
TERMS OF REFERENCE FOR THE AUDIT COMMITTEE

1. PURPOSE

The primary function of the Audit Committee is to assist the board of directors (the “**Board**”) of Morguard Corporation (the “**Corporation**”) in fulfilling its financial oversight responsibilities with respect to:

- A. the annual and quarterly financial statements, related management’s discussion and analysis of financial conditions and results of operations (“**MD&A**”), annual and quarterly earnings press releases and other financial information before such information is disclosed by the Corporation to the public;
- B. the appointment and compensation of, and reviewing and appraising the audit efforts of, the Corporation’s External Auditor;
- C. providing a mechanism for dispute resolution among the External Auditor and management and the Board;
- D. oversight of the work of the External Auditors, including the review of quarterly financial statements and/or MD&A by the Corporation’s External Auditors; and
- E. monitoring the Corporation’s financial reporting processes and internal controls, the Corporation’s processes to manage financial risk and the Corporation’s compliance with legal and regulatory requirements.

In performing its duties, the Audit Committee will maintain effective working relationships, including engaging in full and frank discussions, with the Board, management, and the internal and External Auditors. To perform his or her role effectively, each Audit Committee member will obtain an understanding of the detailed responsibilities of Audit Committee membership as well as the Corporation’s business, operations and risk. Consistent with this function, the Audit Committee should encourage continuous improvement of, and should foster adherence to, the Corporation’s policies, procedures and practices at all levels. In discharging its responsibilities, the Audit Committee is not itself responsible for the planning or conduct of audits or for any determination that the Corporation’s financial statements are complete and accurate or in accordance with Canadian generally accepted accounting principles.

2. EXTERNAL AUDITOR INDEPENDENCE

The Corporation’s External Auditor is ultimately accountable to the shareholders through the Board and the Audit Committee. The Audit Committee’s responsibilities regarding the independence of the External Auditor are identified under the heading “Duties, Powers and Responsibilities: External Audit”.

3. COMPOSITION AND OPERATIONS

- A. The Audit Committee shall be comprised of not less than three Directors, all of whom shall be independent and financially literate within the meaning of National Instrument 52-110 (as the same may be amended or replaced from time to time).
- B. An Audit Committee member will be considered independent if he or she is free from any relationship that, in the view of the Board, could reasonably interfere with the exercise of his or her independent judgment as a member of the Audit Committee.

- C. All Audit Committee members shall be financially literate, having the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that could reasonably be expected to be raised in the Corporation's financial statements.
- D. Where the Board is required to fill a vacancy on the Audit Committee resulting from a death, disability or resignation, the member appointed to fill this vacancy is exempted from the requirement of being independent and financially literate for a period ending on the later of (i) the next annual meeting of the Corporation; and (ii) the date that is six months from the day the vacancy was created.
- E. The Secretary to the Committee will be the Corporate Secretary or his or her delegate.
- F. The Audit Committee shall meet at least once each quarter. Meeting agendas will be prepared and provided in advance to members, along with appropriate briefing materials.
- G. The Corporation's internal auditor shall be entitled to receive notice of every meeting of the Audit Committee, and shall attend such meetings at the invitation of the Audit Committee. The External Auditor shall be entitled to receive notice of every meeting of the Audit Committee and to attend and be heard thereat. The Audit Committee expects that both the internal and External Auditors will have independent communication and information flow with it or the Committee Chair.
- H. The Audit Committee may invite such officers, directors and employees of the Corporation as it may see fit, or any external counsel, from time to time to attend meetings of the Audit Committee and assist in the discussion and consideration of the duties of the Audit Committee. The Audit Committee shall have full authority to investigate any financial matter brought to its attention with full access to all books, records, facilities and personnel of the Corporation.
- I. The time at which and place where the meetings of the Audit Committee shall be held and the calling of meetings and the procedure in all things at such meetings shall be determined by the Audit Committee; provided that meetings of the Audit Committee shall be convened whenever requested by the External Auditor or my member of the Audit Committee in accordance with the Canada Business Corporations Act.
- J. At least once each quarter, in the absence of any management representatives, the Audit Committee shall meet with both the Corporation's internal and external auditors ("in camera meetings").
- K. The Audit Committee shall keep minutes of its meetings, which, once approved by the Audit Committee, shall be available as soon as possible to the Board and provided to each Director who so requests.

4. DUTIES, POWERS AND RESPONSIBILITIES

There is hereby delegated to the Audit Committee the duties and powers specified in section 171 of the Canada Business Corporations Act and, without limiting these duties and powers, the Audit Committee shall be responsible for, among other things:

A. Financial Statements

- i. In the discussion of the external audit plan with the External Auditor and management, satisfy itself that both quantitative and appropriate risk factors have been taken into account in the determination of whether or not amounts or disclosures are material to financial statements.
- ii. Review the annual audited financial statements and MD&A with management and the External Auditor prior to their submission to the Board for approval, and make a determination whether to recommend to the Board that the audited financial statements and MD&A be approved for inclusion in the Corporation's Annual Report.

- iii. Satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the financial statements and periodically assess such procedures.
- iv. Review, prior to their dissemination, the unaudited quarterly financial statements of the Corporation and other financial information with management and the External Auditor and, if satisfied that such statements and information conform to the accounting practices and standards of the Corporation, either recommend to the Board the approval, release and publication of such statements and information or, if so authorized by the Board, approve and authorize the release and publication of such statements and information. The Audit Committee shall also discuss the results of the External Auditor's review of the Corporation's quarterly financial statements. The Committee shall also review, and if so authorized by the Board, approve the quarterly MD&A.
- v. Review, prior to their dissemination, annual and quarterly earnings press releases.
- vi. In the review of annual and quarterly financial statements, discuss the quality of the Corporation's accounting principles, the reasonableness of significant judgments, the clarity of the disclosures in the financial statements and the adequacy of internal controls. The Audit Committee shall also discuss the results of the annual audit, its quarterly reviews and any other matters required to be communicated to the Audit Committee by the External Auditor under Canadian generally accepted auditing standards applicable law or listing standards.
- vii. Review the result of the External Auditor's audit of the Corporation's financial records, including the management letter, and report to the Board any matters that remain unresolved. Such review shall address any problems or difficulties the External Auditor may have encountered in connection with the annual audit or otherwise, including any restrictions on the scope of activities or access to required information, any disagreements with management regarding generally accepted accounting principles and other matters, material adjustments to the financial statements recommended by the External Auditor and adjustments that were proposed but "passed", regardless of materiality.
- viii. Review periodically with management, the internal auditor and the External Auditor the effect of new or proposed regulatory and accounting initiatives on the Corporation's financial statements and other public disclosures and procedures.
- ix. Review with the External Auditor (i) the Corporation's critical accounting policies and estimates, and (ii) any alternative treatments of financial information under Canadian generally accepted accounting principles that have been discussed with management.

B. Internal Controls

- i. Discuss with management, the internal auditor and the External Auditor the Corporation's major risk exposures (whether financial, operational or otherwise), the adequacy and effectiveness of the accounting and financial controls, and the steps management has taken to monitor and control such exposures and manage legal compliance programs, among other considerations that may be relevant to their respective audits.
- ii. Review with the Chief Financial Officer on an annual basis the Corporation's system of internal controls, control culture, and risk assessment and control activities.

C. Internal Audit

- i. Communicate directly with the internal auditors.
- ii. Review with management, the External Auditor and the internal auditor, audit scope, audit plans, activities and staffing of the internal audit function.

- iii. Review with management, the External Auditor and the internal auditor, the internal auditor's periodic activity reports.
- iv. Review on an annual basis the experience and qualifications of the senior members of the internal auditors and the overall effectiveness of the internal audit function including comparison with external benchmarks.
- v. Review internal audit costs annually.
- vi. Discuss with the Chief Executive Officer any proposed dismissal, appointment or replacement of the internal auditor.

D. External Audit

- i. Recommend to the Board, the External Auditor to be nominated for the purpose of preparing or issuing an audit report (or any related work), as well as the compensation to be paid to such auditors.
- ii. Ensure that the External Auditor reports directly to the Audit Committee and that the auditor's engagement letter is addressed to, and signed by, the chair of the Audit Committee.
- iii. Oversee the work of the External Auditors engaged for the purpose of preparing or issuing an audit report or other audit, review or attest services work.
- iv. Review with the External Auditor, management and the internal auditor the External Auditor's proposed audit plan and approach, including coordination with the internal auditor and the relationship between areas of audit emphasis and quantum of risk.
- v. Pre-approve all auditing services and permitted non-audit services to be provided to the issuer or its subsidiary entities by its External Auditor or the External Auditor of its subsidiary entities. The Audit Committee need not pre-approve non-audit services provided by the external auditors, so long as the non-audit services in question are de minimis as defined in National Instrument 52-110 (as the same may be amended or replaced from time to time). The Audit Committee is permitted to delegate its pre-approval responsibilities to one or more of its independent members.
- vi. Review with the External Auditor annually their written statement regarding relationships and services which may affect the External Auditor's objectivity and independence.
- vii. At least annually, receive a report by the External Auditor describing the firms' internal quality control procedures and any material issues raised by the most recent internal quality control review of the local practice office or by any inquiry or investigation by governmental or professional authorities of the local practice office, within the preceding two years, and steps taken to address any such issues. The report shall also include any similar matters pertaining to offices other than the local practice office, to the extent the audit partner is aware of such matters.
- viii. Ensure the regular rotation of the lead partner and the reviewing partner to the extent required by law, and regularly consider whether or not there should be a rotation of the Corporation's External Auditor.
- ix. With management, evaluate the performance of the External Auditor annually.
- x. Review and approve guidelines for the Corporation's hiring of employees, partners and former employees and partners of the External Auditor and its predecessor.

E. Compliance and Reporting Requirements

- i. The Audit Committee shall also meet periodically and separately with the General Counsel and other appropriate legal staff of the Corporation or external counsel to review material legal affairs of the Corporation and the Corporation's compliance with applicable law and listing standards.
- ii. Regularly update the Board about Committee activities and ensure the Board is aware of matters which may significantly impact the financial condition or affairs of the Corporation.
- iii. The Audit Committee must provide the Corporation with the disclosure regarding the Audit Committee and its members required by National Instrument 52-110 and Form 52-110F (as the same may be amended or replaced from time to time).
- iv. Prepare annually a report for inclusion in the management information circular. This report will cross-reference to the Audit Committee information contained in the AIF and disclose the Committee's activities that resulted from its financial reporting oversight responsibilities. Specifically, the report will deal with its review of the financial statements with management, the discussions it has had with the External Auditor regarding their written disclosures pertaining to independence and other matters required to be discussed and will contain disclosure of all audit and non-audit fees paid to the External Auditor.

F. Risk Responsibilities

- i. Receive presentations, regular reports and other information to understand the top and emerging risks to which the Corporation is exposed.
- ii. Regularly review and evaluate the effectiveness of the Corporation's process for assessing significant risks or exposures and the steps that management has taken to minimize such risks and obtain management's reasonable assurance that the Corporation's risk management policies for significant risks are being adhered to.

G. Other Responsibilities

- i. Ensure procedures are in place for the receipt, retention and treatment of complaints received by the Corporation regarding financial statement disclosure, accounting, internal accounting controls or auditing matters, and the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.
- ii. Review annually a summary of the Corporation's transactions with directors and officers as well as any other material related party transactions.
- iii. In assessing its own performance, the Audit Committee shall solicit feedback from the Board, the Chief Executive Officer, the Chief Financial Officer, the internal auditor and the External Auditor on specific opportunities to improve Audit Committee effectiveness.
- iv. Review and assess the adequacy of the Terms of Reference for the Audit Committee on an annual basis.
- v. Carry out such other duties as may be delegated to it by the Board from time to time.

5. OUTSIDE EXPERTS

The Audit Committee may, if and when considered appropriate to do, so, institute, direct and supervise an investigation into any matter related to the mandate of the Committee and may, for the purposes of such

investigation and otherwise, retain and pay the compensation for the services of outside legal counsel or other professionals, as required.

6. ACCOUNTABILITY

The Audit Committee shall report its discussion to the Board by distributing the minutes of its meetings and, where appropriate, by oral report at the next Board meeting.

7. COMMITTEE AGENDA AND TIMETABLE

The Chair of the Committee will, in consultation with other members of the Committee and the appropriate officers of the Corporation, be responsible for calling meetings of the Committee, establishing the agenda for the meetings and conducting the meetings of the Committee. The Committee may meet in executive session, including with its advisors, as it deems necessary or appropriate.