

Annual Information Form



Experience the Benefits of People

December 6, 2019

# PEOPLE CORPORATION

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### PRESENTATION OF INFORMATION

This Annual Information Form ("**AIF**") is intended to provide material information about People Corporation (the "**Company**") and its business. In this AIF, the "Company", "we", "us", and "our" refers to People Corporation and its subsidiaries on a consolidated basis.

Unless otherwise indicated, all information in this AIF is presented at and for the Company's fiscal year and fourth quarter ended August 31, 2019. Unless otherwise indicated, all amounts are expressed in thousands of Canadian dollars except share information. Financial information is presented in accordance with International Financial Reporting Standards (IFRS).

This AIF and other information about the Company can be accessed on the System for Electronic Document Analysis and Retrieval (SEDAR) at [www.sedar.com](http://www.sedar.com) or by writing to Jonathan Ross, Investor Relations, LodeRock Advisors Inc., 202-1 Toronto Street, Toronto, ON M5C 2V6.

### DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this AIF from documents filed with securities commissions or similar authorities in Canada. Copies of documents incorporated herein are available electronically on SEDAR.

The following documents of the Company are specifically incorporated by reference to and form an integral part of this AIF:

- the audited consolidated financial statements of the Company, including the consolidated statement of financial position as at August 31, 2019 and 2018 and the consolidated statements of comprehensive income, changes in equity and cash flows for the years then ended, together with the notes thereto and the independent auditor's report thereon, as filed on SEDAR on December 9, 2019 (the "**Financial Statements**"); and
- Management's Discussion and Analysis for the year ended August 31, 2019, as filed on SEDAR on December 9, 2019 (the "**MD&A**").

### CAUTION REGARDING FORWARD LOOKING-STATEMENTS

This AIF contains forward-looking statements and information including, without limitation, financial and business prospects and financial outlooks and may be forward-looking statements that reflect management's expectations regarding future plans and intentions, growth, results of operations, performance and business prospects and opportunities. Use of words such as "may", "will", "expect", "believe", "intends", "likely", or other words of similar effect may indicate a "forward-looking" statement. These statements are not guarantees of future performance and are subject to numerous risk factors, such as the Company's ability to maintain profitability and manage growth; the anticipated growth of the human resources industry; the continued outsourcing of administration functions by insurance carriers; the continued payment of and inflation in commission rates paid to consultants to arrange group insurance plans; the continued efficient operation of the Company's third party administration platform; the seasonality of revenues and the resulting possible impairment on working capital; the reliance on and continued employment of and attraction of key professionals; the reliance on and continued ability to work with multiple insurance carriers; reliance on information systems and technology; reputation risk; the Company's strategic plans; future acquisitions; and in general, economic conditions. These forward looking statements reflect management's current beliefs and are based on information currently available to management. Such forward looking statements are based on a number of assumptions and factors, which may prove to be incorrect, including, but not limited to, assumptions about: demographics, employment and unemployment rates, insurance commission rates, interest rates, availability of experienced advisors, and availability of companies continuing to offer benefit plans to their employees. Forward looking statements involve significant risks and uncertainties.

A number of factors could cause actual results to differ materially from the results discussed in the forward looking statements including, but not limited to, changes in general economic and market conditions and other risk factors set out in the AIF under the heading "**Risk Factors**". Readers are cautioned that the foregoing list of factors is not exhaustive of the factors that may cause actual results to differ materially from those estimated or projected and expressed in or implied by, the Company's forward looking statements. Although the forward looking statements contained herein are based upon what management believes to be reasonable assumptions, management cannot

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assure that actual results will be consistent with these forward looking statements. Readers should not place undue reliance on forward looking statements. These forward looking statements are made as of the date hereof and People Corporation assumes no obligation to update or revise them to reflect new events or circumstances unless otherwise required by law.

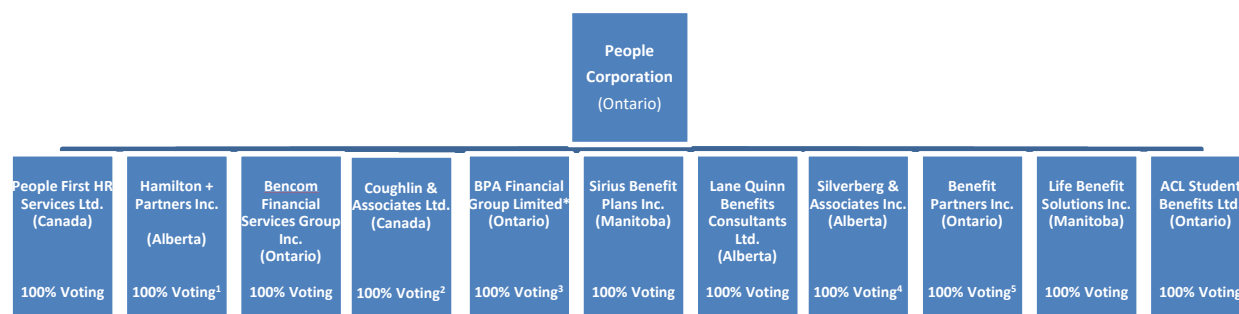
### CORPORATE STRUCTURE

#### Name, Formation and Incorporation

The full corporate name of the Company is People Corporation. The Company is incorporated pursuant to the *Business Corporations Act* (Ontario). The registered office of the Company is c/o McMillan LLP, 181 Bay Street, Suite 4400, Toronto, Ontario M5J 2T3. The executive offices of the Company are located at 1403 Kenaston Boulevard Winnipeg, Manitoba, R3P 2T5.

#### Intercorporate Relationships

The following chart shows the Company's principal subsidiaries and their jurisdictions of incorporation. The Company owns 100% of the voting shares of all the principal subsidiaries. With respect to those subsidiaries in respect of which the Company shares the economic interest with the principals thereof, the chart indicates the percentage of economic interest attaching to the non-voting securities of these subsidiaries that are held by the Company.



\*wholly-owned material subsidiaries include: Benefit Plan Administration Services Limited; Benefit Plan Administrators Limited; TAL Insurance Brokers Limited.

<sup>1</sup> The Company holds 70.0%, 60.0% and 50.0% economic interest in Employee Benefits Inc., Disability Concepts Inc., and 6814407 Canada Corporation, respectively.

<sup>2</sup> The Company holds 72.0% economic interest in Coughlin & Associates Ltd. The Company's economic interest increased from 72.0% to 88.0% effective after the end of the first quarter of fiscal year 2020.

<sup>3</sup> The Company holds 78.2% economic interest in BPA Financial Group Limited and its subsidiaries. The Company's economic interest increased from 78.2% to 83.2% effective the end of the first quarter of fiscal year 2020.

<sup>4</sup> The Company holds 75.0% economic interest in Silverberg & Associates Inc.

<sup>5</sup> The Company holds 75.0% economic interest in Benefit Partners Inc.

\*\* See "Practice Areas" for an overview of the Company's operating divisions.

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### GENERAL DEVELOPMENT OF THE BUSINESS

The Company delivers employee group benefit consulting, third party benefits administration, group retirement consulting, claims processing and payment, disability management and administration services and strategic human resource consulting and recruitment services, to help companies attract, retain and reward employees.

The Company maintains a corporate strategic plan, a financial plan and an ongoing annual planning process that enables the Company to continue to grow and execute on its vision. The Company's priority is the continued profitable expansion of existing operations through a focus on organic growth and the acquisition of synergistic companies with a view to maximizing value for its stakeholders: i) shareholders, ii) clients, iii) acquisition partners, iv) suppliers, and v) employees. The Company has financial and management resources in place to execute these priorities.

#### Three Year History

The Company's revenue compounded annual growth rate (CAGR) over the past three years was 26.7%. Revenue growth year over year is the result of both organic and acquisitive growth. Organic growth during fiscal 2019 (8.9%), 2018 (10.1%), and 2017 (11.1%) has remained fairly consistent while acquired growth has fluctuated based on the number, size, and timing of acquisitions completed during fiscal 2019 (15.6%), 2018 (13.2%), and 2017 (21.5%).

On July 30, 2019, the Company acquired all of the shares of ACL Student Benefits Ltd. ("**ACL**"). ACL, established in 1998 and based in Ontario, is one of the largest privately-owned post-secondary student benefits consulting firms in Canada.

On February 11, 2019, the Company acquired all of the shares of Life Benefit Solutions Inc. ("**Life**"). Life, established in 2005 and based in Manitoba, provides group benefits consulting and group retirement solutions primarily focused on the First Nation market.

Effective November 27, 2018, the Company acquired 100% of the voting shares and 75% of the economic interest of Benefits Partners Inc. ("**BPI**"). BPI, established in 1995 and based in Ontario, provides group benefits consulting and group retirement solutions.

Effective August 1, 2018, the Company acquired 100% of the voting shares and 75% of the economic interest of Silverberg & Associates Inc. ("**Silverberg**"). Silverberg, established in 1996 and based in Alberta, provides group benefits and group retirement advisory services.

Effective May 23, 2018, the Company acquired all of the shares of Lane Quinn Benefit Consultants Ltd. ("**Lane Quinn**"). Lane Quinn, established in 2001 and based in Alberta, provides group benefits and group retirement advisory services.

Effective February 1, 2018, the Company acquired specific assets and business operations of Rockwater Benefits Company Limited ("**Rockwater**"). Rockwater is based in Ontario and provides group retirement and group benefits advisory services.

Effective December 1, 2017, the Company acquired the assets and business operations of Assurances Dalbec Ltée ("**Dalbec**"). Dalbec, established in 1975 and based in Quebec, provides group benefits and insurance advisory services and third party administration and third party payment services.

Effective April 30, 2017, the Company acquired all of the shares of Skipwith & Associates Insurance Agency Inc. ("**Skipwith**"), an Ontario, based group benefits consulting and administrative services company.

Effective April 12, 2017, the Company acquired all of the shares of Sirius Benefit Plans Inc. ("**Sirius**"), a Winnipeg, Manitoba, based group benefits and administration services company, focussing primarily on small and mid-sized companies.

As part of its strategic plan to support organic growth and to carry out synergistic acquisitions, the Company has focussed on ensuring that it has sufficient cash resources in place, which has included maintaining its credit facility led by Canadian Imperial Bank of Commerce. Effective December 16, 2016, National Bank became a co-lender with Canadian Imperial Bank of Commerce under the Company's credit facility. On December 4, 2017, the Company's senior lenders increased the Company's existing credit facility by \$22.1 million to a total of \$83.3 million. The amended credit facility consisted of a \$5.0 million revolving facility, a \$19.5 million term loan with a \$9.5 million delayed draw on the term loan (related to the Company's new corporate offices described below) and a \$48.8 million revolving acquisition

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facility with an option, subject to satisfaction of certain terms and conditions, to increase the acquisition facility by an additional \$15.0 million of capacity ("**Accordion Feature**"), which would result in the size of the acquisition facility being increased to \$63.8 million and overall credit capacity being increased to \$97.8 million. On August 1, 2018, in conjunction with the acquisition of Silverberg, the Company exercised the Accordion Feature, thereby increasing the acquisition facility limit from \$48.8 million to \$63.8 million. Effective June 25, 2019, Bank of Montreal was added as a co-lender and the Company amended and restated its existing credit agreement. The amended and restated credit facility consists of a \$5.0 million swingline and a \$125.0 million revolving commitment. The revolving commitment can be expanded up to an additional \$50.0 million, which would result in the size of the revolving commitment being increased to \$175 million and an overall credit capacity being increased to \$180 million. In addition, over the past three financial years, the Company completed three fully-subscribed bought deal private placement financings for gross proceeds of; October 6, 2016, for \$20.1 million, November 22, 2017 for \$25.3 million and August 21<sup>st</sup>, 2018 for \$40.2 million. Subsequent to August 31, 2019 the Company completed a fourth bought deal private placement common share offering on October 16, 2019 for gross proceeds of \$63.5 million.

To support corporate office space growth, the Company entered into a 10-year lease of premises on June 30, 2017 for new office space in Winnipeg, Manitoba, that came into effect on December 1, 2017. The leasing of these new premises included a construction agreement to develop the space which was completed in the Company's previous financial year and is now at full occupancy.

### Significant Acquisitions

During the Company's most recent financial year ended August 31, 2019, the Company did not complete any acquisition for which disclosure was required under Part 8 of National Instrument 51-102.

## DESCRIPTION OF THE BUSINESS

### General

The Company delivers employee group benefit consulting, third party benefits administration, group retirement consulting, pension advisory services, claims processing and payment, disability management and administration services and strategic human resource consulting and recruitment services, to help companies attract, retain and reward employees. The Company achieves this through approximately 925 professionals and support staff, with 33 offices located across Canada where the Company is registered to do business in all 10 provinces and 2 territories. The Company earns revenues from a diverse base of clients in various industries. Approximately 95.61% (2018 – 95.70%) of the Company's revenues come from employee group benefits consulting, third party benefits administration and group retirement consulting, while the remainder comes from strategic human resource consulting, recruitment services and other revenues. The common shares of the Company ("**Common Shares**") trade on the TSX Venture Exchange ("**TSX-V**") under the symbol "PEO".

Although the human resource industry is highly competitive and fragmented, the Company anticipates significant growth in the industry over the next ten years. As the baby boomers age, companies in Canada will increasingly be faced with a shortage of qualified talent. Nearly every company in Canada purchases human resource products or services, be it employee benefits, life and health insurance products, recruitment services, payroll processing, consulting services, training and development, group retirement services, pension advisory services and other outsourcing functions and services. To take advantage of this opportunity within a vast marketplace, the Company focuses on group and employee benefit advisory and administrative services, group retirement consulting, and human resource consulting and recruitment services. The Company is moving towards a greater emphasis on delivering solutions to clients that meet their group benefit, group retirement, human resources and HRIS system needs on an integrated basis, in an effort to help employers reduce costs while still being in a competitive position to attract and retain employees.

To facilitate its service delivery, the Company has broken down its service offering into the following three practice areas, Consulting Solutions, Benefit Solutions and Human Resource Solutions, which are described in detail below under the heading, "Practice Areas". A previously reported fourth practice area Shared Services has been restructured under Consulting and Benefit Solutions. The Company's practice areas are led by senior professionals with in-depth knowledge and experience in a variety of sectors. They help the Company's clients prosper by designing employee services that enable the clients' employees to grow and succeed at every stage of their careers.

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### Practice Areas

The following chart sets out the specific practices that fall under the Company's three practice areas. Shared services that support the practice areas are also shown. The specific practices are organized in this manner to facilitate the integration of those practices within the Company that provide similar client services.



### Consulting Solutions

Within the Consulting Solutions division, the Company focuses on providing a unique employee benefit, group retirement and human resource solution that is customized to individual client needs. The consulting advice primarily includes plan review and plan design, plan marketing, plan recommendations, alternative funding methods, plan set up, employee communications, and wellness programs.

The Company's consultants are divided into teams that focus independently of each other on corporate benefits, public sector benefits, association benefits, student benefits, first nations benefits and alternative funding methods including self-insurance. While each team goes to market independently, the Company has an advisor group that brings the skills of the different teams together and therefore, the Company is able to proactively approach client assignments in a manner that brings the expertise from various consultants together where necessary.

Integrated Solutions provides group benefit advisory services with a focus on unique strategic and tax effective compensation solutions designed to realign the competing needs of the employer's business and its employees. Its specific expertise is primarily provided to a network of third party insurance brokers associated with the Company who do not traditionally service group benefit needs.



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Group Retirement Solutions focuses on enhancing the existing group retirement products offering and client service model. Its mandate is to provide support services to the Company's benefit consultants to help them expand their service offering to clients to include group retirement products and solutions. It is also the intention of the Company to build on this service offering through future acquisitions.

Added to the Consulting Solutions division in the most recently completed financial year, acquisitions BPI, Life and ACL focus on corporate Canada, First Nations groups and post-secondary student associations respectively.

### Benefit Solutions

The Company's Benefit Solutions division has several third-party administration ("TPA") and third-party payor ("TPP") service and administrative platforms allowing it to provide group benefit, group retirement and consulting advice that is highly customized towards the client's needs. TPA and TPP administer group benefit and group retirement plans on behalf of clients and insurance carrier partners. These administration platforms allow the Company to develop specialized, unique and customized benefit solutions for its clients through a plug-and-play approach of using multiple insurance carrier partners on a single benefits plan design. TPA services include employee data management, billing services, consolidated billing services where a client has multiple insurance carriers associated with its plan, health spending accounts, customized reporting, customized plan design services, underwriting services, communication services and technology solutions. In addition, through its various partners, the TPA platforms also provide claims adjudication services and claims management.

The Company serves as an independent data administrator on behalf of the Company's clients, who are generally an employer and/or plan sponsor – this allows the benefit consultant to work with the client to select from various insurance carriers and funding options that are best suited to the benefit categories within the employee benefits program. The client benefits from the availability of multiple carriers and funding alternatives on one consolidated billing and reporting platform.

### Human Resource Solutions

The Company's Human Resource Solutions division works with clients to diagnose, design and deliver customized human resource solutions. The human resources consulting team delivers a broad range of services, including: human resource consulting, compensation services, assessment services, recruiting, career transition services and talent management.

The Company contributes substantially to the success of its clients by working with them to recruit top talent, discover the full potential of each of their employees, maximize the collective strength of a highly engaged workforce and assist in the exiting process when it's time to part ways. The Company works directly with clients to support their Human Resources needs, helping them get the most out of their people in order to achieve their organizational goals.

The Company works with its subsidiaries and divisions by providing shared services that consist of subject matter experts and proprietary products. These shared services have been created to ensure that the Company's subsidiaries and divisions have access to an internal product and service offering not normally available to mid-size employee benefit firms, thereby ensuring clients are receiving the best possible consulting advice. This results in the Company's subsidiaries and divisions having a unique value proposition and thereby providing them with a competitive edge.

Health Solutions focuses on providing the Company's clients with a suite of proprietary products, including the launch of People Connect (October 2019), and service offerings that help manage their increasing costs of absenteeism, presenteeism, and loss of productivity. People Connect is an end-to-end proprietary virtual therapy solution designed to address the mental health needs of our clients and their employees.

Business Development comprises inside sales professionals who provide qualified leads for the Company's benefit consultants. The Business Development teams source employer companies based on set criteria to introduce its proprietary value proposition in order to qualify, create and develop sales opportunities. This business unit heightens People Corporation awareness to potential prospects and generates leads for the Company's benefit consultants to ultimately increase revenue.



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Talent Acquisition focuses on internally sourcing, attracting, and hiring top talent into the People Corporation organization. Its mandate is to fill vacant positions in the Company in a timely and cost effective manner.

Marketing & Communications focuses on brand awareness and transition across the organization to facilitate the acquisition of new clients, businesses and recruitment prospects. It also manages the Company's online presence, the production of field and marketing materials to support benefit consultants, as well as internal and external communications.

### Recent Developments

Subsequent to August 31, 2019 the Company completed the following acquisitions:

On October 31, 2019, the Company acquired Collage Technologies Inc. ("Collage"), a leading cloud-based digital human resource, employee benefits administration and payroll solution provider focused on the small and medium-sized business segment in Canada.

On November 28, 2019, the Company acquired the Apri Group of Companies ("Apri"), a national group benefits consulting firm, group benefits managing general agency ("MGA"), and third-party administrator ("TPA") headquartered in Richmond Hill, Ontario.

### Competitive Conditions

Small and medium enterprise group insurance and pension consulting is serviced by a large number of small regional and local participants. The balance of the industry, which is focused on large employers and government accounts, is serviced by a small number of multinational consulting firms. The scope of services offered includes pension and benefits consulting, pension and benefits administration, communication consulting, actuarial services and wellness consulting.

The industry has been under significant competitive pressure over the past several years due to the significant cost increases in group insurance premiums resulting from increasing healthcare costs, aging demographics and related consumer utilization. With an aging population that is both living and working longer and taking advantage of more medical services and improvements in drugs, cost and utilization are naturally increasing. This, combined with the continued cost shifting from the public to the private sector through reduced coverage under provincial healthcare programs and other public plans, and the long-term outlook for group insurance costs, suggests that such premiums will continue to rise. In addition, the group insurance and pension consulting industry has undergone a substantial corporate restructuring in recent years, including a significant consolidation of insurers which has in turn resulted in less competition and potentially increased premiums charged to clients. Employers who provide group insurance coverage are therefore demanding greater services from their insurance advisors, including enhanced resources, outsourcing solutions and more creative ways to reduce costs. The multinational consulting firms primarily offer fee based consulting and administrative services, with the balance of the marketplace operating primarily on commission based compensation, with limited fee based services available depending upon the client and the services required.

In addition to the competitive pressures, new entrants to the market have exposed employers to new technology which will facilitate flexible group benefit plan design for a multi-generational workforce, proactive management of healthcare costs and an enhanced user experience with the use of robust platforms and health and wellness applications.

Human resource consulting and staffing services are dominated by many small players and a few larger multi-national firms. The aging workforce and limited inflow of skilled labour has long been recognized as creating a shortage of skilled labour and talent, therefore, increasing the need for companies to use recruitment firms and human resource consulting firms to help them to recruit, retain and reward employees. This is particularly evident in many small to medium sized enterprises, which lack the expertise and internal resources to effectively recruit and retain talent and therefore have a need to outsource this function. Human resource consulting and recruitment firms primarily offer fee based services.

### Intangible Property

The Company owns a number of registered and unregistered trade-marks and operates under a number of different brand names. These trademarks and brands are important as they help to differentiate the Company's products and services from those of its competitors. Some of the Company's more significant brands include, People Corporation, HealthSource Plus, SourceSanté Plus, Gallivan Student Health & Wellness, Coughlin & Associates, BPA, Hamilton +

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Partners, Bencom, People First HR Services, Sirius Benefit Plans, Assurances Dalbec, PME Plus, PME+, Admin Plus (MC), ADMIN+ (MC), Service Collectif Total, Lane Quinn, Silverberg Group, BPI, Life Inc., ACL Student Benefits, Morcare Insurance, We Speak Student, and People Connect.

Subsequent to August 31, 2019 the Company acquired the brands "Collage", "Apri", "GroupQuest", and "JungoHR".

The Company is dependent upon the relationships and contracts it has with its clients. Through its acquisitions, the Company has acquired customer lists and customer contracts through which the Company derives its revenue. Customer lists and contracts represent intangible assets that have separate and distinct value apart from other purchased intangible assets and goodwill.

The Company relies on several software platforms to administer its current products and solutions and to service its customers. These software platforms include both proprietary software solutions that are owned by the Company and third party software solutions that the Company licenses from external vendors. These software solutions include a combination of client portals, pension and group benefit administration, group benefit billing, pension management and claims adjudication platforms. The Company continues to invest in and develop its suite of proprietary software programs and tools.

### Seasonality

As the Company continues to grow through acquisitions, the revenue trends from quarter to quarter may change depending on the relative significance of an acquisition in the fiscal year and the seasonal variances of the client renewals of the acquisition. As the Company continues to grow organically and through acquisitions the revenue trends from quarter to quarter within a fiscal year may vary, however the annual revenue trends will increasingly be more representative of the Company's annual revenue run rate as the Company achieves increasing scale.

### Revenue Dependency

The Company has various producer and commission agreements with insurance carriers through which it earns its commission revenues. The loss of any of these relationships could have a material adverse impact on the profitability of the Company and a material impact on the ability of the Company to service its clients. So far as the Company is aware, no material supply contract is at risk of being terminated or renegotiated. See "Risk Factors – Insurance Company Relationships".

### Employees

At the end of fiscal 2019, the Company employed approximately 925 employees. The Company is dependent upon these employees and contractors to earn its revenues and to service clients. The loss of key employees, especially those who are directly responsible for revenue generation and those responsible for providing services to clients, could have a material adverse effect on the Company. See "Risk Factors - Key Personnel".

### RISK FACTORS

The Company operates in a well-established and highly competitive industry and its results of operations, business prospects and financial condition are subject to a number of risks and uncertainties and are affected by a number of factors outside the control of management of the Company. These factors include, but are not limited to, the following:

#### Key Personnel

The Company is highly dependent upon the expertise and experience of its personnel, particularly those engaged in generating revenue, including, but not limited to, those involved in benefits plan design and administration, benefits legislative and regulatory issues, group retirement plan design and specialized human resource consulting, recruitment and career management. The Company's operations depend, in part, on the relationships and reputations these individuals have established with clients, often over many years. In the event the Company were to lose a number of key personnel, client relationships could be negatively impacted, which could lead to material adverse effects on the Company's operating and financial results.

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Recruitment of high performing consultants in our industry is becoming more competitive, especially as the labour pool is shrinking with aging advisors leaving the market at a rate that is outpacing the entry of new talent. Other firms may offer more attractive compensation packages, work arrangements or geographic preferences than we can offer.

The Company currently has many experienced employees who hold senior positions in the Company, who have various professional designations and who have developed deep and trusted relationships with clients. While the Company provides a competitive compensation structure for its employees, including an employee share purchase plan and a security based compensation plan and has comprehensive employment agreements in place with its employees to protect the Company, the loss of a number of key personnel may have a material adverse effect on the business of the Company. The ability to attract, retain and develop new employees into senior positions could affect the business of the Company.

### Client Relationships

Group insurance contracts are generally renegotiated on an annual basis with clients, often resulting in insurance premium pricing increases or decreases. Accordingly, there can be no guarantee that insurance contracts sold through the Company in the past will be renewed on a go forward basis or at the same pricing level. While the Company has several benefit and insurance clients with contracts that extend for one to seven years, the majority of the Company's benefit and pension revenue is derived from contracts that can be cancelled upon thirty days' notice. The Company's experience is that most clients terminate during the renewal process rather than during the policy year. While the Company's clients are diversified both in size and industry, if a number of the Company's largest clients were to terminate their contracts with the Company at the same time, this could result in a significant reduction in revenue, which could have a material adverse effect on the Company's revenues, financial condition and operating results.

### Insurance Company Relationships

In certain cases, the Company acts as the advisor to end-user employers and associations to broker group insurance products with insurance companies. There can be no assurance that the Company will be able to maintain its existing relationships with these insurance companies and the failure to do so could have a material adverse effect on the Company's business, financial condition and operating results. In addition, during the renewal process, the Company's benefits consulting teams will provide benefits planning and consulting services based on the availability of insurance products and pricing of such products. Changes in available products could result in decreased benefits coverage and/or decreased premiums which generally would result in decreased revenue for the Company.

### Regulation, Policies and Certification

The Company's group benefits and group retirement consulting and administration services are subject to laws and regulations that are constantly evolving. Changes in such laws or regulations could make some of our products or services less attractive to clients. In addition, the laws and regulations differ from province to province and the Company is required to keep up-to-date with the laws and regulations of each province.

The rules and regulations governing income and commodity taxes are complex and wide-ranging, and the calculation of income taxes and applicability of commodity taxes requires judgment in interpreting tax rules and regulations. The Company's tax filings are subject to government audits that could result in material changes to the amount of current and future income taxes and related costs.

Any changes to laws, rules, regulations or policies could have a material adverse effect on the Company's business, financial condition and operating results.

### Technology and Information Security

The Company is reliant on computerized operational and reporting systems. The Company makes reasonable efforts to ensure that back-up systems and redundancies are in place and functioning appropriately and maintains a disaster recovery plan to protect against significant system failures. While a computer system failure would not be expected to critically damage the Company in the long term, there can be no assurance that a computer system crash or like event would not have a material impact on its financial results in the short term.

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Information security risks have increased in recent years due, in part, to the proliferation, sophistication and constant evolution of new technologies used by hackers and external parties. The Company's technologies, systems and networks and third parties providing services to the Company, may be subject to attacks, breaches or other compromises. In the event of such an occurrence, the Company may experience, among other things, financial loss, a loss of customer or business opportunities, disruption to operations, misappropriation or unauthorized release of confidential, financial or personal information, litigation, regulatory penalties or intervention, remediation, investigation or restoration cost, and reputational damage.

### **Access to Capital**

The Company relies principally on bank debt, vendor-take-back debt financing and issuance of common shares to fund its acquisitions. The Company may require additional funds to make future acquisitions of group benefit, group retirement and human resource consulting businesses and may require additional funds to market and sell its products into the marketplace. The ability of the Company to arrange such financing in the future, and to repay its existing debt, will depend in part upon the prevailing capital market conditions, as well as on the business performance of the Company. While the Company has been successful in the past, there is no assurance that capital will be available under terms that are satisfactory to the Company.

Pursuant to its articles of incorporation, the Company is authorized to issue an unlimited number of common shares for consideration and on such terms as are established by the Board of Directors without the approval of any shareholders. Further issuance of common shares may dilute the interests of existing shareholders. If additional capital financing is not available on terms favourable to the Company, the Company may be unable to grow or may be required to limit or halt its strategic growth plans. In addition, if the Company experiences financial difficulty, the Company's creditors who have security interests in the Company's assets, may decide to exercise their rights to acquire or dispose of the Company's assets.

### **Future Growth via Acquisitions**

The Company's growth and expansion plans contain a three-pronged approach of generating growth: 1. gaining new clients organically; 2. increasing product and service penetration with existing clients; and, 3. through transactions in which the Company acquires new operating entities or subsidiaries. There can be no assurance that an adequate number of suitable new client and acquisition candidates will be available to the Company to meet this area of focus of its expansion plans, or in the event that such businesses are available for acquisition that they will be available at a price which would allow the Company to operate on a profitable basis. The Company competes for acquisition and expansion opportunities with entities that have substantially greater resources than the Company and these entities may be able to outbid the Company for acquisition targets.

### **Integration of Future Acquisitions**

There can be no assurance that businesses acquired by the Company in the future will achieve acceptable levels of revenue and profitability or otherwise perform as expected. The Company may be unable to successfully integrate businesses that it may acquire in the future, due to diversion of management attention, strains on the Company's infrastructure, difficulties in integrating operations and personnel, entry into unfamiliar markets, or unanticipated legal liabilities or tax, accounting or other issues. A failure to integrate acquired businesses may be disruptive to the Company's operations and negatively impact the Company's revenue or increase the Company's expenses. Risks related to the integration of acquisitions are mitigated through the Company's due diligence procedures and legal structure of its acquisitions.

### **Potential Undisclosed Liabilities Associated with Acquisition/Limited Indemnification**

In connection with acquisitions completed by the Company, there may be liabilities and contingencies related to the acquired entity that the Company failed to discover or was unable to quantify in its due diligence conducted prior to the execution of the acquisition, and the Company may not be indemnified for some or all of these liabilities and contingencies. The existence of any material liabilities or contingencies could have a material adverse effect on the Company's business, financial condition, liquidity and results of operations.

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### Interest Rate

Advances under the Company's credit facilities bear interest at variable rates. The Company may incur further indebtedness in the future that also bears interest at variable rates or it may be required to refinance its debt at higher rates. While the Company attempts to manage its interest rate risk, there can be no assurance that it will hedge such exposure effectively or at all in the future. Accordingly, increases in interest rates could adversely affect the Company's cash flows.

### Insurance

The Company believes that its professional errors and omissions insurance, director and officer liability insurance, cyber liability insurance and commercial general liability insurance coverage, address all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the Company's assets or operations.

### Canadian Economy and Competitive Conditions

The Company's future success is dependent upon the direction and state of the Canadian economy. The business, operating results and financial condition of the Company could be materially affected by a prolonged and deep recession or downturn in the Canadian economy. There is no assurance that the Company will have sufficient financial resources to withstand a prolonged and deep recession.

The insurance brokerage market is highly competitive and is composed of a large number of companies of varying size and scope of services. Insurance companies themselves also offer their products through other methods, including insurance agents and direct distribution channels, which are competitive with the insurance brokerage industry and the Company.

### Brand and Reputation

The Company is dependent, to a large extent, on its client relationships and its reputation with clients. Damage to the Company's brand or reputation could result in the loss of client relationships, which could result in a material adverse effect on the Company's business, financial condition and operating results. There can be no assurance that future incidents will not negatively affect the Company's brand or reputation.

### Internal Control

As a venture issuer, the Company is not required to certify the design and evaluation of the Company's disclosure controls and procedures ("DC&P") and internal controls over financial reporting ("ICFR"), as defined by National Instrument 52-109, and as such has not completed such an evaluation. Investors should be aware that inherent limitations on the ability of certifying officers of a venture issuer to design and implement, on a cost effective basis, DC&P and ICFR may result in additional risks to the quality, reliability, transparency and timeliness of interim and annual filings and other reports provided under securities legislation.

## DIVIDENDS AND DISTRIBUTIONS

### Dividends

There are no restrictions on the payment of dividends by the Company. The Company does not have a formal dividend policy and has never declared or paid cash dividends on the Common Shares. The Company currently intends to retain any future earnings to fund the development and growth of its business.

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### DESCRIPTION OF CAPITAL STRUCTURE

#### General Overview

On June 25, 2019 the Company amended and restated its existing credit agreement with a syndicate of Canadian banks which includes the following authorized limits:

- i) \$5,000,000 swingline commitment to fund operating cash flow needs ("**Swingline**").
- ii) \$125,000,000 revolving commitment which has been used to refinance the acquisition facility under the previous agreement and to fund future acquisitions ("**Revolver**").

The facility agreement also provides for an option to, from time to time, request an increase in the amount of the revolving commitment by an amount of not less than \$5,000,000 and not more than \$50,000,000, subject to the satisfaction of certain terms and conditions. The exercise of the option would result in the size of the revolving commitment increasing from \$125,000,000 to a maximum of \$175,000,000 and overall credit capacity being increased to a maximum of \$180,000,000.

The loan matures on June 1, 2022, unless extended pursuant to the terms of the agreement.

The facility is secured by a general security agreement over the assets of the Company and its subsidiaries and is subject to covenants. As at August 31, 2019, the Company was in compliance with all of its financial and non-financial covenants.

The authorized capital of the Company consists of an unlimited number of Common Shares. The holders of the Common Shares are entitled to one vote in respect of each share held at all meetings of shareholders. Holders of Common Shares have the right to receive dividends, if any, as and when declared from time to time by the Board of Directors of the Company and to share rateably in any property remaining in the event of liquidation, dissolution or winding-up of the Company.

#### MARKET FOR SECURITIES

The Common Shares trade on the TSX-V under the symbol "PEO". There are no other securities of the Company listed on the TSX-V and there are no securities of the Company listed on a foreign exchange. The following table sets out the price range and trading volumes of the Common Shares on the TSX-V during fiscal year ended August 31, 2019:

Month	Low	High	Close	Volume
September	\$8.10	\$8.50	\$8.50	638,038
October	\$7.60	\$8.52	\$7.70	742,964
November	\$6.18	\$7.97	\$6.95	1,181,340
December	\$6.79	\$7.53	\$7.285	1,475,302
January	\$7.00	\$8.00	\$7.98	1,235,877
February	\$7.62	\$8.09	\$7.85	763,810
March	\$7.21	\$7.90	\$7.57	1,183,030
April	\$7.40	\$8.20	\$8.15	1,080,874
May	\$7.80	\$8.15	\$8.01	1,054,734
June	\$8.00	\$8.44	\$8.10	816,201
July	\$7.95	\$9.50	\$9.35	1,889,855
August	\$8.89	\$9.60	\$9.20	1,607,113

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### ESCROWED SECURITIES AND SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

Designation of class	Number of securities held in escrow or that are subject to a contractual restriction on transfer	Percentage of class
Class A (common)	6,983,500	10.3%

Common shares issued with respect to the private placement bought deal completed on October 16, 2019 are subject to a statutory four-month hold which expires on February 17, 2020.

### DIRECTORS & OFFICERS

#### Name, Occupation and Security Holdings

The names and municipalities of residence for the executive officers and directors of the Company as of the date hereof and their respective principal occupations within the five preceding years and their respective holdings of Common Shares are as follows:

Executive Officer Name and Municipality of Residence	Principal Occupations During the Past 5 Years	Percentage of Common Shares held	Number of Common Shares beneficially held
<b>Laurie Goldberg<sup>1</sup></b> Chairman and Chief Executive Officer Winnipeg, Manitoba, Canada	<ul style="list-style-type: none"><li>Chief Executive Officer, People Corporation</li></ul>	7.49%	5,088,593
<b>Scott Anderson (A) (E)</b> Director (February 2009) Toronto, Ontario, Canada	<ul style="list-style-type: none"><li>Chief Executive Officer, The Catalyst Company, a management and consulting company</li></ul>	2.73%	1,854,866
<b>Richard Leipsic (A) (E)</b> Director (July 2012) Winnipeg, Manitoba Canada	<ul style="list-style-type: none"><li>Managing Director, Acumen Corporate Development Inc.</li></ul>	0.23%	157,453
<b>Eric Stefanson (A) (E)</b> Director (October 2014) Winnipeg, Manitoba Canada	<ul style="list-style-type: none"><li>Corporate Director</li></ul>	0.02%	11,715
<b>Beth Horowitz (A) (E)<sup>2</sup></b> Director (September 2019) Toronto, Ontario Canada	<ul style="list-style-type: none"><li>Corporate Director</li></ul>	0.00%	0

<sup>1</sup> Laurie Goldberg has stepped down from both the Audit & Risk Committee and the Human Resources & Corporate Governance Committee.

<sup>2</sup> On September 9, 2019, Beth Horowitz was appointed to the Board of Directors of the Company.



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<b>Dennis Stewner</b> Chief Financial Officer & Chief Operating Officer East St. Paul, Manitoba Canada	<ul style="list-style-type: none"> <li>Chief Financial Officer &amp; Chief Operating Officer, People Corporation (April 2016 - present)</li> <li>Senior Vice-President, National Bank Financial (2011-2016)</li> </ul>	0.14%	91,821
<b>Brevan Canning</b> Executive Vice President and Group-Head Benefit Solutions East St. Paul, Manitoba Canada	<ul style="list-style-type: none"> <li>Executive Vice-President and Group Head Benefits Solutions, People Corporation (October 2014 - present)</li> <li>Vice President Finance, People Corporation (2005 - October 2014)</li> </ul>	1.59%	1,081,580
<b>Paul Asmundson</b> Executive Vice President and Chief Corporate Development Officer La Salle, Manitoba Canada	<ul style="list-style-type: none"> <li>Executive Vice President and Chief Corporate Development Officer, People Corporation (March 2017 - present)</li> <li>Senior Managing Director, Deloitte Canada (2015 - 2017)</li> <li>Vice President, Corporate Development, People Corporation (2012 - 2015)</li> </ul>	0.27%	181,759
<b>Sue Tardi</b> Chief Human Resources Officer Winnipeg, MB Canada	<ul style="list-style-type: none"> <li>Chief Human Resource Officer (May 2019 – present)</li> <li>Senior Vice President, People First HR Services Ltd. (December 2016 – May 2019)</li> <li>Vice President, People First HR Services Ltd. (May 2016 – December 2016)</li> <li>Manager, Software Developer Career Centre, Great West Life (May 2015 – May 2016)</li> <li>Vice President, Internal Relations and Operations, United Way of Winnipeg (May 2010 – May 2015)</li> </ul>	0.06%	38,119
<b>Wendy Kelley</b> Chief Legal Officer and Corporate Secretary Winnipeg, Manitoba Canada	<ul style="list-style-type: none"> <li>Chief Legal Officer and Corporate Secretary, People Corporation (July &amp; September 2019 – present)</li> <li>Principal, Kelley Law (2015 – July, 2019)</li> <li>General Counsel and Corporate Secretary, Kruger Products L.P. (2012 – July 2015)</li> </ul>	0%	1,064

## Legend:

- (A) Audit & Risk Committee  
(E) Human Resources & Corporate Governance Committee

As at December 6, 2019, the directors and executive officers of the Company as a group, beneficially owned, or controlled or directed, directly or indirectly, 8,506,970 Common Shares representing approximately 12.53% of the outstanding Common Shares before giving effect to the exercise of options to purchase Common Shares held by such directors and executive officers. The statement as to the number of Common Shares beneficially owned, or over which a director or executive officer exercises control or direction, directly or indirectly, not being within the knowledge of the Company, has been furnished by the directors and officers.

The directors of the Company are elected at each annual meeting and hold office until the next annual meeting or until their successors are appointed.

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### Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Except as discussed below, as at the date hereof, to the best knowledge of the Company, no director or executive officer of the Company is presently, or has been during the ten (10) years prior to this date, a director, chief executive officer or chief financial officer of any company (including the Company) that (i) was the subject of a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than 30 consecutive days (an "Order") while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company, or (ii) that was subject to an Order issued after that person ceased to be a director, chief executive officer or chief financial officer of the relevant company that resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer of such company.

Except as discussed below, as at the date hereof, to the best knowledge of the Company no director, executive officer of the Company or shareholder holding sufficient number of securities to materially affect control of the Company is presently, or has been during the ten (10) years prior to the date hereof (i) a director or executive officer of any company (including the Company) that became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, a receiver manager or a trustee appointed to hold its assets, while such person acted as a director or executive officer of such company or within one year following the date on which such person ceased to act as a director or executive officer of such Company, or (ii) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or became subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

To the best of the Company's knowledge, no director or executive officer of the Company, or a shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, has been subject to (i) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (ii) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### Conflicts of Interest

There are no existing or potential material conflicts of interest between the Company or a subsidiary of the Company and any officer of the Company or any Officer of a subsidiary of the Company.

## LEGAL PROCEEDINGS AND REGULATORY ACTIONS

### Legal Proceedings

In the normal course of carrying on its business, the Company becomes the subject of claims and is involved in various legal proceedings. The Company is not currently involved in any material legal proceedings, and the Company is not aware of any pending or threatened proceedings or claims for damages against the Company where the amount would exceed 10% (exclusive of interest and costs) of the current assets of the Company. The Company believes that it has adequate reserves in respect of legal proceedings to which it is a party.

### Regulatory Actions

In the ordinary course of carrying on its business, the Company may become the subject of a regulatory action. The Company currently is not subject to any Material Regulatory Action.

## INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

To the knowledge of management of the Company, no director or executive officer of the Company, no person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10 percent of the outstanding Common Shares, nor any associate or affiliate of the foregoing persons, has any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has

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materially affected or is reasonably expected to materially affect the Company.

### TRANSFER AGENTS AND REGISTRARS

The registrar and transfer agent of the Company is TSX Trust Company at its principal office in the city of Calgary.

### MATERIAL CONTRACTS

The Company is not a party to any material contracts entered into within the most recently completed financial year, or before the most recently completed financial year that are still in effect, that are required to be filed by the Company.

### INTEREST OF EXPERTS

As at the date hereof, to the knowledge of the Company, the partners of MNP LLP, the auditor of the Company, and all of its other employees who are involved in the Company's audit file, do not own any of the issued shares of the Company.

### ADDITIONAL INFORMATION

Additional information relating to the Company can be found on SEDAR at [www.sedar.com](http://www.sedar.com) or by writing to Jonathan Ross, Investor Relations, LodeRock Advisors Inc., 202-1 Toronto Street, Toronto, ON M5C 2V6.

Financial information is provided in the Financial Statements and MD&A for the Company's most recently completed financial year, which are filed on SEDAR. Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, and securities authorized for issuance under the Company's Security Based Compensation Plan is contained in the Company's Management Proxy Circular that was prepared in connection with the Company's Annual and Special Meeting of Shareholders held on February 26, 2019.