

**PRAIRIESKY ROYALTY LTD.**

**DEFERRED SHARE UNIT PLAN  
FOR DIRECTORS**

**Effective May 29, 2014**

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**PRAIRIESKY ROYALTY LTD.  
DEFERRED SHARE UNIT PLAN FOR DIRECTORS  
(Effective May 29, 2014)**

**1. PREAMBLE AND DEFINITIONS**

**1.1 Title**

The Plan herein described shall be called the "Deferred Share Unit Plan for Directors" of PrairieSky Royalty Ltd.

**1.2 Purpose of the Plan**

The purpose of the Plan is to promote a greater alignment of interests between Directors and the shareholders of the Corporation.

**1.3 Definitions**

1.3.1 **"Affiliate"** means an affiliate of the Corporation as the term "affiliate" is defined in paragraph 3 of Canada Revenue Agency Interpretation Bulletin IT-337R3, *Retiring Allowances*.

1.3.2 **"Blackout Period"** means a trading blackout period imposed by the Corporation.

1.3.3 **"Board"** means the board of directors of the Corporation.

1.3.4 **"Cease Trade Date"** has the meaning ascribed thereto in Section 6.3.

1.3.5 **"Committee"** means the Governance and Compensation Committee of the Board.

1.3.6 **"Conversion Date"** means, with respect to any Quarter, the date used to determine the Market Value for purposes of determining the number of Deferred Share Units to be awarded in respect of that Quarter to a Director, which date shall be the date recommended by the Committee and confirmed by the Board and which shall, for the Quarter commencing on the effective date of the Plan, be the last day of that Quarter and thereafter shall generally be the last day of each Quarter and, in any event, shall not be earlier than the first business day, or later than December 31, of the year in respect of which the Deferred Share Units are being provided.

1.3.7 **"Corporation"** means PrairieSky Royalty Ltd. and any successor corporation whether by amalgamation, merger or otherwise.

1.3.8 **"Deferred Share Unit"** means a bookkeeping entry on the books of the Corporation, the value of which on any particular date shall be equal to the Market Value.

1.3.9 **"Deferred Share Unit Account"** has the meaning ascribed thereto in Section 5.1.

- 1.3.10 **"Director"** means a director of the Corporation who is not an employee of the Corporation, otherwise than in his or her capacity as a member of the Board.
- 1.3.11 **"Director's Termination Date"** has the meaning ascribed thereto in Section 6.1.
- 1.3.12 **"Directors' Annual Remuneration"** means all amounts payable to a Director by the Corporation in respect of the services provided to the Corporation by the Director as a member of the Board in a calendar year, including, without limitation: (i) the annual base retainer fee for serving as a Director, (ii) the annual retainer fee for serving as a member of a Board committee, (iii) the annual retainer fee for chairing a Board committee and (iv) the fees for attending meetings of the Board or Board committees; but, for greater certainty, excluding amounts received by a Director as a reimbursement for expenses incurred in attending meetings.
- 1.3.13 **"Market Value"** means, with respect to a particular date, the closing price for a Share on the Stock Exchange on the Trading Day immediately prior to that date or, in the event of the Cease Trade Date, such other value as may be determined pursuant to Section 6.3.
- 1.3.14 **"Quarter"** means a fiscal quarter of the Corporation, which, until changed by the Corporation, shall be the three month period ending March 31, June 30, September 30 or December 31 in any calendar year.
- 1.3.15 **"Redemption Date"** has the meaning ascribed thereto in Section 6.1.
- 1.3.16 **"Share"** means a common share of the Corporation and such other share as is substituted therefore as a result of amendments to the articles of the Corporation, reorganization or otherwise, including any rights that form a part of the common share or substituted share but not including any other rights that are attached thereto and trade therewith or any other share that is added thereto.
- 1.3.17 **"Stock Exchange"** means the Toronto Stock Exchange, or if the Shares are not listed on the Toronto Stock Exchange, such other stock exchange on which the Shares are listed, or if the Shares are not listed on any stock exchange, then on the over-the-counter market.
- 1.3.18 **"Trading Day"** means any date on which the Stock Exchange is open for the trading of Shares and on which one or more Shares actually traded.

## 2. CONSTRUCTION AND INTERPRETATION

- 2.1 In the Plan, references to the masculine shall include the feminine; references to the singular shall include the plural and vice versa, as the context shall require.
- 2.2 The Plan shall be governed and interpreted in accordance with the laws of the Province of Alberta and the laws of Canada applicable therein.

- 2.3 If any provision of the Plan or part hereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.
- 2.4 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

### **3. ELIGIBILITY**

- 3.1 The Corporation is establishing the Plan for Directors, effective as of the date first stated above.
- 3.2 Nothing herein contained shall be deemed to give any person the right to be retained as a Director of the Corporation or an employee of the Corporation.

### **4. DEFERRED SHARE UNIT GRANTS**

- 4.1 Each Director shall receive, subject to the conditions stated herein, an annual grant of Deferred Share Units, as determined by the Board in its sole discretion. The participation of a Director in the Plan shall be evidenced by a written agreement between the Corporation and the eligible Director in the form of Schedule A hereto. Each annual grant of Deferred Share Units shall, except as otherwise provided in this Section 4.1, be effective on January 1 of the relevant year. In the case of a Director who commences being a Director during a calendar year after an annual grant of Deferred Share Units for that particular year, a pro rata number (rounded up to the nearest whole number) of Deferred Share Units shall be granted to each non-employee director on the date on which such Director is first elected or appointed to the Board, as determined by the Board in its sole discretion. Where any date specified herein for the grant of Deferred Share Units falls on a date which is within a Blackout Period, then the date of such grant of Deferred Share Units shall automatically occur and be effective on the next business day following the last day of such Blackout Period. For greater certainty, no Director shall be entitled to a grant of Deferred Share Units by the Board pursuant to this Section 4.1, and all such grants, if any, shall be determined by the Board in its sole discretion.
- 4.2 Subject to Sections 4.3 through 4.5 and such rules, regulations, approvals and conditions as the Committee may impose, a Director may also elect to receive his Directors' Annual Remuneration in the form of Deferred Share Units or cash or any combination thereof.
- 4.3 To elect to receive all or a portion, as specified in Section 4.4, of his Directors' Annual Remuneration in respect of a particular year in the form of Deferred Share Units, the Director shall complete and deliver to the Secretary of the Corporation an initial written election in the form attached as Schedule B hereto by no later than 15 business days before the end of the 1<sup>st</sup> Quarter of such year, which shall, subject to Section 4.5, apply to the Director's Directors' Annual Remuneration payable on and after the end of such Quarter.

- 4.4 A Director shall be entitled to elect on an irrevocable basis, subject to Section 4.3 and Section 4.5, one of the following four (4) options with respect to the payment of his Directors' Annual Remuneration:
- (i) 25% of the Director's potential Directors' Annual Remuneration in the form of Deferred Share Units;
  - (ii) 50% of the Director's potential Directors' Annual Remuneration in the form of Deferred Share Units;
  - (iii) 75% of the Director's potential Directors' Annual Remuneration in the form of Deferred Share Units; or
  - (iv) 100% of the Director's potential Directors' Annual Remuneration in the form of Deferred Share Units.
- 4.5 A Director's latest election received by the Secretary of the Corporation with respect to the percentages of Directors' Annual Remuneration to be provided in the form of Deferred Share Units and cash (if applicable) shall be irrevocable and shall continue to apply with respect to his Directors' Annual Remuneration for the year commencing immediately following the date of the election and for any subsequent year unless the Director wishes to change the portion of his Directors' Annual Remuneration to be provided in the form of Deferred Share Units for subsequent years. In order to effect such a change, the Director shall complete and deliver to the Secretary of the Corporation a new written election, in the form attached as Schedule B hereto, in accordance with Section 4.4, which shall be effective for Directors' Annual Remuneration payable in respect of all calendar years commencing after the date on which such new election is delivered (unless subsequently changed again for future years in accordance with this Section 4.5).
- 4.6 The portion of Directors' Annual Remuneration payable to a Director in respect of a Quarter or other period within the year to which such Directors' Annual Remuneration relates shall be paid in cash (net of applicable withholdings) or provided in the form of Deferred Share Units as set out in Section 5.1 as soon as practicable after the last day of each Quarter or such other applicable period in respect of which the Directors' Annual Remuneration may be payable, provided that, notwithstanding any election by a Director under the Plan, the Committee may, in its sole discretion, decline to award Deferred Share Units on account of his Directors' Annual Remuneration and instead require the Director to receive such Directors' Annual Remuneration in cash. Where any date specified herein for the grant of Deferred Share Units falls on a date which is within a Blackout Period, then the date of such grant of Deferred Share Units shall automatically occur and be effective on the second Trading Day immediately following the end of such Blackout Period to permit the Market Value of any such Deferred Share Units to be determined on a Trading Day which occurs immediately following the end of any such Blackout Period.

## **5. ACCOUNTS, DIVIDEND EQUIVALENTS AND REORGANIZATION**

- 5.1 An account, to be known as a "Deferred Share Unit Account" shall be maintained by the Corporation for each Director and will be credited with notional grants of Deferred Share Units received by a Director from time to time. Where Deferred Share Units

are granted to a Director pursuant to Section 4.6, such Deferred Share Units shall be credited to the Eligible Director's Deferred Share Unit Account as of the Conversion Date applicable for the Quarter or other period to which the Deferred Share Units relate. The number of Deferred Share Units to be credited to a Director's Deferred Share Unit Account as of a particular Conversion Date shall be determined by dividing (i) the portion of the Directors' Annual Remuneration for the applicable Quarter or other applicable period to be satisfied by Deferred Share Units as elected by the Director pursuant to any of options (i) through (iv) of Section 4.4, by (ii) the Market Value on the particular Conversion Date. Deferred Share Units will be fully vested upon being credited to a Director's Deferred Share Unit Account and the Director's entitlement to payment of such Deferred Share Units at his Termination Date shall not thereafter be subject to satisfaction of any requirements.

- 5.2 Whenever cash dividends are paid on the Shares, additional Deferred Share Units will be credited to the Director's Deferred Share Unit Account. The number of such additional Deferred Share Units will be calculated by dividing the dividends that would have been paid to such Director if the Deferred Share Units recorded in the Director's Deferred Share Unit Account as at the record date for the cash dividend had been Shares by the Market Value on the date on which the dividends are paid on the Shares. Notwithstanding the foregoing, following a Cease Trade Date, the value of a Share used to calculate the number of additional Deferred Share Units under this Section 5.2 shall be the value determined on a reasonable and equitable basis by the Board. Where the date on which dividends are deemed paid on the Deferred Share Units falls on a date which is within a Blackout Period, then the deemed dividend payment date shall automatically occur and be effective on the second Trading Day immediately following the end of such Blackout Period to permit the Market Value to be determined on a Trading Day which occurs immediately following the end of any such Blackout Period.
- 5.3 In the event of any stock dividend, stock split, combination or exchange of shares, merger, arrangement, re-organization, re-capitalization, consolidation, spin-off or other distribution (other than normal cash dividends) of Corporation assets to shareholders or any other similar changes affecting the Shares, such proportionate adjustments, to reflect such change or changes shall be made with respect to the number of Deferred Share Units outstanding under the Plan, all as determined by the Board in its sole discretion.
- 5.4 For greater certainty, no amount will be paid to, or in respect of, a Director under the Plan or pursuant to any other arrangement, and no additional Deferred Share Units will be granted to a Director to compensate for a downward fluctuation in the Market Value of the Shares, nor will any other form of benefit be conferred upon, or in respect of, a Director for such purpose.

## 6. REDEMPTION ON RETIREMENT OR DEATH

- 6.1 The value of the Deferred Share Units credited to a Director's Deferred Share Unit Account shall be redeemable by the Director (or, where the Director has died, his estate) at the Director's option (or, after the Director's death, at the option of his legal representative) following the event, including death, causing the Director to be no longer any of a Director or an employee of the Corporation or a director or employee of an Affiliate (the "**Director's Termination Date**"). The Director (or after the

Director's death, his legal representative) shall, by filing a written notice of redemption in the form of Schedule C hereto with the Secretary of the Corporation, specify a redemption date (the "**Redemption Date**"), which, in any event, must be after the date on which the notice of redemption is filed with the Corporation and within the period from the Director's Termination Date to December 15 of the first calendar year commencing after the Director's Termination Date.

- 6.2 The value of the Deferred Share Units redeemed by or in respect of a Director pursuant to Section 6.1 shall be the Market Value on the Director's Redemption Date and shall be paid to the Director (or, if the Director has died, to his estate) in the form of a lump sum cash payment, net of any applicable withholdings, as soon as practicable after the Director's Redemption Date; provided that, in any event, such payment date shall be no later than December 31 of the first calendar year commencing after the Director's Termination Date.
- 6.3 In the event that the Director's Redemption Date is after the date on which the Shares ceased to be traded on the Stock Exchange, provided such cessation in trading is not reasonably expected to be temporary (the "**Cease Trade Date**"), the value of the Deferred Share Units redeemed by or in respect of the Director pursuant to Section 6.1 shall be determined in accordance with the following:
- (a) where the Director's Termination Date is before or not more than 365 days after the last Trading Day before the Cease Trade Date, the value of each Deferred Share Unit credited to the Director's Deferred Share Unit Account at his Redemption Date shall be equal to the Market Value on the last Trading Day before the Cease Trade Date;
  - (b) where the Director's Termination Date is after the date that is 365 days after the last Trading Day before the Cease Trade Date, the value of each Deferred Share Unit credited to the Director's Deferred Share Unit Account at his Redemption Date shall be based on the fair market value of a Share of the Corporation at the Redemption Date as is determined on a reasonable and equitable basis by the Board after receiving the advice of one or more independent firms of investment bankers of national repute.

The value of a Director's Deferred Share Units determined in accordance with paragraph (a) or (b) of this Section 6.3, as applicable, shall be paid to the Director (or, if the Director has died, to his estate) in the form of a lump sum cash payment, net of any applicable withholdings as soon as practicable after the Director's Redemption Date, provided that in any event such payment date shall be no later than December 31 of the first calendar year commencing after the Director's Termination Date.

## 7. CURRENCY

- 7.1 All references in the Plan to currency refer to lawful Canadian currency.



**8. SHAREHOLDER RIGHTS**

- 8.1 Deferred Share Units are not Shares or other securities of the Corporation and will not entitle a Director to any shareholder rights, including, without limitation, voting rights, dividend entitlement or rights on liquidation.

**9. ADMINISTRATION**

- 9.1 Unless otherwise determined by the Board, the Plan shall remain an unfunded and unsecured obligation of the Corporation.
- 9.2 Unless otherwise determined by the Board, the Plan shall be administered by the Committee.
- 9.3 The Plan may be amended or terminated at any time by the Board, except as to rights already accrued hereunder by the Directors. Notwithstanding the foregoing, any amendment or termination of the Plan shall be such that the Plan continuously meets the requirements of paragraph 6801(d) of the Income Tax Regulations or any successor provision thereto.
- 9.4 The Corporation will be responsible for all costs relating to the administration of the Plan.

**10. ASSIGNMENT**

- 10.1 The assignment or transfer of the Deferred Share Units, or any other benefits under this Plan, shall not be permitted other than by operation of law.

\* \* \* \*

**Schedule A**

**PARTICIPATION AGREEMENT**

I hereby confirm that, as of the date written below, I am a member of the Board of Directors PrairieSky Royalty Ltd. (the "Corporation") and acknowledge that I will be granted Deferred Share Units ("DSUs") under Section 4.1 of the Deferred Share Unit Plan for Directors (the "Plan") of the Corporation on an annual basis subject to and in accordance with the terms of the Plan.

I confirm that:

1. I have received and reviewed a copy of the terms of the Plan and agree to be bound by them.
2. I understand that my DSUs granted under the Plan may not be redeemed by the Corporation until I am no longer a director or employee of the Corporation or an Affiliate.
3. I recognize that when DSUs credited pursuant to the Plan are redeemed in accordance with the terms of the Plan after I am no longer a director or employee of the Corporation or an Affiliate, income tax and other withholdings as required will arise at that time. Upon redemption of the DSUs, the Corporation will make all appropriate withholdings as required by law at that time.
4. The value of DSUs are based on the value of the common shares of the Corporation from time to time and therefore are not guaranteed.
5. No funds will be set aside to guarantee the payment of DSUs. Future payment of DSUs will remain an unfunded and unsecured liability recorded on the books of the Corporation.
6. I understand that, to the extent I am (or become) subject to United States federal income taxes, my DSUs credited pursuant to the Plan, and my rights with respect to such DSUs, will be subject to the terms of the Special Appendix to the Plan (the "Special Appendix"), which Special Appendix contains terms and conditions that are intended to cause DSUs to comply with Section 409A of the United States Internal Revenue Code. I also understand that the Special Appendix is a part of the Plan and references to the Plan shall be deemed to include a reference to the Special Appendix, to the extent applicable.

The foregoing is only a brief outline of certain key provisions of the Plan. For more complete information, reference should be made to the Plan text which governs in the case of conflict or inconsistency with this Participation Agreement. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise defined herein.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of Director)

\_\_\_\_\_  
(Signature of Director)

**Schedule B**  
**ELECTION NOTICE**

**I. Election**

Subject to Part II of this Notice, I hereby elect to receive:

0%      or       25%      or       50%      or       75%      or       100%

of the Directors' Annual Remuneration that may be payable to me after the effective date of this election in the form of Deferred Share Units ("DSUs") and the balance of any such Directors' Annual Remuneration in cash, net of applicable withholdings.

**II. Acknowledgement**

I confirm and acknowledge that:

1. I have received and reviewed a copy of the terms of the Deferred Share Unit Plan for Directors (the "Plan") of PrairieSky Royalty Ltd. (the "Corporation") and agree to be bound by them.
2. I understand that, notwithstanding this election, subject to the terms of the Special Appendix (as defined below), if applicable, the Committee retains discretion to decline to grant DSUs, in which case I will remain eligible to receive my Directors' Annual Remuneration in cash.
3. My DSUs granted under the Plan may not be redeemed by the Corporation until I am no longer a director or employee of the Corporation or an Affiliate.
4. When DSUs credited to my account pursuant to this election are redeemed in accordance with the terms of the Plan after I am no longer a director of the Corporation, income tax and other withholdings as required will arise at that time. Upon redemption of the DSUs, the Corporation will make all appropriate withholdings as required by law at that time.
5. The value of DSUs are based on the value of the common shares of the Corporation and therefore are not guaranteed.
6. No funds will be set aside to guarantee the payment of DSUs. Future payment of DSUs will remain an unfunded liability recorded on the books of the Corporation.
7. This election is irrevocable with respect to Directors' Annual Remuneration payable after the effective date described in Part III below, subject to my right under the Plan to make a new election with respect to Directors' Annual Remuneration payable in calendar years commencing after such new election notice is received by the Secretary of the Corporation.
8. The foregoing is only a brief outline of certain key provisions of the Plan. In the event of any discrepancy between the terms of the Plan and the terms of this Election Notice, the terms of the Plan shall prevail. All capitalized expressions used herein shall have the same meaning as in the Plan unless otherwise defined herein.

9. To the extent I am (or become) subject to United States federal income taxes, my DSUs credited pursuant to the Plan, and my rights with respect to such DSUs, will be subject to the terms of the Special Appendix to the Plan (the "Special Appendix"), which Special Appendix contains terms and conditions that are intended to cause DSUs to comply with Section 409A of the United States Internal Revenue Code. I also understand that the Special Appendix is a part of the Plan and references to the Plan shall be deemed to include a reference to the Special Appendix, to the extent applicable.

**III. Effective Date**

This election shall be effective on the date on which this election is received by the Secretary of the Corporation.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of Director)

\_\_\_\_\_  
(Signature of Director)

**Schedule C**

**REDEMPTION NOTICE**

Pursuant to Section 6.1 of the Deferred Share Unit Plan for Directors (the "Plan") of PrairieSky Royalty Ltd. (the "Corporation"), I hereby advise the Corporation that I wish to redeem all the Deferred Share Units credited to my account under the Plan on \_\_\_\_\_ {insert Redemption Date, which shall be no later than December 15 (and for directors subject to United States federal income taxes, shall not be earlier than January 1) of the first calendar year commencing after the year in which the Director ceases to be a director or employee of the Corporation or an Affiliate.}.

\_\_\_\_\_  
Date

\_\_\_\_\_  
(Name of Director)

\_\_\_\_\_  
(Signature of Director)

If the Redemption Notice is signed by a legal representative, documents providing the authority of such signature must be provided to the Corporation.

**Special Appendix to Deferred Share Unit Plan for Directors (the “Plan”) of PrairieSky Royalty Ltd. (the “Corporation”)**

**Special Provisions Applicable to Directors Subject to Section 409A of the United States Internal Revenue Code**

This special appendix sets forth special provisions of the Plan that apply to US Directors. This special appendix shall be effective as of the effective date of the Plan. For avoidance of doubt, nothing in this special appendix shall be deemed to modify the Plan as it relates to Directors who are not US Directors.

**1. Definitions**

For purposes of this special appendix:

- 1.1 "Code" means the United States Internal Revenue Code of 1986, as amended, and any applicable Treasury Regulations and other binding regulatory guidance thereunder.
- 1.2 "Section 409A" means section 409A of the Code.
- 1.3 "Separation From Service" shall have the meaning set forth in Section 409A(a)(2)(A)(i) of the Code.
- 1.4 "Specified Employee" means a US Director who meets the definition of "specified employee," as defined in Section 409A(a)(2)(B)(i) of the Code.
- 1.5 "US Director" means a Director subject to Section 409A.

**2. Compliance with Section 409A**

- 2.1 In General. Notwithstanding any provision of the Plan to the contrary, it is intended that, with respect to US Directors, the provisions of the Plan comply with Section 409A, and all provisions of the Plan shall be construed and interpreted in a manner consistent with the requirements for avoiding taxes or penalties under Section 409A. Each US Director is solely responsible and liable for the satisfaction of all taxes and penalties that may be imposed on or for the account of such US Director in connection with the Plan or any other Plan maintained by the Corporation (including any taxes and penalties under Section 409A), and neither the Corporation nor any affiliate of the Corporation shall have any obligation to indemnify or otherwise hold such US Director (or any beneficiary) harmless from any or all of such taxes or penalties.
- 2.2 Election to Receive Deferred Share Units. A US Director who wishes to have all or any part of his Directors' Annual Remuneration for a given calendar year paid as Deferred Share Units shall irrevocably elect payment in the form of Deferred Share Units prior to the commencement of the calendar year during which the Directors' Annual Remuneration is to be earned. Such election shall be made in accordance with procedures established by the Committee for such purpose. Any election made under this Section 2.2 shall apply to Directors' Annual Remuneration earned in future calendar years unless and until the US Director makes a later election in accordance with the terms of this Section 2.2.

- 2.3 Payment Deadline for Directors' Annual Remuneration Paid in Cash. Notwithstanding Section 4.6 of the Plan, payment of Directors' Annual Remuneration paid in cash shall in all events be paid within 60 days after the last day of each Quarter.
- 2.4 Committee's Ability to Decline to Issue Deferred Share Units. Notwithstanding Section 4.6 of the Plan, the Committee may only exercise its discretion pursuant to Section 4.6 of the Plan to decline to award Deferred Share Units for a given calendar year (notwithstanding an election by a US Director under the Plan to have all or any part of his Directors' Annual Remuneration for a given calendar year paid as Deferred Share Units) if it does so on or before the deadline for the US Director to make such election pursuant to Section 2.2.
- 2.5 Distributions to US Directors. Notwithstanding the provisions of Section 6.1 of the Plan to the contrary, the value of a US Director's Deferred Share Unit Account shall be redeemed during the calendar year next following the calendar year in which the US Director's Termination Date occurs. If the US Director does not select a Redemption Date, his Deferred Share Unit Account shall be redeemed by the Committee in sufficient time so that payment may be made on the last business day of the calendar year following the year in which the Director's Termination Date occurs. For avoidance of doubt, a US Director may not specify a Redemption Date that is earlier than January 1 or later than December 15 of the calendar year following the calendar year in which the Director's Termination Date occurs. The Director's Termination Date shall be the date on which the US Director experiences a Separation From Service or dies. If the Director's Termination Date results from the Director's death, payments shall be deemed for purposes of Section 409A to be made upon death rather than Separation From Service, and shall be paid pursuant to Section 2.7.
- 2.6 Distributions to Specified Employees. Solely to the extent required by Section 409A, Deferred Share Unit Accounts which become redeemable on account of the Separation From Service of a US Director who is determined to be a Specified Employee shall not be redeemed and paid before the date which is 6 months after the Specified Employee's Separation from Service (or, if earlier, the date of death of the Specified Employee).
- 2.7 Distributions on Death. The Deferred Share Unit Account of a US Director whose Director's Termination Date results from death shall be redeemed and paid to the US Director's estate during the calendar year next following the calendar year in which the death occurs. If the US Director (or the US Director's estate) does not select a Redemption Date, his Deferred Share Unit Account shall be redeemed by the Committee in sufficient time so that payment may be made on the last business day of the calendar year following the year in which the death occurs. To the extent payment pursuant to this Section 2.7 could be made in more than one calendar year, neither the US Director nor the US Director's estate may select, directly or indirectly, the calendar year in which the payment will be made.
- 2.8 Notwithstanding anything contained in this Special Appendix, if a US Director becomes subject to tax pursuant to the provisions of the Income Tax Act (Canada), on amounts under the Plan prior to receipt of such amounts pursuant to Section 2.5 or 2.7 of this Special Appendix, a portion of the US Director's Deferred Share Unit Account shall be redeemed so that payment may be made in an amount equal to the "Tax Payment Amount" as soon as practicable (but not later than 90 days) after the date such amounts become subject to tax pursuant to the provisions of the Income Tax Act (Canada). The "Tax Payment Amount" shall equal the amount of taxes due by the US Director (or the US Director's estate) under the Income Tax Act (Canada) on amounts under the Plan, plus an additional amount to cover

any taxes imposed on the payment made pursuant to this Section 2.8 to the maximum extent permitted under Section 409A.

**3. Amendment of Appendix**

The Board shall retain the power and authority to amend or modify this special appendix to the extent the Board in its sole discretion deems necessary or advisable to comply with any guidance issued under Section 409A. Such amendments may be made without the approval of any US Director.

\* \* \* \*