forward-Looking Information

This Information Circular contains certain forward-looking statements and forward-looking information (collectively referred to herein as “**forward-looking statements**”) within the meaning of applicable Canadian securities laws. All statements other than statements of present or historical fact are forward-looking statements. Forward-looking information is often, but not always, identified by the use of words such as “anticipate”, “believe”, “plan”, “intend”, “objective”, “continuous”, “ongoing”, “estimate”, “expect”, “may”, “will”, “project”, “should”, or similar words suggesting future outcomes. In particular, this Information Circular contains forward-looking statements including, without limitation, in relation to:

- the estimated timing of and the steps required to complete the Closing of the Sale Transaction;
- the expected nature of future disclosure of the shareholdings of certain Shareholders;
- the obtaining of Shareholder Approval and all required regulatory and third party approvals prior to the Closing of the Sale Transaction;
- the belief of EFH that it can satisfy all of the conditions precedent in relation to the Share Purchase Agreement;
- the filing of all applications with, and notices and submissions to Governmental or Arbitral Entities;
- the timing of the Shareholder Meeting and matters to be discussed thereat;
- any cash distribution to Shareholders and tax consequences for certain Shareholders;
- the expectation that EFH will have cash and cash equivalents which exceed its obligations following the Closing of the Sale Transaction;
- the amount of funds available for distribution to Shareholders and the timing of distributions to Shareholders;
- the payments expected to be made to certain officers of EFH in connection with the “termination” provisions in their respective employment agreements;
- the payment of performance awards and bonuses upon completion of the Sale Transaction;
- the payment of severance to certain other head office employees of EFH;
- the setting of the Closing Date by EFH; and
- the anticipated paid-up capital of EFH's Shares.

The forward-looking statements are based on certain key expectations and assumptions of EFH concerning, among other things: anticipated financial performance, business prospects, strategies, regulatory developments, exchange rates, tax laws, the sufficiency of budgeted capital expenditures in carrying out planned activities, the availability and cost of labour and services, the structure and effect of the Sale Transaction being completed in accordance with the terms of the Share Purchase Agreement and in accordance with the timing currently anticipated, all conditions precedent in the Share Purchase Agreement will be satisfied or waived, including the receipt of Shareholder Approval of the Sale Transaction Resolution, the timely receipt of any and all regulatory approvals and third party consents to the Sale Transaction, that

there will be no intervening events that will materially reduce or delay the amount of funds available for distribution to Shareholders following completion of the Sale Transaction. All of these assumptions are subject to change based on market conditions and potential timing delays. Although management considers these assumptions to be reasonable based on information currently available to it, they may prove to be incorrect.

By their very nature, forward-looking statements involve inherent risks and uncertainties (both general and specific) and risks that forward-looking statements will not be achieved. Undue reliance should not be placed on forward-looking statements, as a number of important factors could cause the actual results to differ materially from the beliefs, plans, objectives, expectations and anticipations, estimates and intentions expressed in the forward-looking statements, including those set out below and those detailed elsewhere in this Information Circular (including under the heading “*Risk Factors*”):

- possible failure of a party to the Share Purchase Agreement to satisfy the conditions precedent set out in the Share Purchase Agreement;
- the risk of not obtaining required regulatory or contractual consents or approvals, including Shareholder Approval of the Sale Transaction Resolution;
- possible termination of the Share Purchase Agreement by a party to the Share Purchase Agreement;
- restrictions on EFH from soliciting third parties to make an Acquisition Proposal;
- loss of opportunity for Shareholders to participate in the longer term potential benefits of the business of the Corporation if the Sale Transaction is successfully completed;
- uncertainty as to the actual amount of proceeds available for distribution to Shareholders;
- uncertainty as to the timing of the distributions to Shareholders;
- uncertainty as to the amount of liabilities of EFH;
- third parties with which EFH currently does business may cease to do so;
- costs incurred by EFH in pursuing the Sale Transaction, the impact on customers, suppliers and employees and the risk associated with the diversion of EFH management's attention away from the conduct of EFH's business in the ordinary course; and
- potential tax liability for Shareholders who may be required to pay taxes depending on the cost base of the Shares.

Readers are cautioned that the foregoing list is not exhaustive. The information contained in this Information Circular identifies additional factors that could affect the operating results and performance of EFH. See “*Risk Factors*”. Additional information on other risk factors that could affect the operations or financial results of EFH can be found under “*Risk Factors*” in EFH's annual information form dated March 19, 2018, and management's discussion and analysis dated November 14, 2018, which are both available on SEDAR (www.sedar.com). EFH urges you to carefully consider those factors.

The forward-looking statements contained herein are expressly qualified in their entirety by this cautionary statement. The forward-looking statements included in this Information Circular are made as of the date of this Information Circular and EFH undertakes no obligation to publicly update such forward-looking statements to reflect new information, subsequent events or otherwise unless so required by applicable securities laws.

2 - GLOSSARY OF KEY TERMS

“Acquisition Proposal” means any offer, proposal or inquiry from any Person or group of Persons other than CAA or the Purchaser (or an affiliate of CAA or the Purchaser or any Person acting jointly or in concert with CAA or the Purchaser) after the date of the Share Purchase Agreement, whether written or oral, relating to: (a) any acquisition, purchase, sale or disposition (or any lease, license or other arrangement having the same economic effect as a sale or disposition) direct or indirect, through one or more related transactions of assets of the Corporation and/or EFH that, individually or in the aggregate, represent 20% or more of the consolidated assets of the Corporation and/or EFH, taken as a whole, or that contribute 20% or more of the consolidated revenue of the Corporation and/or EFH, taken as a whole, determined based upon the most recent publicly available consolidated financial statements of EFH and/or the most recent financial statements of the Corporation; (b) any direct or indirect acquisition, purchase, sale, disposition, take-over bid, tender offer, exchange offer, treasury issuance or other similar transaction that, if consummated, would result in a Person or group of Persons beneficially owning 20% or more of any class of voting, equity or other securities (including securities convertible into or exercisable or exchangeable for securities or equity interests) of the Corporation and/or EFH; (c) any plan of arrangement, merger, amalgamation, consolidation, share exchange, share reclassification, business combination, reorganization, recapitalization, liquidation, dissolution, winding up or other similar transaction or series of related transactions involving the Corporation or EFH; or (d) any other similar transaction or series of transactions involving the Corporation and/or EFH;

“affiliate” has the meaning ascribed to that term in the OBCA;

“Beneficial Shareholders” has the meaning ascribed to it under the heading *“General Proxy Matters - Beneficial Shareholders”*, and **“Beneficial Shareholder”** means any one of them;

“Blair Franklin” means Blair Franklin Capital Partners Inc.;

“Blair Franklin Fairness Opinion” has the meaning ascribed to it under the heading *“Sale Transaction – Reasons for Entering into the Share Purchase Agreement”*;

“Board” or **“Board of Directors”** means the board of directors of EFH;

“Broadridge” means Broadridge Financial Solutions, Inc.;

“CAA” means CAA Club Group;

“CDS” means CDS Clearing & Depository Services Inc. or a successor thereof;

“Closing Date” has the meaning ascribed to it under the heading *“Sale Transaction – Introduction”*;

“Closing” means the time for completion of the Sale Transaction to, and the purchase by, the Purchaser of the Purchased Assets;

“Company Material Adverse Effect” has the meaning ascribed to it in the Share Purchase Agreement which is filed at www.SEDAR.com;

“Computershare” means Computershare Investor Services Inc., the registrar and transfer agent of EFH;

“Corporation” means Echelon Insurance, a company incorporated under the *Insurance Companies Act* (Canada) and a direct wholly-owned subsidiary of EFH;

“Data Room” has the meaning ascribed to it under the heading *“Sale Transaction – Background to the Sale Transaction”*;

“Demand for Payment” means a written notice of a Dissenting Shareholder containing his, her or its name and address, the number of Dissenting Shares and a demand for payment of the fair value of such Shares, submitted to EFH;

“Dissent Notice” has the meaning ascribed to it under the heading *“Sale Transaction – Dissent Rights”*;

“Dissent Rights” means the right of a registered Shareholder to dissent to the Sale Transaction Resolution and to be paid the fair value of its Shares in respect of which the holder dissents, all in accordance with Section 185 of the OBCA;

“Dissenting Shareholders” means registered Shareholders who validly exercise Dissent Rights and have not withdrawn or been deemed to have withdrawn such exercise of Dissent Rights, but only in respect of the Shares in respect of which Dissent Rights are validly exercised by such registered Shareholder, and “Dissenting Shareholder” means any one of them;

“Dissenting Shares” means Shares in respect of which a Dissenting Shareholder has validly exercised Dissent Rights;

“EFH” means Echelon Financial Holdings Inc., a corporation incorporated under the OBCA;

“Fairness Opinions” has the meaning ascribed to it under the heading “*Sale Transaction – Background to the Sale Transaction*”;

“Form of Proxy” means the form of proxy accompanying this Information Circular;

“Governmental or Arbitral Entity” means (i) any international, multinational, national, federal, provincial, state, regional, municipal, local or other government, governmental or public department, central bank, court, tribunal, arbitral body, commission, commissioner, board, bureau, minister, ministry, governor in council, cabinet, agency or instrumentality, domestic or foreign; (ii) any subdivision or authority of any of the above; (iii) any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the foregoing; (iv) any stock exchanges or (v) any arbitration panel or arbitrator deciding or resolving contractual disputes or interpreting any provisions of a contract, and “Governmental or Arbitral Entities” means any number of them;

“ICPEI” has the meaning ascribed to it under the heading “*Sale Transaction – Special Distribution of Proceeds*”;

“Information Circular” means this information circular and proxy statement of EFH, together with all appendices hereto, distributed to Shareholders in connection with the Shareholder Meeting;

“Information Memorandum” has the meaning ascribed to it under the heading “*Sale Transaction – Background to the Sale Transaction*”;

“MCT” means the minimum capital test that applies to insurance companies governed by the *Insurance Companies Act* (Canada);

“National Bank” means National Bank Financial Inc.;

“National Bank Fairness Opinion” has the meaning ascribed to it under the heading “*Sale Transaction – Reasons for Entering into the Share Purchase Agreement*”;

“NDA” has the meaning ascribed to it under the heading “*Sale Transaction – Background to the Sale Transaction*”;

“New Nordic” means New Nordic Advisors Ltd., a Danish corporation;

“NI 54-101” means National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer;

“NOBOs” has the meaning ascribed to it under the heading “*General Proxy Matters – Beneficial Shareholders*”;

“Non-Resident Shareholder” has the meaning ascribed to it under the heading “*Canadian Federal Income Tax Considerations – Non-Residents of Canada*”;

“Notice of Meeting” means the Notice of Special Meeting of Shareholders which accompanies this Information Circular;

“OBCA” means the *Business Corporations Act* (Ontario);

“OBOs” has the meaning ascribed to it under the heading *“General Proxy Matters – Beneficial Shareholders”*;

“Offer to Pay” means the written offer of EFH to each Dissenting Shareholder who has sent a Demand for Payment to pay for its Shares in an amount considered by EFH to be the fair value of the Shares;

“Parties” means collectively, all of the signatories to the Share Purchase Agreement, and **“Party”** means any of them;

“Person” means any individual, partnership, association, body corporate, organization, trust, estate, trustee, executor, administrator, legal representative, government (including Governmental or Arbitral Entity), syndicate or other entity, whether or not having legal status, and **“Persons”** means any number of them;

“PUC” has the meaning ascribed to it under the heading *“Canadian Federal Income Tax Considerations – Return of Capital”*;

“Purchase Price” means Canadian \$175 million in cash;

“Purchased Assets” means all of the outstanding shares of the Corporation and the Warranty Business as described under the heading *“Sale Transaction – Summary of the Share Purchase Agreement”*;

“Purchaser” means 2664291 Ontario Inc. a wholly-owned subsidiary of CAA Club Group;

“Record Date” has the meaning ascribed to it under the heading *“Notice of Special Meeting of Shareholders”*;

“Resident Shareholder” has the meaning ascribed to it under the heading *“Canadian Federal Income Tax Considerations – Residents of Canada”*;

“Sale Transaction” means the purchase by the Purchaser of the Purchased Assets pursuant to the Share Purchase Agreement;

“Sale Transaction Resolution” means a special resolution approving the Sale Transaction, substantially in the form set out in Schedule A hereto;

“Share Purchase Agreement” means the Share Purchase Agreement dated November 8, 2018, between EFH, the Purchaser and CAA;

“Shareholder Approval” means the approval of the Sale Transaction Resolution at the Shareholder Meeting by not less than two-thirds (66⅔%) of the votes cast on the Sale Transaction Resolution by Shareholders present in person or represented by proxy;

“Shareholder Meeting” means the special meeting of Shareholders to be held on January 23, 2019, or at any adjournments or postponements thereof, at the office of McCarthy Tétrault LLP, Suite 5300, Toronto Dominion Bank Tower, 66 Wellington Street West, Toronto, Ontario at 10:00 a.m. (Toronto time) to consider and, if deemed advisable, approve, the Sale Transaction Resolution;

“Shareholders” means, the holders of Shares of EFH, and **“Shareholder”** means any one of them;

“Shares” means the outstanding shares of EFH;

“Special Committee” has the meaning ascribed to it under the heading *“Sale Transaction – Background to the Sale Transaction”*;

“Special Distribution” means the special cash distribution to be made by EFH to its Shareholders after Closing of the Sale Transaction, partly as a return of capital to Shareholders and partly as a dividend; see *“Sale Transaction – Special Distribution of Proceeds”*;

“Special PUC Distribution” means the portion of the Special Distribution to be paid as a return of capital and which approximates the paid-up capital (as defined in the Tax Act) of the Shares, which amount will be determined by the Board;

“Subject Securities” means all Shares beneficially owned, or over which control or direction, including voting rights, is exercised, directly or indirectly, by the Shareholder as of the date hereof, and any Shares acquired or over which ownership, control or direction is acquired by the Shareholder after the date of the Voting and Support Agreements, including Shares acquired as a result of any exercise or conversion of securities exercisable for or convertible into Shares, and all shares or other securities into or for which such Shares may be converted, exchanged or otherwise changed including, without limitation, Shares received or to be received pursuant to any arrangement, reorganization, merger, amalgamation or other transaction involving EFH prior to the acquisition by the Purchaser of the Purchased Assets under the Sale Transaction;

“subsidiary” means, with respect to any person, a subsidiary (as that term is defined in the OBCA (for such purposes, if such person is not a corporation, as if such person were a corporation)) of such person and includes any limited partnership, joint venture, trust, limited liability company, unlimited liability company or other entity, whether or not having legal status, that would constitute a subsidiary (as described above) if such entity were a corporation;

“Superior Proposal” means any unsolicited bona fide written Acquisition Proposal to acquire, directly or indirectly, either (A) not less than all of the outstanding shares of the Corporation or all or substantially all of the assets of the Corporation or (B) not less than all of the outstanding Shares or all or substantially all of the assets of EFH on a consolidated basis, in each case, made by an arm’s length third party after the date of the Share Purchase Agreement: (i) that did not result from or involve a breach of the Share Purchase Agreement or any agreement between the Person making such Acquisition Proposal and the Corporation or EFH; (ii) that is not subject to a financing condition and in respect of which it has been demonstrated to the satisfaction of the Board acting in good faith, after receipt of advice from its financial advisors and outside legal counsel, that adequate arrangements have been made in respect of any financing required to complete such Acquisition Proposal; (iii) that is reasonably capable of being completed without undue delay, taking into account all financial, legal, regulatory and other aspects of such Acquisition Proposal and the Person making such Acquisition Proposal; (iv) that is not subject to a due diligence condition; and (v) in respect of which the Board and any relevant committee thereof determines in good faith, after receiving the advice of its financial advisors and outside legal counsel (with respect to the Board’s fiduciary duties), and after taking into account all the terms and conditions of such Acquisition Proposal, including all legal, financial, regulatory and other aspects of such Acquisition Proposal and the party making such Acquisition Proposal, that would, if consummated in accordance with its terms (but without assuming away the risk of non-completion), result in a transaction which is more favourable, from a financial point of view, to EFH and its Shareholders than the Sale Transaction (including any amendments to the terms and conditions of the Sale Transaction proposed by the Purchaser pursuant to terms of the Share Purchase Agreement);

“Supporting Shareholders” means, collectively, Cymbria Corporation, EdgePoint Investment Group, Inc., Foyston, Gordon & Payne Inc., Franklin Templeton Investments Corp. and each of the directors and senior officers of EFH, and “Supporting Shareholder” means any one of them;

“Target MCT Ratio” has the meaning ascribed to it under the heading “*Sale Transaction – Summary of the Share Purchase Agreement*”;

“Tax Act” means the *Income Tax Act* (Canada), including the regulations promulgated thereunder, as amended;

“Tax Proposals” has the meaning ascribed to it under the heading “*Canadian Federal Income Tax Considerations*”;

“Termination Fee” has the meaning ascribed to it under the heading “*Sale Transaction – Summary of the Share Purchase Agreement*”;

“TSX” means the Toronto Stock Exchange;

“US Treaty” has the meaning ascribed to it under the heading “*Canadian Federal Income Tax Considerations – Non-Residents of Canada – Special PUC Distribution*”;

“Voting and Support Agreements” means the voting and support agreements entered into between CAA, the Purchaser and each Supporting Shareholder, and “Voting and Support Agreement” means any one of them; and

“Warranty Business” means the warranty business of EFH consisting of a range of speciality and warranty programs including new home and home system warranties being transferred to an affiliate of the Purchaser as described under the heading *“Sale Transaction – Summary of the Share Purchase Agreement”*.

3 - GENERAL PROXY MATTERS

Solicitation of Proxies

This Information Circular is furnished in connection with the solicitation, by or on behalf of the management of EFH, of proxies to be used at EFH’s special meeting of the holders of Shares to be held on January 23, 2019, or at any adjournment thereof. It is expected that the solicitation will be primarily by mail, but proxies may also be solicited personally, by advertisement or by telephone, by directors, officers or employees of EFH without special compensation, or by EFH’s transfer agent, Computershare Investor Services Inc., at nominal cost. The cost of soliciting will be borne by EFH.

Appointment of Proxyholder

The person(s) designated by management of EFH in the enclosed form of proxy are directors or officers of EFH. **Each Shareholder has the right to appoint as proxyholder a person or company (who need not be a shareholder of EFH) other than the person(s) or company(ies) designated by management of EFH in the enclosed form of proxy to attend and act on the Shareholder’s behalf at the Shareholder Meeting or at any adjournment thereof.** Such right may be exercised by inserting the name of the person or company in the blank space provided on the enclosed form of proxy or by completing another form of proxy.

In the case of registered Shareholders, the completed, dated and signed form of proxy should be sent in the enclosed envelope or otherwise to the Secretary of EFH, c/o Computershare Investor Services Inc., 8th Floor, 100 University Avenue, Toronto, Ontario, M5J 2Y1, telephone number 1-800-564-6253, fax number 866-249-7775 or 416-263-9524, or to the Secretary of EFH at EFH’s registered office, which is located at 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5, fax number 905-214-8028. In the case of non-registered Shareholders who receive these materials through their broker or other intermediary, the Shareholder should complete and send the voting instruction form in accordance with the instructions provided by their broker or other intermediary. To be effective, a proxy must be received by Computershare Investor Services Inc. or the Secretary of EFH not later than 10:00 a.m. (Toronto time) on January 21, 2019, or in the case of any adjournment of the Shareholder Meeting, not less than 48 hours, Saturdays, Sundays and holidays excepted, prior to the time of the adjourned meeting.

Revocation of Proxy

A Shareholder who has given a proxy may revoke it by depositing an instrument in writing signed by the Shareholder or by the Shareholder’s attorney, who is authorized in writing, at the registered office of EFH at any time up to and including the last business day preceding the day of the Shareholder Meeting, or in the case of any adjournment of the Shareholder Meeting, the last business day preceding the day of the adjournment, or with the Chair of the Shareholder Meeting on the day of, and prior to the start of, the Shareholder Meeting or any adjournment thereof. A Shareholder may also revoke a proxy in any other manner permitted by law.

Voting of Proxies

On any ballot that may be called for, the Shares represented by a properly executed proxy will be voted or withheld from voting in accordance with the instructions given on the ballot, and if the Shareholder specifies a choice with respect to any matter to be acted upon, the Shares will be voted accordingly.

The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments to matters identified in the accompanying Notice of Meeting and with respect to other matters which may properly come before the Shareholder Meeting or any adjournment thereof. As of the date of this Information Circular, management of EFH is not aware of any such amendment or other matter to come before the Shareholder Meeting. However, if any amendments to matters identified in the accompanying Notice of Meeting or any other matters which are not now known

to management should properly come before the Shareholder Meeting or any adjournment thereof, the Shares represented by properly executed proxies will be voted on such matters pursuant to such discretionary authority.

Beneficial Shareholders

These Shareholder Meeting materials are being sent to both registered and non-registered Shareholders. If you are a non-registered Shareholder and EFH or its agent has sent these materials directly to you, your name and address and information about your holdings of securities have been obtained in accordance with applicable securities regulatory requirements from the intermediary/broker holding on your behalf. By choosing to send these materials to you directly, EFH (and not the intermediary holding on your behalf) has assumed responsibility for: (i) delivering these materials to you; and (ii) executing your proper voting instructions. Please return your voting instructions as specified in the enclosed materials.

The information set forth in this section is important to all Shareholders. Shareholders who do not hold their Shares in their own name are referred to in this Information Circular as “**Beneficial Shareholders**”. There are two kinds of Beneficial Shareholders - those who object to their names being made known to the issuers of securities which they own (called “**OBOs**” for Objecting Beneficial Owners), and those who do not object (called “**NOBOs**” for Non-Objecting Beneficial Owners). Beneficial Shareholders should note that only a Shareholder whose name appears on the records of EFH as a registered holder of Shares or a person they appoint as a proxy can be recognized and vote at the Shareholder Meeting. Subject to limited exceptions that may exist from time to time, all issued and outstanding Shares are in a book-based system administered by CDS. Consequently, all Shares are, subject to limited exceptions that may exist from time to time, registered under the name of CDS & Co. (the registration name for CDS). CDS also acts as nominee for brokerage firms through which Beneficial Shareholders hold their Shares. Shares held by CDS can only be voted (for or against resolutions) upon the instructions of the Beneficial Shareholder.

EFH is taking advantage of NI 54-101, which permits it to deliver proxy-related materials directly to its NOBOs. NOBOs will receive Shareholder Meeting materials from Broadridge, including a voting instruction form.

Proxy-related materials will be delivered indirectly to EFH's OBOs. As a result, OBOs can expect to receive Shareholder Meeting materials from their intermediary/broker, including a voting instruction form as more particularly described below.

EFH intends to pay for intermediaries/brokers to deliver Shareholder Meeting materials to EFH's NOBOs and OBOs.

Applicable regulatory policy requires intermediaries/brokers to whom Shareholder Meeting materials have been sent to seek voting instructions from Beneficial Shareholders in advance of the Shareholder Meeting. Every intermediary has its own mailing procedures and provides its own return instructions, which should be carefully followed by Beneficial Shareholders in order to ensure that their Shares are voted at the Shareholder Meeting. Often, the voting instruction form supplied to a Beneficial Shareholder by its broker is identical to the Form of Proxy provided to registered Shareholders. However, its purpose is limited to instructing the registered Shareholder (CDS) how to vote on behalf of the Beneficial Shareholder. The majority of brokers now delegate responsibility for obtaining instructions from clients to Broadridge. Broadridge typically prepares a special voting instruction form, mails those forms to the Beneficial Shareholders and asks for appropriate instructions respecting the voting of Shares to be represented at the Shareholder Meeting. Beneficial Shareholders are requested to complete and return the voting instruction form to Broadridge by mail or facsimile. Alternatively, Beneficial Shareholders can call a toll-free telephone number or access Broadridge's dedicated voting website (each as noted on the voting instruction form) to deliver their voting instructions and vote the Shares held by them. Broadridge then tabulates the results of all voting instructions received and provides appropriate instructions respecting the voting of Shares to be represented at the Shareholder Meeting. A Beneficial Shareholder receiving a voting instruction form cannot use that voting instruction form to vote Shares directly at the Shareholder Meeting. The voting instruction form must be returned as directed by Broadridge well in advance of the Shareholder Meeting in order to have the Shares voted. Beneficial Shareholders who receive forms of proxies or voting materials from organizations other than Broadridge should complete and return such forms of proxies or voting materials in accordance with the instructions on such materials in order to properly vote their Shares at the Shareholder Meeting.

Beneficial Shareholders cannot be recognized at the Shareholder Meeting for purposes of voting their Shares in person or by way of depositing a Form of Proxy. If you are a Beneficial Shareholder and wish to vote in person at the Shareholder Meeting, please see the voting instructions you received or contact your intermediary/broker well in advance of the Shareholder Meeting to determine how you can do so.

Beneficial Shareholders should carefully follow the voting instructions they receive, including those on how and when voting instructions are to be provided, in order to have their Shares voted at the Shareholder Meeting.

Voting Shares and Principal Holders Thereof

As of November 30, 2018, EFH has 11,923,906 Shares outstanding, each carrying the right to one vote per share. A quorum for a meeting of Shareholders shall be two persons present and entitled to vote not less than 20% of the Shares.

Subject to the OBCA, any question at the Shareholder Meeting shall be decided by a show of hands, unless a ballot thereon is required or demanded by the bylaws of EFH, and upon a show of hands every person present and entitled to vote will be entitled to one vote.

Only registered holders of Shares at the close of business on the Record Date are entitled to vote at the Shareholder Meeting.

To the knowledge of the directors and executive officers of EFH, as of the date hereof, no person beneficially owned, or controls or directs, directly or indirectly, more than 10% of the voting rights attached to the outstanding Shares of EFH except as stated below.

Name	Aggregate Number of Shares	Percentage of Outstanding Shares
The Co-operators Group Limited and affiliates	2,027,912	17.00 %
EdgePoint Investment Group Inc.	1,150,327	9.65% ⁽¹⁾
Foyston, Gordon & Payne Inc.	1,430,572	11.99 %
Cambridge Global Asset Management	1,192,950	10.00 %
Cymbria Corporation	2,423,660	20.32 %

⁽¹⁾ EdgePoint investment Group Inc. is the manager of and the investment advisor to Cymbria Corporation.

4 - SALE TRANSACTION

Introduction

EFH operates in the property and casualty insurance industry in Canada through the Corporation, a federally-regulated property and casualty insurance company and The Insurance Company of Prince Edward Island (“**ICPEI**”), a provincially-regulated property and casualty insurance company. The Corporation underwrites automobile insurance and other specialty insurance products, with a focus on niche under-served markets. It has two lines of insurance business – Personal Lines and Commercial Lines. Personal Lines focuses on the underwriting of non-standard automobile insurance and insurance for motorcycles, antique and classic vehicles, trailers, motorhomes, recreational vehicles and personal property. Commercial Lines designs and underwrites commercial property, commercial automobile, surety, liability, and specialty programs.

On November 8, 2018, EFH entered into the Share Purchase Agreement, pursuant to which, EFH agreed to sell all of the shares of the Corporation and the Warranty Business (collectively, the “**Purchased Assets**”) to the Purchaser for the Purchase Price of \$175 million in accordance with the terms of the Share Purchase Agreement. The Closing of the Sale Transaction is expected to occur on the Closing Date (currently anticipated to be on or before March 31, 2019) (the “**Closing Date**”) following the receipt of Shareholder Approval in accordance with the provisions of this Information Circular, the receipt of all regulatory and third party approvals specified in the Share Purchase Agreement and upon satisfaction of all the other conditions in the Share Purchase Agreement.

The Board of Directors has unanimously approved the Sale Transaction. The Sale Transaction Resolution, substantially in the form set out in Schedule A hereto, will be presented at the Shareholder Meeting. In order to be approved, the Sale Transaction Resolution must be passed by a vote of not less than two-thirds (66⅔%) of the votes cast thereon by Shareholders present in person or represented by proxy at the Shareholder Meeting.

Unless otherwise directed, the Shares represented by the enclosed Form of Proxy will be voted FOR the Sale Transaction Resolution, with or without amendment.

Background to the Sale Transaction

The Share Purchase Agreement is a result of arm’s length negotiations conducted between representatives of EFH, CAA and their respective financial and legal advisors. The following is a summary of the key events leading up to the approval and execution of the Share Purchase Agreement and the meetings, negotiations, discussions and actions between the parties related to the Sale Transaction.

In February 2018, the Board of Directors struck a special committee of directors (the “**Special Committee**”) with a mandate to consider strategic alternatives that could benefit EFH and its stakeholders and to hire legal and financial advisors to assist with that process. The members of the Special Committee are Lee Matheson (Chair), Andrew Pastor, Brian Reeve and ex-officio Jim Falle. Each of the members of the Special Committee is independent of EFH. Andrew Pastor is a Partner at EdgePoint Investment Group Inc., which together with its affiliates, owns or controls approximately 30% of the outstanding shares of EFH.

The Special Committee retained McCarthy Tétrault LLP as its legal counsel and National Bank as its financial advisor. Both firms are independent of EFH and the Corporation.

Since its formation in February 2018, the Special Committee has met at least once each week with its financial and legal advisors to discuss the progress of the strategic review. The Special Committee also had many meetings to discuss and review matters outside of the once-a-week Special Committee meetings.

During the period between February and April 2018, National Bank worked with management of EFH to populate a data room with material contracts, financial records, budgets, tax records and other documents that would be relevant to a third party considering a significant transaction with EFH (the “**Data Room**”). Over the same period, National Bank, together with management of EFH, prepared an information memorandum summarizing the business of EFH and its opportunities to be provided to potentially interested parties (the “**Information Memorandum**”). McCarthy Tétrault LLP prepared a form of non-disclosure agreement that would be provided to third parties that expressed interest in a potential transaction with EFH (the “**NDA**”).

In March 2018, National Bank reviewed with the Special Committee a list of potential parties to be contacted on a confidential basis. After input from the Special Committee, the list was revised and beginning in late March 2018, National Bank commenced a confidential canvass of parties that could have either a strategic or a financial interest in EFH.

Several interested parties asked to sign NDAs, review the Information Memorandum, and discuss potential transactions with National Bank. All parties gaining access to the process signed NDAs, which included customary standstill provisions preventing them from initiating transactions not supported by the Board of Directors, subject to customary exceptions.

The third parties who had signed the NDAs were asked to submit non-binding letters of interest based on the Information Memorandum about EFH, including the financial terms of any transaction under consideration. National Bank received several such letters on behalf of EFH and reviewed them with the Special Committee.

A small number of interested third parties who had submitted non-binding letters of interest were then permitted access to the Data Room and the opportunity to meet with management of EFH.

Over the period between April and July 2018, management of EFH, National Bank and the Special Committee worked with the interested third parties by providing information, answering questions and generally assisting them with their due diligence review. During this period, the Special Committee continued to meet weekly with its financial and legal advisors to monitor the progress of the strategic review. McCarthy Tétrault LLP was asked to prepare a draft arrangement agreement which was put into the Data Room for potentially interested parties to review.

By July 2018, one interested third party had emerged as the most attractive potential candidate for a strategic transaction with EFH. That party was proposing an offer to acquire all the outstanding shares of EFH for cash at a relatively attractive premium to the trading price of the Shares. Negotiations proceeded on an exclusive basis with that third party and drafts of a definitive arrangement agreement were exchanged and negotiated to a substantially advanced state. Blair Franklin was retained to provide independent advice to the Special Committee on the fairness of the proposed transaction in the event the parties reached agreement. In late July 2018, however, New Nordic Advisors Ltd. ("**New Nordic**") advised EFH of its intention to commence litigation proceedings and to claim significant damages for alleged misrepresentations in connection with the sale of EFH's European subsidiary in 2017. In early August 2018, this interested third party became uncomfortable with the allegations raised by New Nordic and, after some deliberation, decided to withdraw its offer which caused the exclusivity provision to lapse.

Following the withdrawal of the aforementioned third party proposal, the Special Committee advised National Bank to re-canvass some of the other interested third parties to review materials in the Data Room on the basis that EFH would consider alternative transactions if the potential New Nordic litigation was a negative to a potential purchaser of EFH. This re-canvass led to productive discussions and negotiations with CAA who expressed interest in purchasing all of the shares of the Corporation at a price and on terms that were attractive to EFH. The Corporation then entered into a letter of intent on an exclusive basis with CAA in October 2018.

The Special Committee, through its financial and legal advisors negotiated a proposed transaction with CAA over a four-week period. The Special Committee re-engaged Blair Franklin in early November 2018 on a fixed-fee basis to provide advice to the Special Committee on the fairness of the transaction then under consideration by the Special Committee.

During the week of November 5, 2018, Lee Matheson, the Chair of the Special Committee, reached out to certain significant Shareholders to ask if they would enter into voting and support agreements in respect of a potential transaction with CAA.

On November 8, 2018, the Special Committee met to review and consider the Sale Transaction. National Bank and Blair Franklin reported to the Special Committee and subsequently to the Board that in their respective opinions (the "**Fairness Opinions**" and each, a "**Fairness Opinion**"), the consideration to be received by EFH pursuant to the Sale Transaction is fair, from a financial point of view to EFH. The Special Committee reported to the Board on its process and conclusions and unanimously recommended to the Board of Directors that it approve the definitive agreements pursuant to which CAA would acquire the Purchased Assets. McCarthy Tétrault LLP reviewed the terms and conditions of the Share Purchase Agreement and the Voting and Support Agreements in detail with the Board. After questions and discussion, the Board unanimously approved the Sale Transaction.

The Share Purchase Agreement was signed during the evening of November 8, 2018, and announced by way of a press release on the morning of November 9, 2018.

Unanimous Recommendation of the Special Committee

The Special Committee has unanimously determined that the Sale Transaction is fair and is in the best interests of EFH, and unanimously recommended that the Board approve the Sale Transaction, and recommends that Shareholders vote **FOR** the Sale Transaction Resolution.

Unanimous Recommendation of the Board

The Board received the unanimous recommendation of the Special Committee and the detailed reasons therefor; and (i) determined that the Sale Transaction is fair and in the best interests of EFH and (ii) approved the Sale Transaction and the execution and performance of the Share Purchase Agreement.

The Board also unanimously resolved to recommend that Shareholders vote **FOR** the Sale Transaction Resolution.

In concluding that the Sale Transaction is fair and is in the best interests of EFH, the Board considered and relied upon the same factors and considerations that the Special Committee relied upon, as described below, and adopted the Special Committee's analyses in its entirety.

Reasons for Entering into the Share Purchase Agreement

In determining that the Sale Transaction is fair and in the best interests of EFH and in recommending to Shareholders that they approve the Sale Transaction, the Special Committee and the Board carefully considered all aspects of the Sale Transaction and received the benefit of advice from its financial and legal advisors. The Board and the Special Committee identified a number of factors, including those set out below, as being most relevant in its recommendation to Shareholders. Members of the Board and the Special Committee did not attempt to assign relative weight to the various factors and, in any event, individual members may have given different weight to different factors. The following discussion of the information and factors considered and evaluated by the Board and the Special Committee is not intended to be exhaustive of all factors considered and evaluated by them. The conclusions and recommendations were made after considering the totality of the information and factors considered.

Compelling Purchase Price

The Purchase Price is in the range of transaction values of other sale transactions of comparable businesses considered by the Special Committee (based on publicly available information). The Purchase Price of \$175 million represents a 42% premium to the book value of the Corporation as at June 30, 2018 (41% to the book value at September 30, 2018).

All Cash Consideration

The Purchase Price will be paid entirely in cash, which provides liquidity and certainty of value at a significant premium, as described above.

Shareholder Approval Required

The fact that the Sale Transaction must be approved by the affirmative vote of not less than two-thirds (66⅔%) of the votes cast thereon at the Shareholder Meeting by Shareholders present in person or represented by proxy means that the ultimate decision regarding the Sale Transaction is in Shareholders' hands.

Strategic Process

The Sale Transaction is the result of an active and extensive sale process conducted under the supervision of independent directors of EFH. The Special Committee carefully considered the outcome of the Sale Transaction process, including all transaction proposals received, and the results of negotiations with CAA with respect to the terms of the Sale Transaction. The Share Purchase Agreement is a result of a comprehensive negotiation process that was undertaken at

arm's length with the oversight and participation of the Special Committee and its financial and legal advisors who are independent of EFH and the Corporation.

Review of Strategic Alternatives

Prior to entering into the Share Purchase Agreement, the Special Committee evaluated business and strategic opportunities with the objective of maximizing Shareholder value in a manner consistent with the best interests of EFH. The Special Committee, with the assistance of its legal and financial advisors, assessed the alternatives reasonably available to EFH, including its current business plan, and determined that the Sale Transaction represented the best current option for maximizing Shareholder value.

Credibility of the Purchaser to Complete the Sale Transaction

CAA provides roadside assistance, travel and other insurance services for over 2.2 million members in south central Ontario and Manitoba. The CAA corporate group also includes CAA Insurance Company, a property and casualty insurance company, and Orion Travel Insurance Company.

The Purchaser, a wholly owned subsidiary of CAA, has represented in the Share Purchase Agreement that it has cash or other available funds and liquidity that are sufficient to satisfy the Purchase Price. CAA and its subsidiaries form a large and well financed organization. CAA has guaranteed the commitment of the Purchaser and accordingly, no financing condition was included in the Share Purchase Agreement.

Dissent Rights

Registered Shareholders will be granted Dissent Rights with respect to the Sale Transaction and will be paid the fair value of their Shares as determined under this process. For further discussion see "*Sale Transaction – Dissent Rights*" and "*Schedule B – Dissent Rights*" attached hereto.

Reasonable Completion Time

The Board believes that the Sale Transaction is likely to be completed in accordance with the terms of the Share Purchase Agreement and within a reasonable time, with Closing currently anticipated to occur by March 31, 2019.

Limited Conditionality and Execution Risk

The Share Purchase Agreement contains a number of conditions which were considered by the Special Committee. EFH believes that it will be able to satisfy the conditions in relation to EFH and that the required regulatory approvals and third party approvals will be obtained. For further discussion see "*Sale Transaction – Summary of the Share Purchase Agreement*".

Fairness Opinions

The Special Committee received a Fairness Opinion, dated November 8, 2018, from National Bank (the "**National Bank Fairness Opinion**") that, as of that date, in its opinion, and based upon and subject to the analyses, assumptions, qualifications and limitations set out in the National Bank Fairness Opinion, the consideration to be received by EFH pursuant to the Sale Transaction is fair from a financial point of view to EFH. A copy of the National Bank Fairness Opinion is attached as Schedule C to this Information Circular. For further discussion see "*Sale Transaction – Fairness Opinion of National Bank*".

The Special Committee also received a Fairness Opinion, dated November 8, 2018 from Blair Franklin (the "**Blair Franklin Fairness Opinion**") that, as of that date, in its opinion, and based upon and subject to the analyses, assumptions, qualifications and limitations set out in the Blair Franklin Fairness Opinion, the consideration to be received by EFH pursuant to the Sale Transaction is fair, from a financial point of view, to EFH. A copy of the Blair Franklin Fairness Opinion is attached as Schedule D to this Information Circular. For further discussion see "*Sale Transaction – Fairness Opinion of Blair Franklin*".

Voting and Support Agreements

CAA and the Purchaser have entered into Voting and Support Agreements with each Supporting Shareholder. The Supporting Shareholders collectively beneficially own or exercise direction or control over EFH Shares representing, at the date of the Share Purchase Agreement, in excess of 50% of the Shares issued and outstanding, on a non-diluted basis, which provide, among other things, that such parties will vote in favour of the approval of the Sale Transaction Resolution. For further discussion see “*Sale Transaction – Voting and Support Agreements*”.

Acquisition Proposals, Superior Proposals and Fiduciary Out

The Share Purchase Agreement contains customary provisions prohibiting EFH from soliciting third parties to make an Acquisition Proposal and requiring EFH to notify CAA of any Acquisition Proposal. The Share Purchase Agreement contains provisions that would allow EFH to entertain an unsolicited Acquisition Proposal and to enter into an agreement with respect to a Superior Proposal or allow the Board to change its recommendation with respect to the Sale Transaction upon there being a Superior Proposal, subject to the payment of the Termination Fee. In addition, the obligations under the Voting and Support Agreements would terminate if the Share Purchase Agreement is terminated in the event of a Superior Proposal. As of the Record Date, there have been no Acquisition Proposals since the Share Purchase Agreement was entered into.

Risks of Entering into the Share Purchase Agreement

The Special Committee and the Board also considered a number of potential risks and other factors resulting from the Sale Transaction and the Share Purchase Agreement. See “*Risk Factors*”.

Summary of the Share Purchase Agreement

The following is a summary of certain material terms of the Share Purchase Agreement, which is qualified in its entirety by reference to the full text of the Share Purchase Agreement which is available on SEDAR (www.sedar.com). In addition, a copy of the Share Purchase Agreement will be provided by EFH free of charge to a Shareholder upon request.

EFH, CAA and the Purchaser have entered into the Share Purchase Agreement to provide for the acquisition by the Purchaser of all the outstanding shares of the Corporation from EFH together with EFH’s unregulated warranty business for an aggregate purchase price of \$175 million (the “**Purchased Assets**”).

The parties have agreed that on the Closing Date, the Corporation will have an MCT ratio of 220%, disregarding an amount attributable to transaction expenses for the Corporation that are not to exceed \$4 million (the “**Target MCT Ratio**”). The Target MCT Ratio is to be calculated in a manner consistent with methods and assumptions used by the Corporation to calculate the MCT ratio as at December 31, 2018.

The Corporation will calculate its MCT ratio at the month end prior to the Closing Date and will review that calculation with CAA. In the event that EFH and the Corporation, acting reasonably, estimate the Target MCT Ratio will exceed 220% at the Closing Date, EFH may withdraw capital from the Corporation, subject to regulatory approval, in an amount necessary to reasonably achieve the Target MCT Ratio at the Closing Date.

An escrow amount of \$12 million will be withheld from the Purchase Price on the Closing Date. Within 30 days following the Closing Date, the Corporation will prepare a draft statement of calculations of the Target MCT Ratio.

EFH will have 20 business days to review the draft Target MCT Ratio statement. The Share Purchase Agreement contains a mechanism for EFH and CAA to agree on the Target MCT Ratio at the Closing Date. If the Target MCT Ratio is less than 220%, EFH will contribute capital to the Corporation to achieve a MCT Ratio of 220%. Funds for this contribution will come first from the escrow account and, if needed, from EFH. If the Target MCT Ratio at the Closing Date exceeds 220%, there is no rebate to EFH of any surplus.

The Share Purchase Agreement provides that EFH and CAA will cooperate to call the Shareholder Meeting prior to January 30, 2019. The Shareholder Meeting is scheduled for January 23, 2019.

The closing of the Sale Transaction is to occur on the second business day after the satisfaction or waiver of the conditions to the Share Purchase Agreement or at such other time as is agreed to by the parties.

CAA has unconditionally guaranteed in favour of EFH the due and punctual performance by the Purchaser of all of its covenants, obligations and undertakings pursuant to the Share Purchase Agreement.

EFH, CAA and the Purchaser each provided representations and warranties customary for the sale of a public company for cash (although the Corporation is not a public corporation, it amounts to a very substantial proportion of the assets of EFH). All of the representations and warranties terminate at Closing.

EFH has agreed to cause the Corporation to be run in the ordinary course prior to Closing and has agreed that the Corporation will not take a number of actions that would be outside of the ordinary course of business without the consent of CAA. Such actions include, among others, material changes to the corporate structure of the corporation, material changes to its capital structure, the sale or purchase of material assets, material changes to employment arrangements and other customary covenants.

Each of EFH, CAA and the Purchaser have agreed to use their reasonable best efforts to take, or cause to be taken, all actions and to do or cause to be done all things required or advisable under law to consummate as soon as reasonably practicable the Sale Transaction.

Each of the parties has agreed to cooperate to obtain the necessary regulatory approvals in connection with the Sale Transaction.

EFH has agreed that it will not solicit or knowingly encourage any Acquisition Proposal. If a third party makes any inquiry, proposal or offer that may reasonably be expected to constitute or lead to an Acquisition Proposal, or a request for confidential information relating to the Corporation or EFH, EFH must notify CAA as soon as practicable. EFH is entitled to respond to an unsolicited bona fide written Acquisition Proposal if the Board determines in good faith that the Acquisition Proposal could reasonably be expected to constitute or lead to a Superior Proposal and various other conditions in the Share Purchase Agreement are met.

If EFH receives a Superior Proposal prior to the approval of the Sale Transaction Resolution at the Shareholder Meeting, EFH must provide CAA with five business days to match the Superior Proposal if CAA chooses to do so. If CAA were to match a Superior Proposal, the Share Purchase Agreement would remain in effect and the Board will continue to recommend that Shareholders vote in favour of the Sale Transaction.

If CAA were to decline to match a Superior Proposal within the applicable five business day period, EFH would be entitled to terminate the Share Purchase Agreement and pay a termination fee of \$6,125,000 to CAA (the "**Termination Fee**"), and enter into a new agreement with the third party making such Superior Proposal.

There are a number of conditions that must be satisfied or waived prior to the completion of the Sale Transaction. Each of EFH and CAA can withdraw from the Sale Transaction if Shareholders do not approve the Sale Transaction at the Shareholder Meeting, if regulatory approvals are not obtained, or if applicable law makes the consummation of the Sale Transaction illegal. In addition, CAA and the Purchaser are entitled to withdraw from the Sale Transaction if representations and warranties of EFH or covenants of EFH are untrue or have not been complied with such that there has been a Company Material Adverse Effect. Other conditions in favour of CAA and the Purchaser include there being no legal proceedings to restrict or impose terms or conditions on the Sale Transaction, the Corporation having no debt outstanding (other than ordinary course indebtedness), no Company Material Adverse Effect having occurred, and there not having been any material breach of any of the Voting and Support Agreements.

The Share Purchase Agreement provides that if Shareholders do not approve the Sale Transaction at the Shareholder Meeting, EFH will reimburse CAA for its expenses up to a maximum of \$1,250,000.

The Share Purchase Agreement also provides that if CAA is unable to obtain the necessary regulatory approvals that CAA is responsible for, it will reimburse EFH for its expenses up to a maximum of \$1,250,000.

Except as otherwise noted, the parties have agreed that all out of pocket expenses relating to the Sale Transaction will be borne by the party incurring such expenses.

The Share Purchase Agreement is governed by the laws of Ontario and the federal laws of Canada applicable therein.

Voting and Support Agreements

The following is a summary of certain material terms of the Voting and Support Agreements, which is qualified in its entirety by reference to the full text of the Voting and Support Agreements, which is available on SEDAR (www.sedar.com).

CAA, the Purchaser and the Supporting Shareholders (which consist of four of the most significant Shareholders, and senior management and directors of EFH) have entered into Voting and Support Agreements. Among other things, the Voting and Support Agreements provide that each Supporting Shareholder shall cause the Shares owned or controlled by it to be voted in favour of the Sale Transaction Resolution.

Each Supporting Shareholder has also agreed:

- i. to vote or to cause to be voted all Subject Securities that it owns or exercises control and direction over including any securities directly or indirectly acquired by it after the date of the Voting and Support Agreements, in favour of the Sale Transaction and any other matter necessary or advisable for the consummation of the Sale Transaction at the Shareholder Meeting;
- ii. not to take any action which may in any way adversely affect the success of the Sale Transaction;
- iii. not to, directly or indirectly, make or participate in or take any action that would reasonably be expected to result in an Acquisition Proposal, or engage in any discussion, negotiation or inquiry relating thereto or accept any Acquisition Proposal; and
- iv. not to, directly or indirectly, sell, transfer, pledge or assign or agree to sell, transfer, pledge or assign any of the Subject Securities that it owns or exercises control and direction over.

Each Supporting Shareholder has made customary representations and warranties in its Voting and Support Agreement in favour of the Purchaser. Similarly, the Purchaser has made customary representations and warranties in the Voting and Support Agreements in favour of the Supporting Shareholders.

The Voting and Support Agreements remain in effect until the earliest to occur of (a) the Shareholder having voted the Subject Securities at the Shareholder Meeting in accordance with the Voting and Support Agreement; (b) the termination of the Share Purchase Agreement in accordance with its terms; or (c) the Purchaser not matching a Superior Proposal received and communicated in accordance with the Share Purchase Agreement.

Special Distribution of Proceeds

The current expectation of EFH is that it will realize net proceeds of approximately \$171 million from the \$175 million Purchase Price after transaction expenses related to the Sale Transaction are deducted. EFH also has approximately \$28 million of cash and liquid assets as of November 30, 2018 and 75% of the outstanding shares of ICPEI. EFH provides various administrative services to ICPEI under a services agreement that has been in place for many years and that will continue for a transitional period following the completion of the Sale Transaction. EFH intends to ensure ICPEI has the resources (human, financial and technological) to operate on a stand-alone basis. The Board of Directors has struck a special committee to review and consider the alternatives for ICPEI, with input from the minority shareholders at ICPEI, and to then report back to the Board of Directors. No decision has been made at this time. If ICPEI is sold by the Closing Date, the net proceeds may be included in the Special Distribution. If not, some cash will be retained by EFH to ensure EFH is in a position to continue to provide services to ICPEI, and a subsequent distribution to EFH Shareholders may follow at a later date. The book value of EFH's 75% shareholding in ICPEI is approximately \$10 million.

Another factor that may impact the Special Distribution is the arbitration proceedings commenced by New Nordic in Denmark. In March 2017, EFH sold QIC Holdings ApS to New Nordic for a purchase price of Danish Kroners 118,483,705 (Cdn.\$23,700,000 at recent exchange rates). New Nordic was provided with an opportunity to do its due diligence, and the sale agreement provided very limited warranties from EFH. New Nordic now alleges that financial and other information was misrepresented to it, and has claimed damages of Euros 45.8 million (Cdn. \$70 million). EFH

believes this claim is without merit and is defending its position in the arbitration proceedings. Given the legal constraints noted below against excessive distributions to Shareholders, the EFH Board of Directors intends to retain cash or liquid assets in excess of the full Euros 45.8 million (Cdn. \$70,000,000) claimed by New Nordic with the expectation that such funds will mostly not be needed and a further distribution to Shareholders will be made when the New Nordic arbitration is resolved. The Board of Directors will monitor the arbitration process and may consider periodic distributions to shareholders where circumstances permit. The ultimate resolution of this matter is uncertain, and will take some time.

EFH will also need to hold back funds for operating expenses, tax reserves, tax clearance and other less material items.

Under the OBCA, the Board may not declare a dividend or otherwise distribute cash to shareholders if the result would be that EFH could not continue to pay its debts and other obligations as they fall due or if it would render EFH insolvent (with liabilities in excess of the realizable value of its assets and its stated capital). Given the early stage of the New Nordic arbitration process, the Board believes that it is prudent to retain sufficient cash to cover the maximum potential claim amount as stated above. As the Board receives further information regarding the arbitration it will adjust the amount of funds held in reserve.

Accordingly, after taking into account each of the considerations noted above, the Board of Directors expects EFH will have cash available for distribution (the “**Special Distribution**”) of approximately \$110 million (\$8.80 per Share, on a fully-diluted basis). EFH believes it has paid up capital (as defined in the Tax Act) of approximately \$70 million and Shareholders, if they approve the Sale Transaction Resolution, will be authorizing a reduction of EFH’s capital by the amount approximating (but not exceeding) the paid up capital, which will be paid to Shareholders as a return of capital (approximately \$5.60 per Share, on a fully-diluted basis) (the “**Special PUC Distribution**”). The Board of Directors intends to declare a dividend for the balance of the Special Distribution (approximately \$3.20 per Share, on a fully-diluted basis) payable to the Shareholders shortly following Closing of the Sale Transaction.

EFH After Closing

The shares of the Corporation to be sold in the Sale Transaction represent approximately 80% of the book value of EFH. Following the Closing and the Special Distribution, the only material assets remaining within EFH will be its 75% shareholding in ICPEI and a meaningful cash reserve. As noted above, EFH intends to ensure ICPEI has the resources (human, financial and technological) to operate stand-alone. The book value for EFH of the 75% interest in ICPEI is approximately \$10 million. The ongoing costs of being a public company could not be justified for that relatively small investment. The EFH Board has struck a special committee to review the alternatives and report back to the Board. A sale of the 75% shareholding is one possibility (Shareholders will be approving the sale of ICPEI if they approve the Sale Transaction Resolution).

Another matter to be resolved after Closing of the Sale Transaction is the New Nordic arbitration described above under the heading “*Sale Transaction – Special Distribution of Proceeds*”. EFH is confident in its position that the New Nordic allegations are without merit, but EFH will incur legal expense in preparing and presenting its defense, and the final outcome of litigation or arbitration proceedings is uncertain. The exchange of written materials for the arbitration commenced in October 2018. No dates for hearings have yet been set and are not expected until late fall of 2019. EFH has booked a reserve of \$1.8 million for legal costs of the arbitration. EFH is not able to predict the ultimate cost of these proceedings, or the time required to achieve resolution.

Other than as noted above with respect to ICPEI and the New Nordic arbitration, EFH does not propose to carry on business, invest in new businesses, or otherwise engage in any commercial activities after Closing the Sale Transaction. At the appropriate time, EFH intends to sell any remaining assets, distribute the proceeds after providing for expenses and call a Shareholder meeting to vote on the dissolution of EFH.

Fairness Opinion of National Bank

The Special Committee, on behalf of EFH, retained National Bank at the outset of the sale process to assist and advise the Special Committee with respect to strategic alternatives, and in the event of a transaction, to prepare and deliver to the Special Committee a Fairness Opinion as to the fairness, from a financial point of view of any such transaction.

In connection with its engagement, National Bank provided an opinion to the Special Committee to the effect that, as at the date thereof and based on the assumptions, limitations and qualifications set out in the National Bank Fairness

Opinion, the consideration to be received by EFH pursuant to the Sale Transaction is fair, from a financial point of view, to EFH.

The full text of the National Bank Fairness Opinion, which sets forth assumptions, limitations and qualifications made, procedures followed, scope of review, and matters considered by National Bank in connection with the Fairness Opinion, is attached to this Information Circular as Schedule C. The National Bank Fairness Opinion is directed only to the fairness to EFH, from a financial point of view, of the consideration to be received by EFH pursuant to the Sale Transaction and does not address any other aspect of the Share Purchase Agreement or any related or subsequent transaction. The National Bank Fairness Opinion does not address the relative merits of the Sale Transaction or any related or subsequent transaction as compared to other business strategies or transactions that might be available or the underlying business decision of EFH to effect the Sale Transaction or any related or subsequent transaction. The National Bank Fairness Opinion was one of a number of factors taken into consideration by the Special Committee in unanimously recommending the Sale Transaction to the Board. National Bank provided its opinion solely for the information and assistance of the Special Committee in connection with its consideration of the Sale Transaction. The National Bank Fairness Opinion is not a recommendation to any Shareholder as to how to vote or act on any matter relating to the Sale Transaction. The Special Committee urges Shareholders to review the National Bank Fairness Opinion carefully and in its entirety. The summary of the National Bank Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the National Bank Fairness Opinion.

Under its engagement letter with EFH, National Bank is entitled to various fees, including a fee conditional on the successful Closing of the Sale Transaction. EFH also agreed to reimburse National Bank for all reasonable out-of-pocket expenses and to indemnify National Bank in relation to certain claims or liabilities that may arise in connection with the services performed in connection with the Sale Transaction.

Fairness Opinion of Blair Franklin

The Special Committee, on behalf of EFH, retained Blair Franklin to provide the Special Committee with its opinion as to the fairness to EFH, from a financial point of view, of the consideration to be received by EFH pursuant to the Sale Transaction. In connection with its engagement, Blair Franklin provided an opinion to the Special Committee to the effect that, as at the date thereof and based on the assumptions, limitations and qualifications set out in the Blair Franklin Fairness Opinion, the consideration to be received by EFH pursuant to the Sale Transaction is fair, from a financial point of view, to EFH.

The full text of the Blair Franklin Fairness Opinion, which sets forth assumptions, limitations and qualifications made, procedures followed, scope of review, and matters considered by Blair Franklin in connection with the Fairness Opinion, is attached to this Information Circular as Schedule D. The Blair Franklin Fairness Opinion is directed only to the fairness to EFH, from a financial point of view, of the consideration to be received by EFH pursuant to the Sale Transaction and does not address any other aspect of the Share Purchase Agreement or any related or subsequent transaction. Blair Franklin was not engaged to make (and has not made) an independent formal valuation of EFH, the Corporation or the Purchased Assets or any of their respective assets or securities. The Blair Franklin Fairness Opinion does not address the relative merits of the Sale Transaction or any related or subsequent transaction as compared to other business strategies or transactions that might be available or the underlying business decision of EFH to effect the Sale Transaction or any related or subsequent transaction. The Blair Franklin Fairness Opinion was one of a number of factors taken into consideration by the Special Committee in unanimously recommending the Sale Transaction to the Board. Blair Franklin provided its opinion solely for the information and assistance of the Special Committee in connection with its consideration of the Sale Transaction. The Blair Franklin Fairness Opinion is not a recommendation to any Shareholder as to how to vote or act on any matter relating to the Sale Transaction. The Special Committee urges Shareholders to review the Blair Franklin Fairness Opinion carefully and in its entirety. The summary of the Blair Franklin Fairness Opinion in this Information Circular is qualified in its entirety by reference to the full text of the Blair Franklin Fairness Opinion.

Under its engagement letter with Blair Franklin, EFH agreed to pay a fee for rendering the Blair Franklin Fairness Opinion, no portion of which is conditional upon the Fairness Opinion being favourable, or that is contingent upon the consummation of the Sale Transaction. EFH also agreed to reimburse Blair Franklin for all reasonable out-of-pocket expenses and to indemnify Blair Franklin in relation to certain claims or liabilities that may arise in connection with the services performed in connection with the Sale Transaction.

Dissent Rights

The following description of the rights of Dissenting Shareholders is not a comprehensive statement of the procedures to be followed by a Dissenting Shareholder who seeks payment of the fair value of its Shares, and is qualified in its entirety by the reference to the full text of Section 185 of the OBCA, which is set forth in Schedule B hereto. Dissenting Shareholders are given rights under the OBCA. A Dissenting Shareholder who intends to exercise Dissent Rights should carefully consider and comply with the provisions of Section 185 of the OBCA. Failure to comply with the provisions of that section, and to adhere to the procedures established therein may result in the loss of all rights thereunder.

Each registered Shareholder has a right, in addition to any other rights the holder may have, to dissent with respect to the Sale Transaction Resolution and, if the Sale Transaction Resolution is adopted, to be paid the fair value of the Shares held by the Dissenting Shareholder in respect of which such Dissenting Shareholder dissents, determined as at the close of business on the day before the Sale Transaction Resolution is adopted. Beneficial Shareholders who wish to dissent should be aware that only registered shareholders are entitled to dissent. A Dissenting Shareholder may only dissent with respect to all Shares held on behalf of any one Beneficial Shareholder and registered in the name of such Dissenting Shareholder. Accordingly, a Beneficial Shareholder desiring to exercise Dissent Rights must make arrangements for the Shares beneficially owned by such Beneficial Shareholder to be registered in the Beneficial Shareholder's name prior to the time the written objection to the Sale Transaction Resolution is required to be received by EFH or, alternatively, make arrangements for the registered holder of such Shares to dissent on the Beneficial Shareholder's behalf. It is strongly suggested that any Beneficial Shareholder wishing to dissent seek independent legal advice, as the failure to comply strictly with the provisions of Section 185 of the OBCA may prejudice such Beneficial Shareholder's right to dissent.

A Dissenting Shareholder must submit to EFH a written objection to the Sale Transaction Resolution (a "**Dissent Notice**") at or before the Shareholder Meeting, which Dissent Notice if delivered before the Shareholder Meeting must be received by EFH, at 680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5 Attention: **Ken Coulson or to kcoulson@echeloninsurance.ca**, not later than 10:00 a.m. (Toronto time) on January 21, 2019 (or immediately prior to the Shareholder Meeting on the date that any adjourned or postponed Shareholder Meeting is reconvened or held, as the case may be), and must otherwise strictly comply with the dissent procedures prescribed by the OBCA.

EFH is required within 10 days after Shareholders adopt the Sale Transaction Resolution to notify each Dissenting Shareholder that the Sale Transaction Resolution has been adopted. Such notice is not required to be sent to any Shareholder who voted in favour of the Sale Transaction Resolution or who has withdrawn its Dissent Notice.

A Dissenting Shareholder who has not withdrawn its Dissent Notice prior to the Shareholder Meeting must, within 20 days after receipt of notice that the Sale Transaction Resolution has been adopted, or if the Dissenting Shareholder does not receive such notice, within 20 days after learning that the Sale Transaction Resolution has been adopted, send to EFH, a Demand for Payment. Within 30 days after sending the Demand for Payment, the Dissenting Shareholder must send to EFH or Computershare certificates representing the Dissenting Shares. EFH or Computershare will endorse on share certificates received from a Dissenting Shareholder a notice that the holder is a Dissenting Shareholder and will forthwith return the share certificates to the Dissenting Shareholder. A Dissenting Shareholder who fails to make a Demand for Payment in the time required, or to send certificates representing Dissenting Shares in the time required, has no right to make a claim under Section 185 of the OBCA.

Under Section 185 of the OBCA, after sending a Demand for Payment, a Dissenting Shareholder ceases to have any rights as a Shareholder in respect of its Dissenting Shares other than the right to be paid the fair value of the Shares held by the Dissenting Shareholder in respect of which such Dissenting Shareholder dissents, unless: (i) the Dissenting Shareholder withdraws its Demand for Payment before the Purchaser makes an Offer to Pay; (ii) the Purchaser fails to make an Offer to Pay in accordance with Subsection 185(14) of the OBCA and the Dissenting Shareholder withdraws the Demand for Payment; or (iii) the directors abandon the Sale Transaction without further approval of Shareholders, in which case the Dissenting Shareholder's rights as a Shareholder are reinstated as of the date that the Demand for Payment notice was sent.

EFH is required, not later than seven days after the later of the Closing Date and the date on which a Demand for Payment is received by EFH from a Dissenting Shareholder, to send to each Dissenting Shareholder who has sent a Demand for Payment an Offer to Pay for its Dissenting Shares in an amount considered by EFH to be the fair value of such Shares, accompanied by a statement showing the manner in which the fair value was determined. Every Offer to Pay for Shares must be on the same terms. EFH must pay for the Dissenting Shares of a Dissenting Shareholder within

10 days after an Offer to Pay has been accepted by the Dissenting Shareholder, but any such Offer to Pay lapses if EFH does not receive an acceptance thereof within 30 days after the Offer to Pay has been made.

If EFH fails to make an Offer to Pay for a Dissenting Shareholder's Shares, or if a Dissenting Shareholder fails to accept an Offer to Pay that has been made, EFH may, within 50 days after the Closing Date or within such further period as a court may allow, apply to a court to fix a fair value for the Dissenting Shares. If EFH fails to apply to a court, a Dissenting Shareholder may apply to a court for the same purpose within a further period of 20 days or within such further period as a court may allow. A Dissenting Shareholder is not required to give security for costs in such an application.

On the making of any such application to a court, EFH will be required to notify each affected Dissenting Shareholder of the date, place and consequences of the application and of the Dissenting Shareholder's right to appear and be heard in person or by counsel. Upon an application to a court, all Dissenting Shareholders who have not accepted an Offer to Pay will be joined as parties and be bound by the decision of the court. Upon any such application to a court, the court may determine whether any other person is a Dissenting Shareholder who should be joined as a party, and the court will then fix a fair value for the Dissenting Shares of all Dissenting Shareholders. The final order of a court will be rendered in favour of each Dissenting Shareholder for the amount of the fair value of its Dissenting Shares as fixed by the court. The court may, in its discretion, allow a reasonable rate of interest on the amount payable to each Dissenting Shareholder from the Closing Date until the date of payment.

In no case shall EFH, or any other person be required to recognize any Dissenting Shareholder as a Shareholder after the closing time, and the names of such Dissenting Shareholders shall be removed from the register of Shareholders at the closing time.

Dissenting Shareholders who are ultimately determined to be entitled to be paid the fair value for their Dissenting Shares shall be deemed to have transferred such Dissenting Shares to EFH at the closing time. Dissenting Shareholders who are ultimately determined not to be entitled, for any reason, to be paid the fair value for their Dissenting Shares, shall be deemed to have participated in the Sale Transaction on the same basis as any non-Dissenting Shareholder of the Shares as at and from the closing time.

Shareholders who are considering exercising Dissent Rights should be aware that there can be no assurance that the fair value of their Shares as determined under the applicable provisions of the OBCA will be more than or equal to the ultimate distributions to Shareholders as a result of the Sale Transaction. In addition, any judicial determination of fair value will result in delay of receipt by a Dissenting Shareholder of consideration for such Dissenting Shareholder's Dissenting Shares. Furthermore, Shareholders who are considering exercising Dissent Rights should be aware of the consequences under Canadian federal income tax laws of exercising Dissent Rights in respect of the Sale Transaction.

The above summary does not purport to provide a comprehensive statement of the procedures to be followed by Dissenting Shareholders who seek payment of the fair value of their Shares. Section 185 of the OBCA requires adherence to the procedures established therein and failure to do so may result in the loss of all rights thereunder. Accordingly, each Dissenting Shareholder who is considering exercising Dissent Rights should carefully consider and comply with the provisions of that section, the full text of which is set out in Schedule B hereto, and consult their own legal advisor.

Form of Special Resolution and Vote Required

A copy of the full text of the Sale Transaction Resolution is attached as Schedule A hereto. The Sale Transaction constitutes a sale of "substantially all" of the property of EFH under Section 184(3) of the OBCA. Accordingly, in order to be effective, the Sale Transaction Resolution must be approved by not less than two-thirds (66⅔%) of the votes cast thereon by Shareholders present in person or represented by proxy at the Shareholder Meeting.

Recommendation of the Board of Directors

The Board of Directors believes that the proposed Sale Transaction is fair and in the best interests of EFH and unanimously recommends that Shareholders vote FOR the Sale Transaction Resolution.

Unless contrary instructions are indicated on the Form of Proxy or the voting instruction form, the persons designated in the accompanying Form of Proxy or voting instruction form intend to vote “**FOR**” the Sale Transaction Resolution to approve the Sale Transaction.

5 - RISK FACTORS

Shareholders should carefully consider the risk factors relating to the Sale Transaction listed below and those identified elsewhere in this Information Circular before deciding how to vote on the Sale Transaction Resolution. EFH believes that the risk factors described below are the most material risks related to the Sale Transaction, but there may be other risks that could materially and adversely affect the Sale Transaction, the business of EFH and the interests of Shareholders.

No Certainty that All of the Conditions Precedent will be Satisfied or Waived

The completion of the Sale Transaction is subject to a number of conditions precedent, certain of which are outside the control of EFH, CAA and the Purchaser, including receipt of any required regulatory approval, receipt of Shareholder Approval and the consent of counterparties to the assignment of certain contracts. There can be no certainty, nor can the Parties to the Share Purchase Agreement provide any assurance, that all conditions precedent to the Sale Transaction will be satisfied or waived, nor can there be any certainty as to the timing of their satisfaction or waiver. Moreover, a substantial delay in obtaining satisfactory approvals and consents could result in the Sale Transaction not being completed or not being completed on time. If the Sale Transaction is not completed, there is no assurance that EFH will be able to find an alternative transaction, or that the terms of any alternative transaction would be more or less favourable than the terms set forth in the Share Purchase Agreement. Certain costs relating to the Sale Transaction, such as legal, accounting and financial advisory fees as well as the cost of obtaining the Fairness Opinions must be paid by EFH even if the Sale Transaction is not completed. This may have a material adverse effect upon the business, financial condition and results of operations of EFH and may cause the value of the Shares to decline. In addition, if the Sale Transaction is not completed, the market price of the Shares may be negatively impacted to the extent that the market price reflects a market assumption that the Sale Transaction will be completed.

The Share Purchase Agreement May be Terminated in Certain Circumstances

EFH, CAA and the Purchaser have the right to terminate the Share Purchase Agreement in certain circumstances. Accordingly, there is no certainty, nor can EFH provide any assurance, that the Share Purchase Agreement will not be terminated before completion of the Sale Transaction. If the Share Purchase Agreement is terminated, there is no assurance that EFH will be able to find an alternative transaction, or that the terms of any alternative transaction would be more or less favourable than the terms set forth in the Share Purchase Agreement. Certain costs relating to the Sale Transaction, such as legal, accounting and financial advisory fees as well as the cost of obtaining the Fairness Opinions must be paid by EFH even if the Sale Transaction is not completed. In addition, EFH may be required to pay the Termination Fee, depending on the circumstances of the termination. The payment of the Termination Fee may have a material adverse effect upon the business, financial condition and results of operations of EFH and may cause the value of the Shares to decline. In addition, if the Sale Transaction is not completed, the market price of the Shares may be negatively impacted to the extent that the market price reflects a market assumption that the Sale Transaction will be completed.

Restrictions on Soliciting Acquisition Proposals

The Share Purchase Agreement restricts EFH from soliciting any transaction as an alternative to the Sale Transaction. These terms as well as the requirement of EFH to pay the Termination Fee in certain circumstances may reduce the likelihood that any third party will express interest in EFH or the Purchased Assets.

Loss of Key People

The sale of the Corporation is a substantial change for the people who work for the Corporation. While the Special Committee was considering the strategic alternatives for EFH, the then current Chief Financial Officer of EFH resigned to

join another company. There is a risk that other people, including at senior levels, could leave the Corporation or EFH. If the Sale Transaction does not close, any personnel departures prior to the Closing Date by key people could impair EFH.

Key Relationships

Third parties with which EFH currently does business or may do business with in the future, including industry partners like brokers, customers and suppliers, may experience uncertainty associated with the Sale Transaction, including with respect to current or future relationships with EFH, the Corporation, CAA or the Purchaser. Such uncertainty could have a material and adverse effect on the business, financial condition, results of operations or prospects of EFH.

EFH Not Sustainable as Public Company

Following the Closing of the Sale Transaction, and the Special Distribution to Shareholders from the proceeds, EFH will be a much smaller company with its only material non-cash asset being its 75% shareholding in ICPEI. It is not known how long it may take to transition ICPEI to new ownership or to wind-up outstanding matters at EFH such as the New Nordic arbitration. The costs of remaining a public company will become more onerous as EFH becomes a smaller company. In the event these matters are resolved, it is not known whether there will be additional cash remaining to distribute to Shareholders, or when any such distribution might occur.

Cash Reserves May be Insufficient

Following Closing of the Sale Transaction, EFH will not have any material sources of income. The Board intends to retain sufficient cash to transition ICPEI, to resolve the New Nordic arbitration, and to cover its other costs and expenses, but the amount retained is based on estimates that could prove to be wrong.

Delisting from the TSX

Following the Closing of the Sale Transaction and the special cash distribution from the proceeds, EFH will be a smaller company. EFH expects that it will continue to meet the listing criteria for the Toronto Stock Exchange immediately following Closing, but if there are subsequent sales, at some point these criteria may no longer be met and the shares of the EFH could be delisted.

6 - CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

The following is a summary of certain Canadian federal income tax considerations generally applicable under the Tax Act to Shareholders that deal at arm's length, and who are not "affiliated", with EFH or the Corporation in respect of the Special Distribution.

This summary is based on the current provisions of the Tax Act and the regulations thereunder, taking into account the current administrative and assessing policies and practices published in writing by the Canada Revenue Agency prior to the date hereof, and all specific proposals to amend the Tax Act publically announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof ("**Tax Proposals**"). This summary assumes the Tax Proposals will be enacted in the form proposed. There can be no assurance that the Tax Proposals will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in income tax law or administrative practice, whether by judicial, governmental or legislative decision or action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

This summary is not applicable to a person that is a "financial institution" as defined in the Tax Act for the purposes of the "mark to market" rules, a person that is a "specified financial institution" as defined in the Tax Act, a person who has made an election under the functional currency rules in Section 261 of the Tax Act, a person an interest in which is a "tax shelter investment" as defined in the Tax Act, or a person who has entered into a "derivate forward agreement" or "synthetic disposition arrangement" in respect of Shares. This summary does not address the tax consequences applicable to a Dissenting Shareholder. Any such Shareholders should consult their own tax advisors in connection with the matters described in this Information Circular.

This summary is not exhaustive of all Canadian federal income tax considerations. This summary is of a general nature only and is not intended to be, nor should it be considered to be, legal or tax advice to any particular Shareholder and no representation is made with respect to the income tax consequences to any particular Shareholder. Accordingly, Shareholders should consult their own tax advisors concerning the application and effect of the income and other taxes of Canada and of any other relevant country, province, territory, state or local tax authority, having regard to their particular circumstances.

Return of Capital

An amount paid by a public corporation (such as EFH) to its shareholders on a reduction of the paid-up capital (“**PUC**”) in respect of any class of its shares is generally deemed to be a dividend by virtue of subsection 84(4.1) of the Tax Act, unless the amount may reasonably be considered to have been derived from proceeds of disposition realized by the corporation from a transaction that occurred (i) outside the ordinary course of the business of the corporation and (ii) within the period that commenced 24 months before the payment.

The funds for the Special PUC Distribution will be derived from the Sale Transaction. Management of EFH is of the view that the Special PUC Distribution can reasonably be considered to have been derived from proceeds of disposition realized by EFH from a transaction that occurred outside the ordinary course of its business and, as a result, subsection 84(4.1) should not apply to deem the amount of the Special PUC Distribution paid to Shareholders to be a dividend. This determination is not free from doubt and no legal opinion or advance tax ruling has been sought or obtained in this regard. If the Special PUC Distribution is deemed to be a dividend under the Tax Act, the income tax considerations described herein may be materially different and adverse.

Residents of Canada

The following portion of the summary is applicable to Shareholders who, at all relevant times and for the purposes of the Tax Act, are resident or deemed to be resident in Canada and hold their Shares as “capital property” (“**Resident Shareholders**”).

Generally, Shares will be considered to be capital property to a Resident Shareholder provided that the Resident Shareholder does not hold the Shares in the course of carrying on a business of trading or dealing in securities or has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Resident Shareholders whose Shares might not otherwise qualify as capital property may, in certain circumstances, make an irrevocable election in accordance with Subsection 39(4) of the Tax Act to have the Shares, and every “Canadian security” as defined in the Tax Act owned by such Resident Shareholder in the taxation year of the election and in all subsequent taxation years, deemed to be capital property. Shareholders considering making such election should consult their own tax advisors in this regard.

Special PUC Distribution

The amount of the Special PUC Distribution will be paid to Shareholders by EFH as a single distribution on a reduction of the stated capital of the Shares by EFH, which will reduce the PUC of the Shares, for purposes of the Tax Act, by an equivalent amount. A Resident Shareholder that receives its pro-rata portion of the Special PUC Distribution will not be considered to have received a dividend in respect of such distribution and such distribution will not be included in the income of the Resident Shareholder.

However, a Resident Shareholder will be required to reduce the adjusted cost base of their Shares by the amount of such distribution. If the adjusted cost base of the Shares becomes negative as a result, such negative amount is deemed to be a capital gain of the Resident Shareholder from a disposition of the Shares and the adjusted cost base of the Shares will be restored to nil. Refer to “*Residents of Canada - Taxation of Capital Gains and Losses*” below.

Taxation of Dividends

A Resident Shareholder will be required to include in computing income for a taxation year any dividends received or deemed to be received on the Shares, including any portion of the Special Distribution that is paid as a dividend.

Any dividend that is, or is deemed to be, received by a Resident Shareholder who is an individual will be subject to the gross up and dividend tax credit rules normally applicable to taxable dividends received by Canadian resident individuals from a taxable Canadian corporation, including the enhanced gross up and dividend tax credit applicable to "eligible dividends" which are so designated by EFH.

Any dividend that is, or is deemed to be, received by a Resident Shareholder that is a corporation will be included in computing the Resident Shareholder's income as a dividend, and will ordinarily be deductible in computing its taxable income. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Resident Shareholder that is a corporation as proceeds of disposition or as a capital gain. Subsection 55(2) may apply to an otherwise deductible dividend to the extent such dividend exceeds the "safe income" attributable to the relevant Share. Resident Shareholders that are corporations should consult their own tax advisors in respect of such provisions and having regard to their own circumstances.

A Resident Shareholder that is a private corporation for purposes of the Tax Act, or any other corporation controlled directly or indirectly by or for the benefit of an individual (other than a trust) or a related group of individuals (other than trusts) may be liable to pay a 38¹/₃% refundable tax under Part IV of the Tax Act on dividends received or deemed to be received on the Shares to the extent such dividends are deductible in computing the Resident Shareholder's taxable income for the taxation year. Resident Shareholders that are corporations should consult their own tax advisors in respect of such provisions and having regard to their own circumstances.

Taxation of Capital Gains and Losses

Generally, on a disposition or deemed disposition of a Share, a Resident Shareholder will realize a capital gain (or capital loss) equal to the amount, if any, by which the proceeds of disposition, net of any reasonable costs of disposition, exceed (or are less than) the adjusted cost base to the Resident Shareholder of the Share immediately before the disposition or deemed disposition.

Generally, a Resident Shareholder will be required to include in computing its income for a taxation year one half of any capital gain (a "**taxable capital gain**") realized by it in that year. A Resident Shareholder will generally be required to deduct one half of the amount of any capital loss realized in a taxation year from taxable capital gains realized by the Resident Shareholder in that year, and any excess may be carried back to any of the three preceding taxation years or carried forward to any subsequent taxation year and deducted against net taxable capital gains realized in such years, to the extent and under the circumstances specified in the Tax Act.

The amount of a capital loss realized on the disposition of a Share by a Resident Shareholder that is a corporation may be reduced by the amount of dividends on the Shares received or deemed to be received by the Resident Shareholder, to the extent and in the circumstances set out in the Tax Act. Similar rules may apply where Shares are owned by a partnership or trust of which a corporation, trust or partnership is a member or beneficiary. Resident Shareholders to whom these rules may be relevant should consult their own tax advisors in this regard.

Refundable Tax

A Resident Shareholder that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 10²/₃% on its "aggregate investment income" for the year, which is defined to include an amount in respect of taxable capital gains.

Alternative Minimum Tax

A capital gain realized, or a dividend received (or deemed to be received) by a Resident Shareholder that is an individual, including a trust (other than certain specified trusts), may give rise to a liability for alternative minimum tax. Resident Shareholders to whom these rules may be relevant should consult their own tax advisors in this regard.

Non-Residents of Canada

The following portion of the summary is applicable to Shareholders who, at all relevant times and for purposes of the Tax Act, are not resident or deemed to be resident in Canada and do not use or hold, and are not deemed to use or hold, their Shares in connection with carrying on a business in Canada ("**Non-Resident Shareholders**"). Special rules not

discussed in this summary may apply to an insurer carrying on an insurance business in Canada or to an authorized foreign bank that carries on a Canadian banking business. Any such holders should consult their own tax advisors.

Special PUC Distribution

The amount of the Special PUC Distribution will be paid to Shareholders by EFH as a single distribution on a reduction of the stated capital of the Shares by EFH, which will reduce the PUC of the Shares, for purposes of the Tax Act, by an equivalent amount. The portion of the Special PUC Distribution paid to a Non-Resident Shareholder will not be considered to be a dividend and such distribution will not be subject to Part XIII withholding tax under the Tax Act.

However, a Non-Resident Shareholder will be required to reduce the adjusted cost base of their Shares by the amount of such distribution. If the adjusted cost base of the Shares becomes negative as a result, such negative amount is deemed to be a capital gain of the Non-Resident Shareholder from a disposition of the Shares and the adjusted cost base of the Shares will be restored to nil. Refer to "*Non-Residents of Canada - Taxation of Capital Gains*" below.

Taxation of Dividends

Dividends paid or credited or deemed to be paid or credited to a Non-Resident Shareholder by EFH, including any portion of the Special Distribution that is paid as a dividend, are subject to Canadian withholding tax at the rate of 25% on the gross amount of the dividend unless such rate is reduced by the terms of an applicable tax treaty.

Under the Canada-United States Income Tax Convention (the "**US Treaty**") as amended, the rate of withholding tax on dividends paid or credited to a Non-Resident Shareholder who is resident in the U.S. for purposes of the Treaty, beneficially holds the Shares, and is entitled to all the benefits under the US Treaty is generally limited to 15% of the gross amount of the dividend. Non-Resident Shareholders should consult their own tax advisors in this regard.

Taxation of Capital Gains

A Non-Resident Shareholder will not be subject to tax under the Tax Act in respect of a capital gain realized on the disposition or deemed disposition of the Shares provided the Shares do not constitute "taxable Canadian property" for the purposes of the Tax Act.

The Shares will not generally constitute taxable Canadian property to a Non-Resident Shareholder unless at any time during the 60 month period immediately preceding the disposition: (I) the Non-Resident Shareholder, persons with whom the Non-Resident Shareholder did not deal at arm's length, partnerships in which the Non-Resident Shareholder or such non-arm's length person holds a membership interest (either directly or indirectly through one or more partnerships), or the Non-Resident Shareholder together with all such persons, owned 25% or more of the issued shares of any class or series of shares of EFH; and (II) more than 50% of the fair market value of the Shares was derived directly or indirectly from one or any combination of real or immovable property situated in Canada, Canadian resource properties (as defined in the Tax Act), timber resource properties (as defined in the Tax Act) or an option, an interest or right in such property, whether or not such property exists. A Share may be deemed to be taxable Canadian property in certain circumstances. A Non-Resident Shareholder who believes that its Shares may constitute taxable Canadian property should consult its own tax advisors.

7 - INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

Other than as set forth in this Information Circular and EFH's consolidated financial statements for the twelve month period ended December 31, 2017, and the ninth-month period ended September 30, 2018, no insider of EFH, nor any associate or affiliate of an insider of EFH, has any material interest, direct or indirect, in any transaction since January 1, 2017 or in any proposed transaction which has materially affected or would materially affect EFH or any of its subsidiaries.

8 - MANAGEMENT CONTRACTS

There are no management functions of EFH which are to any substantial degree performed by a person other than the directors or officers of EFH.

9 - AUDITORS

The auditors of EFH are PricewaterhouseCoopers LLP, Canada, Suite 2600, 18 York Street, Toronto, Ontario, M5J 0B2.

10 - INTEREST OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON

Certain of the officers of EFH have interests in the Sale Transaction in addition to their interest as a Shareholder, which interests are described below. Certain of the directors of EFH have interests in the Sale Transaction solely as Shareholders, and such interests are aligned with those of Shareholders generally.

Certain of the officers of EFH (being Serge Lavoie (President), Ken Coulson (Vice President and General Counsel) and Ingrid Wilson (Vice President, Human Resources)) have termination provisions in their employment agreements, which may be triggered by the Sale Transaction. Upon a sale of substantially all of the assets of EFH, Mr. Lavoie has a 10 day window to choose to terminate his employment. Mr. Lavoie, EFH and CAA have agreed that Mr. Lavoie will terminate his employment with the Corporation and remain with EFH after the Closing of the Sale Transaction. He will be entitled to receive a payment equal to 24 months' base salary, payments in lieu of bonus and the continued payment of a car allowance for 24 months. Mr. Lavoie intends to enter into a month to month employment agreement with EFH for a minimum of 6 months following Closing of the Sale Transaction. If Mr. Coulson's employment is terminated without cause within 6 months upon completion of the Sale Transaction, he is entitled to 18 months' base salary, payments in lieu of bonus, the continued payment of a car allowance for 18 months and continued participation in EFH's group RRSP and EFH's health and dental plan for 18 months. If Ms. Wilson's employment is terminated without cause within 6 months upon completion of the Sale Transaction, she is entitled to 18 months' base salary, payments in lieu of bonus, the continued payment of a car allowance for 18 months and continued participation in EFH's group RRSP and EFH's health and dental plan for 18 months. Payments under such termination provisions may be triggered upon the completion of the Sale Transaction. In the event the payments are triggered, such officers party to the termination provisions would be entitled to collectively receive aggregate compensation of approximately \$2 million.

The directors and officers of EFH who are Shareholders will be treated in the same manner under the Sale Transaction as any other Shareholder. The Special Distribution will be distributed to Shareholders on a pro-rata basis following Closing of the Sale Transaction. Certain directors and officers also participate in the EFH deferred share plan and the stock option plan, which will be accelerated because of the Sale Transaction.

No director or executive officer of EFH, nor any person who has held such a position since January 1, 2017, nor any associate or affiliate of any of the foregoing person, has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted on at the Shareholder Meeting other than as set out herein.

11 - ADDITIONAL INFORMATION

Additional information relating to EFH may be found on SEDAR (www.sedar.com). Additional financial information is provided in EFH's audited consolidated financial statements and management's discussion and analysis for EFH's most recently completed financial year. A copy of EFH's financial statements and management's discussion and analysis are available, free of charge, upon written request to the Chief Financial Officer of EFH, 2680 Matheson Blvd. East, Suite 300, Mississauga, Ontario, L4W 0A5. These documents are also available on SEDAR (www.sedar.com).

12 - APPROVAL OF INFORMATION CIRCULAR

The undersigned hereby certifies that the contents and the sending of this Information Circular have been approved by the Board of Directors.

DATED at Toronto, Ontario this 21st day of December, 2018.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) "*Murray Wallace*"

Chair of the Board of Directors

13 - CONSENT OF NATIONAL BANK FINANCIAL INC.

To: The Special Committee of the Board of Directors and the Board of Directors of Echelon Financial Holdings Inc. ("EFH"):

We refer to our written fairness opinion (the "Fairness Opinion") dated November 8, 2018, which we prepared solely for the information of the Special Committee of the Board of Directors and the Board of Directors of EFH in connection with the sale of the substantially all of the assets of EFH.

We consent to the inclusion of the Fairness Opinion and references to our firm name and a summary of the Fairness Opinion in the management information circular of EFH dated December 21, 2018. In providing such consent, National Bank Financial Inc. does not intend that any person other than the Special Committee of the Board of Directors and the Board of Directors of EFH may rely upon the Fairness Opinion.

December 21, 2018

Sincerely,

"National Bank Financial Inc."

NATIONAL BANK FINANCIAL INC.

14 - CONSENT OF BLAIR FRANKLIN CAPITAL PARTNERS INC.

To: The Special Committee of the Board of Directors of Echelon Financial Holdings Inc. (“EFH”):

We refer to our written fairness opinion (the “Fairness Opinion”) dated November 8, 2018, which we prepared solely for the information of the Special Committee of the Board of Directors of EFH in connection with the transaction involving EFH, the Corporation, the Purchased Assets and CAA as described in the Circular.

We consent to the inclusion of the Fairness Opinion and references to our firm name and a summary of the Fairness Opinion in the management information circular of EFH dated December 21, 2018. In providing such consent, Blair Franklin Capital Partners Inc. does not intend that any person other than the Special Committee of the Board of Directors or the Board of Directors of EFH rely upon the Fairness Opinion which remains subject to the analyses, assumptions, limitations and qualifications contained therein.

December 21, 2018

Sincerely,

“Blair Franklin Capital Partners Inc.”

BLAIR FRANKLIN CAPITAL PARTNERS INC.

SCHEDULE "A"

SALE TRANSACTION RESOLUTION

BE IT RESOLVED THAT:

1. The sale of all of the assets of Echelon Financial Holdings Inc. ("EFH"); including the transaction (the "Sale Transaction") involving the sale by EFH of all of the shares in the capital of Echelon Insurance together with the Company's unregulated warranty business, as more particularly described and set forth in the management information circular (the "Circular") of the Company dated December 21, 2018 accompanying the notice of meeting (as the Sale Transaction may be amended, modified or supplemented in accordance with the share purchase agreement made as of November 8, 2018 between EFH, CAA Club Group and 2664291 Ontario Inc. (the "Share Purchase Agreement")), is hereby authorized, approved and adopted.
2. The (i) Share Purchase Agreement and all the transactions contemplated therein; (ii) actions of the directors of the Company in approving the Share Purchase Agreement; and (iii) actions of the directors and officers of the Company in executing and delivering the Share Purchase Agreement, and any amendments, modifications or supplements thereto, and causing the performance by the Company of its obligations thereunder, are hereby ratified and approved.
3. Notwithstanding that this resolution has been passed (and the Transaction adopted) by the shareholders of EFH, the directors of EFH are hereby authorized and empowered to, without notice to or approval of the shareholders of EFH, (i) amend, modify or supplement the Share Purchase Agreement and (ii) subject to the terms of the Share Purchase Agreement, not to proceed with the Sale Transaction and related transactions.
4. Assuming the Closing of the Sale Transaction, the reduction of EFH's stated capital by the amount of the "Special PUC Distribution" which shall be effected on the "Special PUC Distribution Date", is hereby ratified and approved. For these purposes, "Special PUC Distribution" means an amount which approximates (but does not exceed) the paid-up capital (as defined in the Tax Act) of the Shares, which amount will be determined by the Board and which is currently estimated to be \$70 million) and "Special PUC Distribution Date" means the date determined for the Special PUC Distribution by the Board which shall be as soon as reasonably practicable following the Closing of the Sale Transaction; such distribution to be made substantially concurrent with the payment of the dividend to be declared by the Board of Directors to distribute to the shareholders a portion of the proceeds from the Sale Transaction.
5. Any officer or director of EFH is hereby authorized and directed for and on behalf of EFH to execute or cause to be executed and to deliver or cause to be delivered all such other documents and instruments and to perform or cause to be performed all such other acts and things as such person determines may be necessary or desirable to give full effect to the foregoing resolution and the matters authorized thereby, such determination to be conclusively evidenced by the execution and delivery of such document or instrument or the doing of any such act or thing.

SCHEDULE "B"

DISSENT RIGHTS

Rights of dissenting shareholders

- 185** (1) Subject to subsection (3) and to sections 186 and 248, if a corporation resolves to,
- amend its articles under section 168 to add, remove or change restrictions on the issue, transfer or ownership of shares of a class or series of the shares of the corporation;
 - amend its articles under section 168 to add, remove or change any restriction upon the business or businesses that the corporation may carry on or upon the powers that the corporation may exercise;
 - amalgamate with another corporation under sections 175 and 176;
 - be continued under the laws of another jurisdiction under section 181; or

Note: On a day to be named by proclamation of the Lieutenant Governor, subsection 185 (1) of the Act is amended by striking out "or" at the end of clause (d) and by adding the following clauses: (See: 2017, c. 20, Sched. 6, s. 24)

- (d.1) be continued under the Co-operative Corporations Act under section 181.1;
 - (d.2) be continued under the Not-for-Profit Corporations Act, 2010 under section 181.2; or
- sell, lease or exchange all or substantially all its property under subsection 184 (3),

a holder of shares of any class or series entitled to vote on the resolution may dissent. R.S.O. 1990, c. B.16, s. 185 (1).

Idem

(2) If a corporation resolves to amend its articles in a manner referred to in subsection 170 (1), a holder of shares of any class or series entitled to vote on the amendment under section 168 or 170 may dissent, except in respect of an amendment referred to in,

- clause 170 (1) (a), (b) or (e) where the articles provide that the holders of shares of such class or series are not entitled to dissent; or
- subsection 170 (5) or (6) R.S.O. 1990, c. B.16, s. 185 (2).

One class of shares

(2.1) The right to dissent described in subsection (2) applies even if there is only one class of shares. 2006, c. 34, Sched. B, s. 35.

Exception

- (3) A shareholder of a corporation incorporated before the 29th day of July, 1983 is not entitled to dissent under this section in respect of an amendment of the articles of the corporation to the extent that the amendment,
- amends the express terms of any provision of the articles of the corporation to conform to the terms of the provision as deemed to be amended by section 277; or
 - deletes from the articles of the corporation all of the objects of the corporation set out in its articles, provided that the deletion is made by the 29th day of July, 1986. R.S.O. 1990, c. B.16, s. 185 (3).

Shareholder's right to be paid fair value

(4) In addition to any other right the shareholder may have, but subject to subsection (30), a shareholder who complies with this section is entitled, when the action approved by the resolution from which the shareholder dissents becomes effective, to be paid by the corporation the fair value of the shares held by the shareholder in respect of which the shareholder dissents, determined as of the close of business on the day before the resolution was adopted. R.S.O. 1990, c. B.16, s. 185 (4).

No partial dissent

(5) A dissenting shareholder may only claim under this section with respect to all the shares of a class held by the dissenting shareholder on behalf of any one beneficial owner and registered in the name of the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (5).

Objection

(6) A dissenting shareholder shall send to the corporation, at or before any meeting of shareholders at which a resolution referred to in subsection (1) or (2) is to be voted on, a written objection to the resolution, unless the corporation did not give notice to the shareholder of the purpose of the meeting or of the shareholder's right to dissent. R.S.O. 1990, c. B.16, s. 185 (6).

Idem

(7) The execution or exercise of a proxy does not constitute a written objection for purposes of subsection (6). R.S.O. 1990, c. B.16, s. 185 (7).

Notice of adoption of resolution

(8) The corporation shall, within ten days after the shareholders adopt the resolution, send to each shareholder who has filed the objection referred to in subsection (6) notice that the resolution has been adopted, but such notice is not required to be sent to any shareholder who voted for the resolution or who has withdrawn the objection. R.S.O. 1990, c. B.16, s. 185 (8).

Idem

(9) A notice sent under subsection (8) shall set out the rights of the dissenting shareholder and the procedures to be followed to exercise those rights. R.S.O. 1990, c. B.16, s. 185 (9).

Demand for payment of fair value

(10) A dissenting shareholder entitled to receive notice under subsection (8) shall, within twenty days after receiving such notice, or, if the shareholder does not receive such notice, within twenty days after learning that the resolution has been adopted, send to the corporation a written notice containing,

the shareholder's name and address;

the number and class of shares in respect of which the shareholder dissents; and

a demand for payment of the fair value of such shares. R.S.O. 1990, c. B.16, s. 185 (10).

Certificates to be sent in

(11) Not later than the thirtieth day after the sending of a notice under subsection (10), a dissenting shareholder shall send the certificates, if any, representing the shares in respect of which the shareholder dissents to the corporation or its transfer agent. R.S.O. 1990, c. B.16, s. 185 (11); 2011, c. 1, Sched. 2, s. 1 (9).

Idem

(12) A dissenting shareholder who fails to comply with subsections (6), (10) and (11) has no right to make a claim under this section. R.S.O. 1990, c. B.16, s. 185 (12).

Endorsement on certificate

(13) A corporation or its transfer agent shall endorse on any share certificate received under subsection (11) a notice that the holder is a dissenting shareholder under this section and shall return forthwith the share certificates to the dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (13).

Rights of dissenting shareholder

(14) On sending a notice under subsection (10), a dissenting shareholder ceases to have any rights as a shareholder other than the right to be paid the fair value of the shares as determined under this section except where,

the dissenting shareholder withdraws notice before the corporation makes an offer under subsection (15);

the corporation fails to make an offer in accordance with subsection (15) and the dissenting shareholder withdraws notice; or

the directors revoke a resolution to amend the articles under subsection 168 (3), terminate an amalgamation agreement under subsection 176 (5) or an application for continuance under subsection 181 (5), or abandon a sale, lease or exchange under subsection 184 (8),

in which case the dissenting shareholder's rights are reinstated as of the date the dissenting shareholder sent the notice referred to in subsection (10). R.S.O. 1990, c. B.16, s. 185 (14); 2011, c. 1, Sched. 2, s. 1 (10).

Same

(14.1) A dissenting shareholder whose rights are reinstated under subsection (14) is entitled, upon presentation and surrender to the corporation or its transfer agent of any share certificate that has been endorsed in accordance with subsection (13),

- (a) to be issued, without payment of any fee, a new certificate representing the same number, class and series of shares as the certificate so surrendered; or
 - (b) if a resolution is passed by the directors under subsection 54 (2) with respect to that class and series of shares, to be issued the same number, class and series of uncertificated shares as represented by the certificate so surrendered, and
- to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Same

(14.2) A dissenting shareholder whose rights are reinstated under subsection (14) and who held uncertificated shares at the time of sending a notice to the corporation under subsection(10) is entitled,

- (c) to be issued the same number, class and series of uncertificated shares as those held by the dissenting shareholder at the time of sending the notice under subsection (10); and
- to be sent the notice referred to in subsection 54 (3). 2011, c. 1, Sched. 2, s. 1 (11).

Offer to pay

(15) A corporation shall, not later than seven days after the later of the day on which the action approved by the resolution is effective or the day the corporation received the notice referred to in subsection (10), send to each dissenting shareholder who has sent such notice,

- a written offer to pay for the dissenting shareholder's shares in an amount considered by the directors of the corporation to be the fair value thereof, accompanied by a statement showing how the fair value was determined; or
- if subsection (30) applies, a notification that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (15).

Idem

(16) Every offer made under subsection (15) for shares of the same class or series shall be on the same terms. R.S.O. 1990, c. B.16, s. 185 (16).

Idem

(17) Subject to subsection (30), a corporation shall pay for the shares of a dissenting shareholder within ten days after an offer made under subsection (15) has been accepted, but any such offer lapses if the corporation does not receive an acceptance thereof within thirty days after the offer has been made. R.S.O. 1990, c. B.16, s. 185 (17).

Application to court to fix fair value

(18) Where a corporation fails to make an offer under subsection (15) or if a dissenting shareholder fails to accept an offer, the corporation may, within fifty days after the action approved by the resolution is effective or within such further period as the court may allow, apply to the court to fix a fair value for the shares of any dissenting shareholder. R.S.O. 1990, c. B.16, s. 185 (18).

Idem

(19) If a corporation fails to apply to the court under subsection (18), a dissenting shareholder may apply to the court for the same purpose within a further period of twenty days or within such further period as the court may allow. R.S.O. 1990, c. B.16, s. 185 (19).

Idem

(20) A dissenting shareholder is not required to give security for costs in an application made under subsection (18) or (19). R.S.O. 1990, c. B.16, s. 185 (20).

Costs

(21) If a corporation fails to comply with subsection (15), then the costs of a shareholder application under subsection (19) are to be borne by the corporation unless the court otherwise orders. R.S.O. 1990, c. B.16, s. 185 (21).

Notice to shareholders

(22) Before making application to the court under subsection (18) or not later than seven days after receiving notice of an application to the court under subsection (19), as the case may be, a corporation shall give notice to each dissenting shareholder who, at the date upon which the notice is given,

has sent to the corporation the notice referred to in subsection (10); and

has not accepted an offer made by the corporation under subsection (15), if such an offer was made,

of the date, place and consequences of the application and of the dissenting shareholder's right to appear and be heard in person or by counsel, and a similar notice shall be given to each dissenting shareholder who, after the date of such first mentioned notice and before termination of the proceedings commenced by the application, satisfies the conditions set out in clauses (a) and (b) within three days after the dissenting shareholder satisfies such conditions. R.S.O. 1990, c. B.16, s. 185 (22).

Parties joined

(23) All dissenting shareholders who satisfy the conditions set out in clauses (22) (a) and (b) shall be deemed to be joined as parties to an application under subsection (18) or (19) on the later of the date upon which the application is brought and the date upon which they satisfy the conditions, and shall be bound by the decision rendered by the court in the proceedings commenced by the application. R.S.O. 1990, c. B.16, s. 185 (23).

Idem

(24) Upon an application to the court under subsection (18) or (19), the court may determine whether any other person is a dissenting shareholder who should be joined as a party, and the court shall fix a fair value for the shares of all dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (24).

Appraisers

(25) The court may in its discretion appoint one or more appraisers to assist the court to fix a fair value for the shares of the dissenting shareholders. R.S.O. 1990, c. B.16, s. 185 (25).

Final order

(26) The final order of the court in the proceedings commenced by an application under subsection (18) or (19) shall be rendered against the corporation and in favour of each dissenting shareholder who, whether before or after the date of the order, complies with the conditions set out in clauses (22) (a) and (b). R.S.O. 1990, c. B.16, s. 185 (26).

Interest

(27) The court may in its discretion allow a reasonable rate of interest on the amount payable to each dissenting shareholder from the date the action approved by the resolution is effective until the date of payment. R.S.O. 1990, c. B.16, s. 185 (27).

Where corporation unable to pay

(28) Where subsection (30) applies, the corporation shall, within ten days after the pronouncement of an order under subsection (26), notify each dissenting shareholder that it is unable lawfully to pay dissenting shareholders for their shares. R.S.O. 1990, c. B.16, s. 185 (28).

Idem

(29) Where subsection (30) applies, a dissenting shareholder, by written notice sent to the corporation within thirty days after receiving a notice under subsection (28), may,

withdraw a notice of dissent, in which case the corporation is deemed to consent to the withdrawal and the shareholder's full rights are reinstated; or

retain a status as a claimant against the corporation, to be paid as soon as the corporation is lawfully able to do so or, in a liquidation, to be ranked subordinate to the rights of creditors of the corporation but in priority to its shareholders. R.S.O. 1990, c. B.16, s. 185 (29).

Idem

(30) A corporation shall not make a payment to a dissenting shareholder under this section if there are reasonable grounds for believing that,

the corporation is or, after the payment, would be unable to pay its liabilities as they become due; or

the realizable value of the corporation's assets would thereby be less than the aggregate of its liabilities. R.S.O. 1990, c. B.16, s. 185 (30).

Court order

(31) Upon application by a corporation that proposes to take any of the actions referred to in subsection (1) or (2), the court may, if satisfied that the proposed action is not in all the circumstances one that should give rise to the rights arising under subsection (4), by order declare that those rights will not arise upon the taking of the proposed action, and the order may be subject to compliance upon such terms and conditions as the court thinks fit and, if the corporation is an offering corporation, notice of any such application and a copy of any order made by the court upon such application shall be served upon the Commission. 1994, c. 27, s. 71 (24).

Commission may appear

(32) The Commission may appoint counsel to assist the court upon the hearing of an application under subsection (31), if the corporation is an offering corporation. 1994, c. 27, s. 71 (24).

SCHEDULE "C"
FAIRNESS OPINION OF NATIONAL BANK FINANCIAL INC.

(See attached)

November 8, 2018

The Board of Directors
Echelon Financial Holdings Inc.
2680 Matheson Blvd East, Suite 300
Mississauga, Ontario
L4W 0A5

To the Board of Directors of Echelon Financial Holdings Inc.:

National Bank Financial Inc. (“NBF” or “we”) understands that Echelon Financial Holdings Inc. (the “Company” or “EFH”) proposes to enter into a share purchase agreement dated November 8, 2018 (the “Share Purchase Agreement” or “Agreement”) pursuant to which, among other things, EFH will sell Echelon Insurance (“EI”), the Company’s main operating subsidiary that is incorporated under the *Insurance Companies Act*, and the unregulated warranty business held directly by EFH (together, the “Business”), to CAA Club Group (“CAA”) for C\$175 million plus certain other adjustments (the “Consideration”), payable in cash.

NBF also understands that CAA will enter into voting support agreements (the “Voting Support Agreements”) with each of Cymbria Corporation, EdgePoint Investment Group, Foyston, Gordon & Payne, Franklin Templeton Investment Corp., and directors and senior officers of EFH (collectively, the “Supporting Shareholders”) whereby such Supporting Shareholders will agree to, among other things, vote their common shares of EFH in favour of the Agreement, subject to the terms and conditions of the Voting Support Agreements.

The contemplated Share Purchase Agreement is subject to approvals by the Minister of Finance (Canada) under the *Insurance Company Act*, the *Competition Act*, and the Financial Services Commission of Ontario.

We understand that the terms and conditions of the Agreement will be summarized in an information circular (the “Information Circular”) to be prepared by the Company and mailed to the holders of EFH’s common shares (the “Shareholders”) in connection with a Shareholders’ meeting to be called by the Company to seek Shareholder approval of the sale contemplated by the Agreement. NBF also understands that a committee (the “Special Committee”) of the Board of Directors (the “Board”) of EFH has been constituted to consider the Agreement and make recommendations thereon to the Board.

Engagement of NBF

The Special Committee initially contacted NBF regarding a potential advisory assignment on January 29, 2018. Pursuant to an engagement agreement dated as of February 13, 2018 (the “Engagement Agreement”), EFH retained, at the direction of the Special Committee, the services of NBF to, among other things, provide financial advice and assistance to the Special Committee and the Board in reviewing EFH’s strategic alternatives and in evaluating potential transactions. In connection with its engagement, NBF agreed to, at the request of the Special Committee and the Board, prepare and deliver an opinion (the “Fairness Opinion”) as to whether the Consideration to be received by EFH pursuant to the Agreement is fair, from a financial point of view, to EFH.

The Engagement Agreement provides that NBF is to be paid (i) a transaction fee upon closing of the Agreement, and (ii) a fixed fee for the delivery of this Fairness Opinion, which fee is to be credited against the transaction fee earned by NBF in the event of a successful transaction. In addition, NBF is to be reimbursed for its reasonable out-of-pocket expenses and to be indemnified by EFH in certain circumstances.

On November 8, 2018, NBF delivered the Fairness Opinion to the Special Committee and the Board based upon and subject to the scope of review, analyses, assumptions, limitations, qualifications and other matters described herein. NBF understands that this Fairness Opinion in its entirety, and a summary thereof, will be included in the Information Circular and, subject to the terms of the Engagement Letter, NBF consents to such disclosure (in a

form acceptable to NBF) and inclusion of the Fairness Opinion in the Information Circular and the filing thereof by EFH with the applicable Canadian securities regulatory authorities. NBF has not been engaged to prepare and has not prepared a formal valuation or appraisal of EFH, EI, the Business, CAA, EFH's common shares or any other securities or assets of EFH or CAA, and this Fairness Opinion should not be construed as such.

This Fairness Opinion has been prepared in accordance with the Disclosure Standards for Formal Valuations and Fairness Opinions of the Investment Industry Regulatory Organization of Canada ("IIROC") but IIROC has not been involved in the preparation or review of this Fairness Opinion.

Relationship with Interested Parties

None of NBF or any of its affiliates or associates, is an insider, associate or affiliate (as those terms are defined in the *Securities Act* (Ontario) or the rules made thereunder) of EFH, CAA or any of their respective associates or affiliates (collectively, the "Transaction Parties").

None of NBF or any of its affiliates has any past, present or future relationship with any interested party (as defined in Multilateral Instrument 61-101 Protection of Minority Security Holders in Special Transactions ("MI 61-101")) (collectively with the Transaction Parties, the "Interested Parties") which may be relevant to NBF's independence for purposes of providing this Fairness Opinion.

NBF has not been engaged to provide any financial advisory services nor has it participated in any financings involving the Interested Parties within the past two years.

There are no current understandings, agreements or commitments between NBF and any Interested Party with respect to future business dealings. NBF or its affiliates may, in the future, in the ordinary course of their respective businesses, provide financial advisory or investment banking or other services to one or more of the Interested Parties from time to time. In addition, National Bank of Canada ("NBC"), of which NBF is a wholly-owned subsidiary, or one or more affiliates of NBC, may provide banking or other financial services including debt financing to one or more of the Interested Parties in the ordinary course of business.

NBF acts as a trader and dealer, both as principal and agent, in major financial markets and, as such, may have had and may in the future have positions in the securities of the Interested Parties, from time to time, and may have executed or may execute transactions for such parties and clients from whom it received or may receive compensation. NBF, as an investment dealer, conducts research on securities and may, in the ordinary course of its business, provide research reports and investment advice to its clients on investment matters, including with respect to the Interested Parties.

Credentials of NBF

NBF is a leading Canadian investment dealer whose businesses include corporate finance, mergers and acquisitions, equity and fixed income sales and trading and investment research. NBF has been a financial advisor in a significant number of transactions involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions and in transactions similar to the Agreement.

This Fairness Opinion is the opinion of NBF and the form and content herein has been reviewed and approved for release by a group of managing directors of NBF, each of whom is experienced in merger, acquisition, divestiture, valuation and fairness opinion matters.

Overview of EFH and EI

Founded in 1998, Echelon Financial Holdings Inc. operates in the property and casualty insurance industry in Canada, providing personal and commercial lines insurance exclusively through the broker channel. The Company distributes insurance products through Echelon Insurance and The Insurance Company of Prince Edward Island. Echelon Insurance, a federally-regulated property and casualty insurance company, operates primarily in Ontario, Quebec, Alberta, British Columbia, and Nova Scotia. In 2017, Echelon Insurance was the largest provider of non-standard automobile insurance in Ontario by direct premiums written. Echelon Financial Holdings Inc. trades on the Toronto Stock Exchange under the symbol EFH.

Scope of Review

In connection with rendering this Fairness Opinion, NBF has reviewed and relied upon or carried out, among other things, the following:

- a) a draft of the Share Purchase Agreement dated November 8, 2018;
- b) draft copies of the Voting Support Agreements to be executed by the Supporting Shareholders dated November 8, 2018;
- c) audited consolidated annual financial statements and MD&A of EFH for each of the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017;
- d) audited annual financial statements of EI for each of the fiscal years ended December 31, 2015, December 31, 2016 and December 31, 2017;
- e) draft unaudited consolidated quarterly financial statements and MD&A of EFH for the quarter ended September 30, 2018;
- f) draft unaudited quarterly financial statements of EI for the quarter ended September 30, 2018;
- g) unaudited financial information related to the unregulated warranty business held directly by EFH;
- h) the annual information forms of EFH for the fiscal years ended December 31, 2015 through December 31, 2017;
- i) notice of annual meeting and management information circular of EFH dated May 8, 2018;
- j) operational, historical, budget and forecast information related to EFH and the Business for the fiscal years ended December 31, 2015 through December 31, 2017;
- k) strategic plans including annual financial forecasts of EFH and EI through the fiscal year ending on December 31, 2022;
- l) trading statistics and related financial information in respect of EFH and other selected public companies considered by NBF to be relevant;
- m) various reports published by equity research analysts and industry sources regarding EFH and other public companies considered by NBF to be relevant;
- n) public information regarding the property and casualty insurance industry considered by NBF to be relevant;
- o) certain precedent acquisition transactions considered by NBF to be relevant;
- p) discussions with the Board, the Special Committee, legal advisors to the Special Committee, and a representation letter from Serge Lavoie, Ken Coulson and Patrick Espeut (collectively, the “Senior Management”); and
- q) other information, analysis, investigations and discussions we considered necessary or appropriate in the circumstances.

NBF has not, to the best of its knowledge, been denied access by EFH or EI to any information under the control of the Company that has been requested by NBF.

Assumptions and Limitations

As provided for in the Engagement Letter, NBF has relied upon the completeness, accuracy and fair presentation of all financial and other information, data, advice, opinions, representations and other material obtained from public sources or provided to NBF by or on behalf of EFH and EI or otherwise obtained by NBF in connection with our engagement (the “Information”) and NBF has assumed that this Information did not omit to state any material fact or any fact necessary to be stated to make that Information not misleading. NBF did not meet with the auditors of EFH or EI and has assumed the accuracy and fair presentation of, and relied upon, the audited consolidated financial statements of EFH and EI and the reports of the auditors thereon as well as the unaudited interim financial statements of EFH and EI. This Fairness Opinion is conditional on, and assumes the completeness, accuracy and fair presentation of such Information, including as to the absence of any undisclosed material fact or change. Subject to the exercise of professional judgment, we have not attempted to independently verify the completeness, accuracy or fair presentation of any of the Information.

Senior Management has represented to NBF in a representation letter dated as of November 8, 2018, among other things, that: (i) with the exception of information that constitutes forecasts, projections, estimates, budgets or other prospective information or data, the Information provided orally by an officer or employee of EFH or any of its subsidiaries or any of its or their representatives, or in writing by EFH or any of its subsidiaries or its or their representatives to NBF for the purpose of preparing this Fairness Opinion was, at the date the Information was provided to NBF, and is (except to the extent superseded by more current information), complete, true and correct in all material respects, and did not and does not contain a misrepresentation (as defined in the *Securities Act* (Ontario)); (ii) since the dates on which the Information was provided to NBF, except as disclosed in writing to NBF or as publicly disclosed, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations, or prospects of EFH or any of its subsidiaries and no change has occurred in the Information or any part thereof which would have or which could reasonably be expected to have, a material effect on this Fairness Opinion; and (iii) to the best of the Senior Management's knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to EFH or any of its subsidiaries or any of their respective material assets or liabilities which have been prepared as of a date within the two years preceding the date hereof and which have not been provided to NBF.

With respect to operating and financial forecasts, projections, models, estimates and/or budgets provided to us concerning EFH, EI, the Business or any of EFH's subsidiaries and relied upon by us in our analysis, we have assumed (subject to the exercise of our professional judgment) that they have been prepared on bases consistent with industry practice and reflecting reasonable and most currently available assumptions, estimates and judgments of management of EFH and EI, having regard to EFH's, EI's or the Business', as the case may be, business plans, financial conditions and prospects and are (or were at the time of preparation and continue to be) reasonable in the circumstances. We note that projecting future results of any company is inherently subject to uncertainty and in rendering this Fairness Opinion, NBF expresses no view as to the reasonableness of such forecasts, projects, models, estimates and/or budgets or the assumptions on which they are based.

NBF has assumed that, in all respects material to its analysis, the Share Purchase Agreement executed by the parties will be in substantially the form of the final draft dated November 8, 2018 provided to us, the representations and warranties of the parties to the Agreement contained therein are true, accurate and complete in all material respects, such parties will each perform all of the respective covenants and agreements to be performed by them under the Agreement, and all conditions to the obligations of such parties as specified in the Agreement will be satisfied without any waiver thereof which would have or which would reasonably be expected to have a material effect on this Fairness Opinion.

With EFH's approval and agreement, NBF has also assumed, among other things: (i) that there are no plans or proposals that could reasonably be expected to have a material effect on the financial condition, assets, liabilities, prospects or affairs of the Business, (ii) that there are no circumstances or developments that could reasonably be expected to have a material effect on the financial condition, assets, liabilities, prospects or affairs of the Business, (iii) that there are no actions, suits, proceedings or inquiries pending or threatened which may in any way materially adversely affect the Business, other than information already publicly disclosed, and (iv) that the executed voting support agreement with the Supporting Shareholders of EFH will not differ in any material respect from the draft we have reviewed, and that the Supporting Shareholders of EFH will vote all of their shares in favor of the Share Purchase Agreement.

This Fairness Opinion is rendered on the basis of securities markets, economic and general business and financial conditions prevailing as at the date hereof and the conditions and prospects, financial and otherwise, of EFH and its subsidiaries, as they are reflected in the Information and as they were represented to NBF in our discussions with Senior Management. In our analyses and in connection with preparing this Fairness Opinion, NBF made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of NBF or of any party involved in the Agreement. It must be recognized that fair market value, and hence fairness from a financial point of view, changes from time to time, not only as a result of internal factors, but also because of external factors such as changes in the economy, competition and changes in consumer/investor preferences.

We are not legal, tax, actuarial or accounting experts, have not been engaged to review any legal, tax, actuarial or accounting aspects of the Agreement and we express no opinion concerning any legal, tax or accounting matters concerning the Agreement or the sufficiency of this letter for your purposes.

This Fairness Opinion is effective on the date hereof and NBF disclaims any undertaking or obligation to advise any person of any change in any fact, information or matter affecting this Fairness Opinion that may come or be brought to NBF's attention after the date hereof. Without limiting the foregoing, if there is any material change in any fact, information or matter affecting this Fairness Opinion after the date hereof, NBF reserves the right to change, modify or withdraw this Fairness Opinion. This Fairness Opinion is addressed to the Special Committee and the Board and is for the sole use and benefit of the Special Committee and the Board, and may not be referred to, summarized, circulated, publicized or reproduced by EFH, other than in the Information Circular as herein expressly specified, or disclosed to, used or relied upon by any other party, in whole or in part, without the express prior written consent of NBF. NBF will not be held liable for any losses sustained by any person should this Fairness Opinion be circulated, distributed, published, reproduced or used contrary to the provisions of this paragraph. This Fairness Opinion is not to be construed as, and does not constitute, a recommendation to any Shareholder to vote in favour or against the Agreement or any other matter. This Fairness Opinion does not address the relative merits of the Agreement as compared to other transactions or strategic alternatives that may be available to EFH. In addition, this Fairness Opinion does not address in any manner the prices at which any securities of EFH will trade at any time.

NBF believes that its analyses must be considered as a whole and that selecting portions of our analyses or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying this Fairness Opinion. The preparation of a fairness opinion is a complex process and is not necessarily susceptible to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This Fairness Opinion should be read in its entirety.

NBF's Approach to Fairness

In considering the fairness of the Consideration pursuant to the Agreement, from a financial point of view, to EFH, NBF principally considered and relied upon the following approaches: (i) a comparison of the selected financial multiples of selected comparable companies whose securities are publicly traded plus a control premium, based on premiums paid to acquire Canadian companies historically to reflect the "en bloc" value, to the multiples implied by the Consideration pursuant to the Agreement; (ii) a comparison of the selected financial multiples, to the extent publicly available, of selected precedent transactions to the multiples implied by the Consideration pursuant to the Agreement; (iii) a comparison of the Consideration pursuant to the Agreement to the results of an analysis, on a time and risk weighted basis, of the cash flows implied by the strategic plans made available to NBF including various sensitivity analysis thereto, (iv) the scope of the process conducted by NBF on behalf of the Special Committee of the Board of EFH to solicit third party interest in an acquisition of EFH or of its main assets or subsidiaries including EI; and (v) such other factors and analyses as we considered appropriate.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, NBF is of the opinion, as of the date hereof, that the Consideration to be received by EFH pursuant to the Agreement is fair, from a financial point of view, to EFH.

Yours very truly,



NATIONAL BANK FINANCIAL INC.

SCHEDULE "D"
FAIRNESS OPINION OF BLAIR FRANKLIN CAPITAL PARTNERS INC.

(See attached)



November 8, 2018

The Special Committee of the Board of Directors
ECHELON FINANCIAL HOLDINGS INC.
2680 Matheson Blvd East, Suite 300
Mississauga, Ontario
L4W 0A5

To the Special Committee of the Board of Directors:

Blair Franklin Capital Partners Inc. (“Blair Franklin”) understands that Echelon Financial Holdings Inc. (“EFH”) intends to enter into a definitive agreement (the “Share Purchase Agreement”) with CAA Club Group (“CAA” or the “Acquiror”) whereby EFH would sell all of the shares of its wholly-owned subsidiary, Echelon Insurance (“EI”) as well as the unregulated warranty business held directly by EFH (collectively the “Purchased Assets”) to CAA (the “Transaction”).

Pursuant to the terms of the Transaction, (i) the Acquiror will pay EFH \$175 million in cash (the “Consideration”) in exchange for the Purchased Assets, and (ii) EFH has committed to deliver Echelon Insurance to CAA with a Minimum Capital Test (“MCT”) ratio of 220% at closing.

We further understand that certain shareholders of EFH, including EdgePoint Investment Group, Cymbria Corporation, Foyston, Gordon & Payne Inc., Franklin Templeton Investments Corp., and the directors and senior officers of EFH, together representing over 50% of EFH’s common shares (calculated on a non-diluted basis), have entered into voting support agreements with the Acquiror pursuant to which they have agreed to vote their shares in favour of the Transaction.

The Board of Directors of EFH (the “Board”) has created a Special Committee of the Board comprised exclusively of independent directors (the “Special Committee”) which has retained Blair Franklin, on a fixed fee basis, to provide its opinion as to the fairness to EFH, from a financial point of view, of the Consideration to be received by EFH pursuant to the Transaction (the “Opinion”). Blair Franklin has not been asked to prepare, and has not prepared, a formal valuation of the Purchased Assets, EFH or Echelon Insurance and the Opinion should not be construed as such.

Engagement of Blair Franklin

Blair Franklin was initially contacted by the Special Committee with regards to submitting its credentials for a potential independent advisory assignment on July 31, 2018. Blair Franklin was formally engaged by the Special Committee pursuant to an engagement agreement dated August 1, 2018 (the “August Engagement Agreement”). The August Engagement Agreement was reflective of a separate potential transaction that was, at that time, being considered by the Special Committee (see Background to the Transaction).

Blair Franklin was re-engaged by the Special Committee on November 2, 2018 pursuant to an amendment to the August Engagement Agreement which reflected the characteristics of the Transaction (the “Amended Engagement Agreement”). The Amended Engagement Agreement provides for the payment to Blair Franklin of a fixed fee in respect of the preparation and delivery of the Opinion. Blair Franklin’s fees are not contingent on the completion of the Transaction, or any other transaction of EFH or on the conclusions reached herein. In addition, Blair Franklin is to be reimbursed for its reasonable out-of-pocket expenses and is to be indemnified by EFH in certain circumstances.

Relationship with Related Parties

Blair Franklin is not an insider, associate or affiliate (as such terms are defined in the Securities Act (Ontario)) of EFH, Echelon Insurance, the Acquiror or any of their respective associates or affiliates (the “Interested Parties”). Blair Franklin has not provided any financial advisory services or participated in any financing involving EFH, Echelon Insurance, the Acquiror or any of their respective associates or affiliates within the past twenty-four months, other than services provided under the August Engagement Agreement or under the Amended Engagement Agreement. There are no other understandings, agreements, or commitments between Blair Franklin and any of the Interested Parties with respect to any current or future business dealings which would be material to the Opinion.

Blair Franklin believes that it is “independent” (as such term is used in Part 6 of MI 61-101) of all interested parties subject to the Transaction and that it has disclosed to the Special Committee all material facts known to it that could reasonably be considered to be relevant to its independence status under Part 6 of MI 61-101.

Credentials of Blair Franklin

Blair Franklin is an independent investment bank providing a full range of financial advisory services related to mergers and acquisitions, divestitures, minority investments, fairness opinions, valuations and financial restructurings. Blair Franklin has been a financial advisor in a significant number of transactions throughout Canada and North America involving public and private companies in various industry sectors and has extensive experience in preparing fairness opinions in transactions similar to the Transaction.

The Opinion expressed herein is the opinion of Blair Franklin as a firm and the form and content herein has been approved for release by a committee of our principals, each of whom is experienced in mergers and acquisitions, divestitures, restructurings, minority investments, capital markets, fairness opinions and valuation matters.

Scope of Review

In preparing the Opinion, Blair Franklin has reviewed and relied upon, among other things:

1. Interviews with the management of EFH (the “Management”) as well as with EFH’s financial advisors;
2. Discussions with the chair of the Special Committee;
3. Certain financial analyses and forecasts prepared by Management relating to EFH and EI;
4. Access to a dataseite containing non-public material relating to EFH and EI including financial details, forecasts, regional and segment information, tax information, contracts, HR matters, legal matters and other items;
5. Audited financial statements and related Management Discussion & Analysis (“MD&A”) of EFH for the last three years ended December 31;

6. Financial reports and Management commentary related to EI for the last three years ended December 31;
7. Unaudited quarterly reports and related MD&A of EFH for the three, six and nine-month periods ended March 31, June 30, and September 30, respectively for the last three years;
8. Unaudited year-to-date results and related materials for EFH and EI as of June 30, 2018;
9. Certain unaudited year-to-date results and materials for EFH and EI as of September 30, 2018;
10. Certain regulatory filings and related material for EI for the last five years;
11. Most recent Management Information Circular and Annual Information Form of EFH;
12. Press releases issued by EFH for the past three years;
13. Shareholder and insider information of EFH;
14. Comparable trading multiples and comparable transaction multiples for selected companies and transactions considered relevant;
15. Research reports based upon public information prepared by industry analysts;
16. Industry and financial market information;
17. Letter of Intent with respect to the proposed Transaction provided by the Acquiror to EFH dated October 14, 2018;
18. Drafts of the Share Purchase Agreement to be entered into as part of Transaction (latest draft dated November 7, 2018);
19. Drafts of the voting support agreements to be entered into by certain EFH shareholders as part of the Transaction (latest draft dated November 2, 2018); and
20. Such other information, documentation, analyses and discussions that we considered relevant in the circumstances.

Blair Franklin has not independently verified any of the assumptions contained in the financial information publicly disclosed by EFH and EI or provided by their representatives.

Blair Franklin has conducted such analyses, investigations and testing of assumptions as were considered by Blair Franklin to be appropriate in the circumstances for the purposes of arriving at its opinion as to the fairness to EFH, from a financial point of view, of the Consideration to be received by EFH pursuant to the Transaction.

Prior Valuations

The President & Chief Executive Officer and the Interim Chief Financial Officer of EFH, have represented to Blair Franklin that, to the best of their knowledge, information and belief after due inquiry, there are no independent appraisals or valuations or material non-independent appraisals or valuations relating to EFH or any its subsidiaries, material assets or liabilities that have been prepared in the 24 months preceding the date hereof and which have not been provided to Blair Franklin.

Assumptions and Limitations

The Opinion is subject to the assumptions, explanations and limitations hereinbefore described and as set forth below.

We have not been asked to prepare, and have not prepared, a formal valuation or appraisal of the Purchased Assets, EFH, or Echelon Insurance, or any of their respective securities or assets and this Opinion should not be construed as such. We have, however, conducted such analyses as we considered necessary in the circumstances. In addition, the Opinion is not, and should not be construed as, advice as to the price at which EFH may trade at any time. Blair Franklin was not engaged to review any legal, tax or regulatory aspects of the Transaction and the Opinion does not address any such matters. We have relied upon, without independent verification, the assessment by EFH and its legal advisors with respect to such matters. Blair Franklin was not requested to solicit, and did not solicit, interest from other parties with respect to any alternative transaction or arrangement.

With the Special Committee's approval and as provided in the Amended Engagement Agreement, Blair Franklin has relied upon, without independent verification, the completeness, accuracy and fair presentation in all material respects of all financial information and the completeness and accuracy of the other information, data, advice, opinions and representations obtained by it from public sources, Management and its affiliates and advisors, or otherwise (collectively, the "Information"). Blair Franklin has assumed that the historical information included in the Information did not omit to state any material fact or any fact necessary to be stated or necessary to make that Information not misleading in light of the circumstances in which it was made. This Opinion is conditional upon the completeness, accuracy and fair presentation of such Information. Subject to the exercise of professional judgment and except as described herein, Blair Franklin has not attempted to verify independently the completeness, accuracy or fair presentation of any of the Information. With respect to the forecasts, projections or estimates provided to Blair Franklin and used in the analysis supporting the Opinion, we have assumed that they have been reasonably prepared on bases reflecting the best currently available estimates and judgments of Management as to the matters covered thereby at the time of preparation and, in rendering the Opinion, we express no view as to the reasonableness of such forecasts or budgets or the assumptions on which they are based.

Senior officers of EFH have represented to Blair Franklin in a letter delivered as at the date hereof, among other things, that (i) the Information provided orally by, or in writing by, EFH or any of its subsidiaries or its agents to Blair Franklin relating to EFH, EI, or the Transaction for the purpose of preparing this Opinion was, at the date that the Information was provided to Blair Franklin, and is, at the date hereof, together with all other documents which have been filed by EFH or EI in compliance with its obligations under applicable securities laws (and to the extent not superseded by a subsequent filing), complete, true and correct in all material respects and did not and does not contain any untrue statement of a material fact in respect of EFH, EI or the Transaction and did not and does not omit to state a material fact in respect of EFH, EI, or the Transaction necessary to make the Information not misleading in light of the circumstances under which the Information was made or provided; and that (ii) since those dates on which the Information was provided to Blair Franklin, except as was disclosed in writing to Blair Franklin, or as publicly disclosed, there has been no material change, financial or otherwise, in the financial condition, assets, liabilities (contingent or otherwise), business, operations or prospects of EFH or EI and no material change has occurred in the Information or any part thereof which would have, or which would reasonably be expected to have, a material effect on the Opinion.

Blair Franklin has made several assumptions in connection with its Opinion that it considers reasonable, including that, the conditions required to implement the Transaction will be met. In preparing the Opinion, we have assumed that the executed agreements regarding the Transaction will not differ in any material respect from the forms that we reviewed, and that the Transaction will be consummated in accordance with the terms and conditions of the latest draft of the Share Purchase Agreement as of November 7, 2018 without waiver of, or amendment to, any term or condition that is in any way material to our analyses.

The Opinion is rendered on the basis of the securities markets, economic, financial and general business conditions prevailing as at the date hereof and the conditions, financial and otherwise, of EFH and the Purchased Assets and their affiliates, as they were reflected in the Information and as they were represented to Blair Franklin in discussions with Management. In its analyses and in preparing the Opinion, Blair Franklin made numerous assumptions with respect to industry performance, general business and economic conditions and other matters, many of which are beyond the control of Blair Franklin or any party involved in the Transaction.

The Opinion has been provided to the Special Committee of EFH for their exclusive use only in considering the Transaction and may not be used or relied upon by any other person without the express prior written consent of Blair Franklin. The Opinion does not constitute a recommendation as to how any shareholder of EFH should vote or act on any matter relating to the Transaction. Except for the inclusion of the Opinion in its entirety and a summary thereof (in a form acceptable to Blair Franklin) in disclosure documents and the filing of such disclosure documents and the Opinion on SEDAR and the submission by EFH of the Opinion to any relevant court or regulatory agency in connection with the approval of the Transaction, the Opinion is not to be disclosed, summarized or quoted from without the prior written consent of Blair Franklin.

Blair Franklin believes that its analyses must be considered as a whole and that selecting portions of the analyses or the factors considered by us, without considering all factors and analyses together, could create a misleading view of the process underlying the Opinion. The preparation of a fairness opinion is a complex process and is not necessarily amenable to partial analysis or summary description. Any attempt to do so could lead to undue emphasis on any particular factor or analysis. This opinion letter should be read in its entirety.

The Opinion is given as of the date hereof and Blair Franklin disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Opinion which may come or be brought to the attention of Blair Franklin after the date hereof. Without limiting the foregoing, in the event that there is any material change in any fact or matter affecting the Opinion after the date hereof, Blair Franklin reserves the right to change, modify or withdraw the Opinion.

All amounts herein are expressed in Canadian dollars, unless otherwise stated.

Overview of the Purchased Assets

EI is a federally-regulated, personal and commercial (“P&C”) insurance company that underwrites automobile insurance and other specialty insurance. The personal lines business focuses on the underwriting of non-standard automobile insurance as well as insurance for motorcycles, antique and classic vehicles, trailers, motorhomes, recreational vehicles and personal property. The commercial lines business focuses on the design and underwriting of commercial property, commercial automobile, surety, liability, and specialty programs. In addition, EI operates a warranty business which is provincially regulated in certain provinces. A portion of the warranty business is not provincially regulated and is held directly by EFH. Both the provincially regulated warranty business held at EI and the warranty business that is held directly by EFH are included in the definition of the “Purchased Assets” and are to be sold to the Acquiror under the terms of the Transaction.

Background to the Transaction

In February 2018, the Special Committee was created by the Board with the mandate to consider strategic alternatives. Beginning in the spring of 2018 and as part of the Special Committee’s consideration of strategic alternatives, EFH’s financial advisor commenced a confidential canvass of third parties that could have an

interest in acquiring EFH. Throughout this process, more than 30 parties were contacted of which approximately half signed non-disclosure agreements. The process ultimately resulted in several parties submitting non-binding letters of intent. Following additional due diligence material being provided to a number of these parties, as well as presentations given by Management, a number of final, non-binding proposals to acquire EFH were received.

Of these proposals, one interested party had emerged as the most attractive potential candidate for a strategic transaction with EFH. The proposed transaction involved an offer to acquire all of the outstanding shares of EFH for cash at a premium to the trading price of EFH's shares. Negotiations proceeded with this party on an exclusive basis and drafts of a definitive arrangement agreement were exchanged and negotiated to a substantially advanced state. In late July 2018, New Nordic Advisors ("New Nordic") advised EFH of its intention to commence litigation proceedings and to claim significant damages for alleged misrepresentations in connection with the sale of EFH's European subsidiary in 2017. In early August 2018, the interested party became uncomfortable with the allegations raised by New Nordic and, after some deliberation, decided to withdraw its offer which caused the exclusivity provision to lapse.

At the direction of the Special Committee, EFH's financial advisor re-canvassed the market to solicit interest in EFH and potential alternative transactions. Additional disclosure and updates on recent developments regarding outstanding litigation were provided to parties who demonstrated interest. On October 14, 2018, CAA submitted a letter of intent outlining the general terms of the Transaction which was subsequently executed by EFH.

Fairness Considerations

In support of the Opinion, Blair Franklin has performed certain financial analyses with respect to the Purchased Assets, based on those methodologies and assumptions that we considered appropriate in the circumstances.

The primary methodologies employed by Blair Franklin in evaluating EI consisted of a dividend discount model analysis (the "DDM Approach"), an analysis of comparable company trading multiples (the "Comparable Company Approach"), and an analysis of precedent transaction multiples (the "Precedent Transaction Approach"). All three of these approaches are discussed in detail below. In the context of the Opinion, Blair Franklin has considered the DDM Approach as the principal financial analytical methodology.

In addition, Blair Franklin has applied a multiple of 1.0x book value to the portion of the warranty business held outside of EI, but which comprises a portion of the Purchased Assets. The resulting figure was then added to the prices implied by each of the three methodologies used to evaluate EI as described in detail below.

The DDM Approach

The DDM Approach involved discounting to present value the forecast cash flows of EI. The DDM Approach required that certain assumptions be made regarding, among other things, future cash flows, discount rates and terminal values. As a part of its DDM Approach, Blair Franklin reviewed the cash flows from Management's forecasts in detail including assumptions on premium growth, key ratios (loss, combined, etc.), capital expenditures, MCT ratios, and market conditions. Multiple discussions were held with Management to clarify assumptions underlying their respective analyses and understand developments with respect to EI.

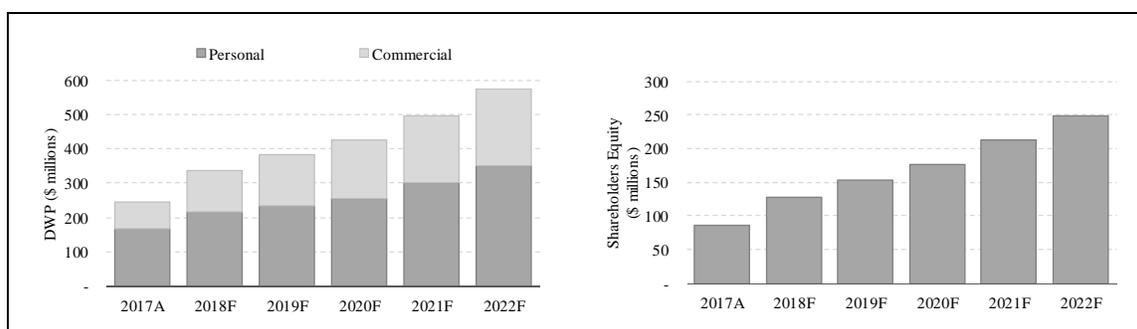
At the time of Blair Franklin's initial engagement by the Special Committee in August 2018, Management was utilizing a forecast created in the Fall of 2017 with minor modifications made prior to the launch of the strategic alternatives process in early 2018 (prepared as part of normal course strategic planning), and which was

approved by the Board (the “Fall 2017 Forecast”). Following Blair Franklin’s re-engagement in November 2018, Management provided Blair Franklin with an updated forecast (the “Fall 2018 Forecast”), which had not yet gone through the full strategic planning process and had not been approved by the Board.

Blair Franklin developed its own comprehensive five-year forecast based on both the Fall 2018 Forecast and the Fall 2017 Forecast. Key considerations included:

- (i) Macro-economic factors, including a continuation of current trends with low single digit economic growth;
- (ii) Market specific factors, including a hardening of key insurance markets, competitors reducing their exposure to certain market segments, and trends in pricing; and
- (iii) Company specific factors, including among others, expected underwriting performance, expense control, growth of direct written premiums (“DWP”) in both EI’s commercial and personal lines, amount and timing of expected spending on modernizing EI’s IT and underwriting systems, expected dividends available, if any, funding constraints, capital required to achieve growth and the amount of distributable or excess capital on EI’s balance sheet, if any.

Figure 1 – Blair Franklin Forecast for Echelon Insurance DWP and Shareholders’ Equity



In order to achieve Blair Franklin’s forecast shown above, EI would require additional capital to maintain an acceptable MCT ratio and fund its IT modernization project (updating its policy & claims administration systems). These capital injections have been considered in Blair Franklin’s analysis.

In addition to the annual cash flows generated by EI, Blair Franklin also considered synergies that could potentially result from an industry buyer acquiring EI. We assumed that any material, tangible synergies to be achieved would involve cost rationalization. Blair Franklin estimated that the cost savings and one-time costs associated with achieving the synergies would be shared equally between the hypothetical acquiror and EFH.

At the end of the forecast period, Blair Franklin applied a terminal multiple reflective of precedent transactions involving both personal and commercial insurance companies which were observed as part of the Precedent Transaction Approach described below. Based on this analysis, and the forecast features of EI in the terminal year, Blair Franklin selected a range of terminal Price to Book Value of Shareholders’ Equity (“P/BV”) multiples of 1.2x – 1.4x.

All cash flows discussed above as well as the terminal value were discounted at an estimated cost of equity for EI (“Cost of Equity”) which was determined by Blair Franklin through the use of the capital asset pricing model. Key assumptions included:

- Average of observed Beta's for comparable public insurance companies (EFH's Beta was not considered due to the limited liquidity in EFH's shares);
- The Government of Canada 10 year bond yield;
- Standard market risk premium; and
- Applicable small cap premium.

Based on this analysis, Blair Franklin applied a Cost of Equity range of 13% to 15% which we feel adequately reflects the equity risks associated with EI.

Based on the assumptions and methodologies described above, the DDM Approach implied a price for the Purchased Assets of between \$137 million and \$179 million.

Table 1: DDM Approach Sensitivity

Sensitivity	Change in Implied Price
+ / - 0.5% Cost of Equity	~\$3.0 million
+ / - 0.1x Terminal Multiple	~\$14.7 million

Comparable Company Approach

Blair Franklin has reviewed the P/BV multiples, among other metrics and multiples, of publicly-traded P&C insurance companies. There is a very limited set of Canadian publicly traded companies where personal and commercial lines comprise the majority of the business. There are no Canadian publicly traded companies that focus on non-standard insurance as EI does. As such, Blair Franklin has also reviewed the trading metrics of non-standard insurers in the United States which offer product lines comparable to EI; however we note that such firms operate under distinctly different regulatory regimes.

In our analysis, Blair Franklin observed P/BV trading multiples with an average for Canadian companies of 1.3x and an average for non-standard US P&C companies of 1.0x. Following a review of the features of the underlying companies including historical and expected growth rates, as well as returns on equity, Blair Franklin has applied a range of P/BV multiples of 1.0x to 1.2x.

Based on the assumptions and methodologies described above, the Comparable Company Approach implied a price for the Purchased Assets of between \$121 million and \$146 million.

Due to the difficulties in finding relevant, domestic, pure-play comparable companies, Blair Franklin has placed limited weight on the Comparable Company Approach in considering fairness. Blair Franklin would also note that this methodology does not reflect the control premium that is typically earned in an acquisition or similar arrangement.

Precedent Transaction Approach

Blair Franklin has reviewed the P/BV multiples, among other metrics and multiples, observable in previous transactions involving P&C insurance companies in the United States and Canada since 2010. Many of these transactions involved P&C insurance operations which were not directly comparable to EI's operations. Blair

Franklin’s analysis focused on a select group of transactions which we believe were most comparable to EI in terms of size, geographic presence, and focus on non-standard specialty and auto insurance products.

Table 2 - Precedent Transaction Summary

Precedent Transactions	Average P/BV Multiple Observed
Since 2010 (All)	1.4x
Since 2010 (excluding high and low)	1.3x
Average of Most Comparable Transactions	1.3x

Blair Franklin considered each of these transactions and the merits of the targets relative to EI including:

- The general state of the industry environment at announcement;
- The size of the business;
- Product lines offered;
- Recent and forecast underwriting performance;
- Recent and forecast returns on equity;
- Capital structure at the time of the acquisition;
- Historical and forecast growth;
- Geographic diversification and exposure to various regulatory regimes;
- A.M. Best ratings;
- Distribution channels (broker, direct, etc.); and
- Ability to gain synergies.

Reflective of this analysis, Blair Franklin has applied a range of P/BV multiples of 1.10x to 1.35x.

Based on the assumptions and methodologies described above, the Precedent Transactions Approach implied a price of between \$134 million and \$165 million.

Due to the difficulties in finding recent, non-standard P&C insurance precedent transactions in Canada, Blair Franklin has placed limited weight on the Precedent Transaction Approach in considering fairness.

Other Factors Considered

Blair Franklin has considered a number of other factors in arriving at the Opinion including:

- The requirement for EI to be delivered to the Acquiror with an MCT Ratio of 220% upon closing of the Transaction;
- The deal protections as described in successive drafts of the Share Purchase Agreement; and
- The comprehensiveness of the strategic alternatives process run by the Special Committee and EFH’s financial advisors.

Conclusion

Based upon and subject to the foregoing and such other matters as we considered relevant, Blair Franklin is of the opinion that, as of the date hereof, the Consideration to be received by EFH pursuant to the Transaction is fair, from a financial point of view, to EFH.

Yours very truly,

Blair Franklin Capital Partners Inc.

BLAIR FRANKLIN CAPITAL PARTNERS INC.