



TERAGO INC.

ANNUAL INFORMATION FORM

For the year ended December 31, 2018

February 21, 2019

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EXPLANATORY NOTES

All references in this annual information form (“AIF”) to “TeraGo”, the “Company”, “we”, “us”, “our” and “our company” refer to TeraGo Inc. and its subsidiaries, unless the context requires otherwise. All information contained herein is as of December 31, 2018 unless otherwise indicated.

The Company prepares its financial statements in Canadian dollars and in conformity with International Financial Reporting Standards (“IFRS”). All references to \$ are to Canadian dollars.

Certain technical terms and phrases used in this AIF are defined in the “Glossary of Technical Terms” attached hereto as Schedule A.

FORWARD-LOOKING STATEMENTS

This AIF includes certain forward-looking statements that are made as of the date hereof only and based upon current expectations, which involve risks and uncertainties associated with the business and the economic environment in which the business operates. All such statements are made pursuant to the ‘safe harbour’ provisions of, and are intended to be forward-looking statements under, applicable Canadian securities laws. Any statements contained herein that are not statements of historical facts may be deemed to be forward-looking statements. For example, the words *anticipate*, *believe*, *plan*, *estimate*, *expect*, *intend*, *should*, *may*, *could*, *objective* and similar expressions are intended to identify forward-looking statements. This AIF includes, but is not limited to, forward looking statements regarding TeraGo’s growth strategy, strategic plan, acquisition opportunities, cloud and managed services, investments in data centres, 5G technical trials and strategy, and other IT services, and the Company’s partnership with AWS. By their nature, forward-looking statements require us to make assumptions and are subject to inherent risks and uncertainties. We caution readers of this document not to place undue reliance on forward-looking statements as a number of factors could cause actual future results, conditions, actions or events to differ materially from the targets, expectations, estimates or intentions expressed with the forward-looking statements. When relying on forward-looking statements to make decisions with respect to the Company, you should carefully consider the risks, uncertainties and assumptions, including the risk that TeraGo’s growth strategy and strategic plan will not generate the results intended by management, opportunities for expansion and acquisitions not being available or at unfavourable terms, the Company’s plans for 5G trends in the global cloud and data centre sectors may not be accurately projected, decisions from government agencies on the spectrum licences that TeraGo holds, including those from ISED may not be favourable to the Company, the results of technical trials for 5G equipment not being satisfactory, the partnership with AWS not resulting in a favourable outcome, a lack of capital to take advantage of certain opportunities including opportunities to provide potential 5G services, and those risks set forth in the “Risk Factors” section of the Management’s Discussion & Analysis of the Company for the year ended December 31, 2018 and other uncertainties and potential events. In particular, if any of the risks materialize, the expectations, and the predictions based on them, of the Company may need to be re-evaluated. Consequently, all of the forward-looking statements in this AIF are expressly qualified by these cautionary statements and other cautionary statements or factors contained herein, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences for the Company.

Except as may be required by applicable Canadian securities laws, TeraGo does not intend, and disclaim any obligation, to update or revise any forward-looking statements whether in words, oral or written as a result of new information, future events or otherwise.

CORPORATE STRUCTURE

Name, Address and Incorporation

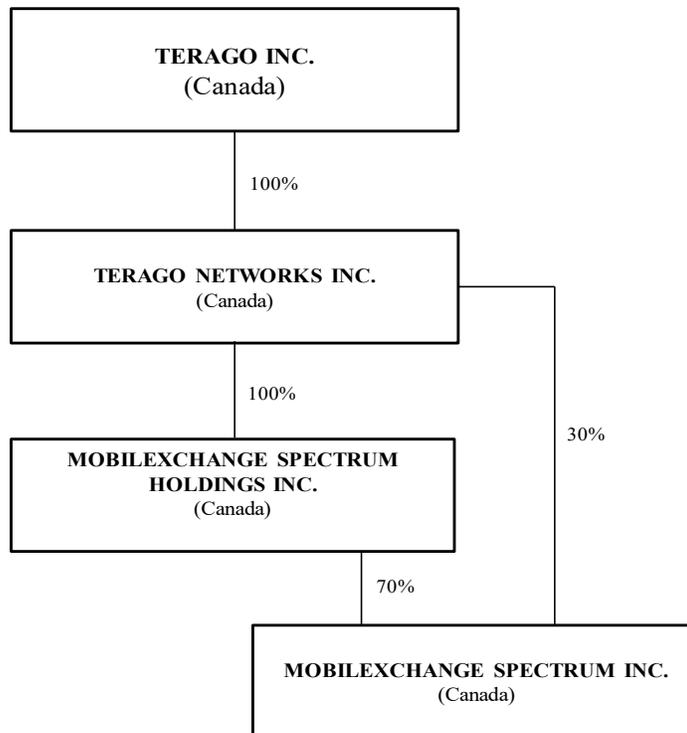
TeraGo was incorporated under the *Canada Business Corporations Act* on December 21, 2000 as 3848574 Canada Inc. On May 16, 2007, its name was changed to “TeraGo Inc.”. In June 2007, it completed its initial public offering and amended its articles at that time to reflect a reorganization of the share capital. See “General Development of the Business”, “Reorganization” and “Description of Capital Structure”.

The Company’s head and registered office is located at 55 Commerce Valley Drive West, Suite 800, Thornhill, Ontario L3T 7V9. TeraGo also has offices in Vancouver and Kelowna, British Columbia; Calgary and Edmonton, Alberta; and Vaughan, Ontario. TeraGo’s website address is www.terago.ca. The website and the information contained on, or referred to in, the website is not incorporated in this AIF.

TeraGo’s wholly-owned subsidiary, TeraGo Networks Inc. (“**TeraGo Networks**”), was incorporated on July 30, 1999 and participated in Industry Canada’s 24 GHz and 38 GHz wireless spectrum auction in which it acquired a number of spectrum licences in these bands. Since then, TeraGo has deployed wireless internet services to designated geographic markets in Canada. In addition, TeraGo Networks now also provides businesses across Canada with network communication services, data centre services and enterprise infrastructure cloud services. The range of such services were further augmented with TeraGo Networks’ acquisition in 2015 of RackForce Networks Inc. (“**RackForce**”) and CodeNinja Ltd. (operating as “**BoxFabric**”). On January 1, 2017, wholly-owned subsidiaries RackForce, RackForce Cloud Video Inc. and BoxFabric were amalgamated with TeraGo Networks Inc.

Intercorporate Relationships

The following organization chart sets forth TeraGo Inc. and its subsidiaries, the percentage of voting securities held, as well as their respective jurisdictions of incorporation:



Notes:

- (1) In July 2012, following the change in the foreign ownership restrictions as a result of the amendments to the *Telecommunications Act* (Canada), the Company completed the automatic conversion of approximately 3.6

million issued and outstanding Class A Non-Voting Shares into Common Shares on a one-for-one basis, in accordance with the Company's articles.

- (2) National Online Inc. was acquired on December 14, 2004 and amalgamated into TeraGo Networks on January 1, 2012.
- (3) Data Centres Canada Inc. was acquired on May 31, 2013 and amalgamated into TeraGo Networks on June 27, 2013.
- (4) RackForce Networks and its wholly-owned subsidiary, RackForce Cloud Video Inc. were acquired on March 27, 2015. BoxFabric was acquired on September 18, 2015. Each of these subsidiaries were amalgamated into TeraGo Networks on January 1, 2017.
- (5) On November 9, 2018, TeraGo Networks acquired Mobileexchange Spectrum Inc. and its parent holding company Mobileexchange Spectrum Holdings Inc. (collectively, "MSI").

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

During the last three completed financial years, TeraGo has entered into select strategic partnerships, made strategic acquisitions and has transitioned itself into a multi-product IT services company focused on securely managing its customers' data flow. While the Company began its business providing data and voice communications services through its core network business, it is now also a provider of colocation and enterprise infrastructure cloud services which serves the various needs of its customers.

On May 26, 2016, TeraGo Networks acquired the international hosting business of AirVM Inc. by way of an asset purchase agreement. The acquisition added new IaaS customers and channel partners to TeraGo's existing business.

On June 14, 2017, TeraGo Networks amended its Credit Agreement to extend the maturity date from June 30, 2018 to June 14, 2021. The total credit facilities under the Credit Agreement decreased from an aggregate amount of \$85.0 million to \$75.0 million, to reflect principal repayments previously made. See "Material Contracts – Credit Facility".

On June 18, 2018, the Company completed a public bought deal offering to issue and sell 1,302,950 common shares for gross proceeds of \$6.9 million. The net proceeds were subsequently used to acquire MSI.

On November 9, 2018, the Company acquired MSI who is the holder of six 24 GHz spectrum licenses in Calgary, Edmonton, Montreal, Ottawa, Toronto, and Vancouver. Prior to the acquisition, the Company was a lessee to such spectrum and held subordinate licenses to it through a lease with MSI.

On October 10, 2018, the Company started a technical trial in the Greater Toronto Area which involved fixed wireless 5G millimetre wave equipment from PHAZR Inc.

DESCRIPTION OF THE BUSINESS

TeraGo provides businesses across Canada with cloud, colocation and connectivity services. The Company provides cloud Infrastructure as a Service ("IaaS") computing and storage solutions, data centre colocation solutions, and operates five (5) data centres across Canada. With respect to the Company's connectivity services, it owns and operates a carrier-grade, MPLS enabled fixed wireless, IP communications network in Canada targeting businesses that require Internet access, private interconnection, and data connectivity services.

The Company provides enterprise-class cloud services to multiple high value, mid-market and enterprise customers across a variety of industry verticals, federal, provincial and municipal governments and agencies,

as well as non-profit organizations. The Company is focussed on providing customers with tailored hybrid IT solutions, running their IT workloads with the appropriate mix of on-premise, data centre colocation, private and public cloud environments. It currently has strategic relationships with several technology partners that give it access to certain products and solutions to provide enterprise cloud services. The Company has recently aligned with Amazon Web Services (“AWS”) to provide managed public cloud services and is an AWS Consulting Partner, part of the AWS APN partner network. TeraGo has since attained the Standard Partner tier in the AWS Partner Program.

The Company’s subscription-based business model generally generates stable and predictable recurring revenue from cloud, colocation and connectivity services. Once a customer is obtained, TeraGo’s strategy is to generate incremental recurring revenue from that customer by cross-selling to bundle customers with multiple services and up-selling within services provided.

Cloud Services	Colocation Services	Connectivity Services
<ul style="list-style-type: none"> • Private and hybrid cloud • IaaS utility computing on virtual and dedicated compute platforms • High performance and secure data storage and archiving • Business Continuity services for critical situations • Managed Services for public and hybrid cloud offerings 	<ul style="list-style-type: none"> • Colocation services in partial, full, or customized cabinets • Managed, Private Dedicated, and Co-location hosting services • Private Vaults protected with biometrics for maximum security • Other value added services such as hybrid cloud 	<ul style="list-style-type: none"> • National high performance, scalable Internet access principally via wireless and fibre optics • Active redundancy capability with bundled connectivity solution • Managed network service

Strategy

TeraGo leverages its strategic strengths as a facilities-based information technology (“IT”) and data centre and cloud services provider for small and medium-sized business (“SMB”) and enterprise customers in Canada, enabling their businesses to connect to the world and securing their critical information assets by providing superior customer service, performance and availability as key differentiators.

TeraGo employs a growth strategy that consists of the following key components:

- Increase customer penetration in existing markets;
- Cross-sell and promote enhanced service offerings that include value-added IT services to the current customer base;
- Expand customer base by offering a comprehensive suite of IT solutions;
- Expand and enhance product and service offerings; and
- Pursue strategic initiatives including acquisitions and partnerships on an opportunistic basis.

Business Model

TeraGo’s business strategy is to provide enterprise-class hybrid IT solutions tailored to the small to mid-market. The Company leverages its existing nationwide data centre footprint, VMware private/multi-tenant cloud and AWS, all underpinned by a resilient national carrier grade network infrastructure, to align with customers’ current IT landscape. This allows customers to operate on platforms best suited for their workloads – on-premise, data centre colocation, TeraGo private and multi-tenant cloud, and AWS public cloud – all securely interconnected.

For the connectivity, colocation and private cloud businesses, TeraGo's customers typically sign one, two or three-year contracts. For AWS public cloud services, customers will be billed on a usage-based model. Services are billed monthly over the term of the contract.

CLOUD SERVICES

TeraGo provides cloud services that seek to meet the complex and evolving IT needs of its customers. TeraGo provides IaaS for compute, storage, disaster recovery cloud solutions and other offerings. These solutions allow the Company to compete in the cloud services market.

TeraGo offers customized cloud storage and compute offerings to customers across Canada. TeraGo cloud can offer a virtualized computing environment whereby customers can access on-demand computing without the need to acquire and maintain expensive server equipment. TeraGo can also provide offsite cloud storage for key backup and disaster recovery situations, including utilizing partnerships with software and hardware vendors such as Veeam and Solidfire. The Company has strategic relationships and partnerships with technology leaders such as Amazon Web Services, IBM, Cisco, VMware, Microsoft, Mitel and others that gives it early access to intelligence, products and solutions to provide enterprise cloud services.

COLOCATION SERVICES

TeraGo provides data centre colocation services that protect and connect customers' valuable information assets. Customers can provision their computing equipment within shared partial cabinets or full, private cabinets, as well as customized caged space designed for their specific needs. TeraGo provides connectivity on redundant routes in and out of the facilities.

Hosting and colocation revenue is derived from set-up fees for new installations and monthly recurring charges based on the number of cabinets and/or the quantity of cage space, power requirements, managed services provided and Internet/data bandwidth requirements. Other services, such as disaster recovery services, are provided under custom contractual arrangements.

TeraGo also offers a variety of managed hosting solutions, which may require it to manage various aspects of a customer's hardware, software or operating systems in public or privately accessible environment. TeraGo offers disaster recovery services on a custom basis. These facilities can be provisioned at the data centre location and provide customers with the capability to restore office functionality with direct access to their information located in the data centre.

TeraGo's network can provide these customers Internet and/or secure private interconnections between the data centre facility and the customer's office location(s).

Data centre services customers typically include national government agencies, financial services companies, IT service providers, content and network service providers, and small and medium businesses which rely on TeraGo to store and manage their critical IT equipment and provide the ability to directly connect to the networks that enable an information-driven economy.

Data Centre Facilities

TeraGo's data centres provide IT solutions, including colocation and disaster recovery, to a roster of small and medium-sized businesses, enterprises, public sector and technology service providers. TeraGo has approximately 60,000 square feet of data centre capacity in the five (5) facilities it operates across Canada:

Mississauga, Ontario

TeraGo operates a 10,000 square foot of AT 101 SOC2 Type 2 certified data centre facility in Mississauga, Ontario that was previously managed by BlackBerry Limited and built to a tier 3 standard. This facility predominantly serves the Greater Toronto Area.

Vaughan, Ontario

TeraGo operates a 9,500 square feet of AT 101 SOC2 Type 2 certified data centre facility in Vaughan, Ontario, serving the Greater Toronto Area.

Kelowna, British Columbia

TeraGo operates its 18,000 square feet of AT 101 SOC2 Type 2 certified data centre in Kelowna named the GigaCenter. The GigaCenter is built to a tier 3 standard and the location in Kelowna is considered ideal for a data centre as the region is considered a seismically stable geographic location, has a temperate climate and has a lower probability of both natural and man-made events that may be a risk.

Vancouver, British Columbia

TeraGo operates two AT 101 SOC2 Type 2 certified data centre facilities in downtown Vancouver. Its first facility is approximately 7,000 square feet. The facility has redundant fibre facilities between the data centre and the ‘telco hotel’, 555 West Hastings, in downtown Vancouver. The second facility is 7,000 square feet and is served by TeraGo’s fiber optic lines. Both facilities are used to service the Greater Vancouver Area.

CONNECTIVITY SERVICES

Internet Services

TeraGo owns and operates a carrier-grade Multi-Protocol Label Switching (“MPLS”) enabled wireline and fixed wireless, Internet Protocol (“IP”) communications network in Canada, providing businesses with high performance, scalable, and secure access and data connectivity services.

TeraGo’s carrier grade IP communication network serves an important and growing demand among Canadian businesses for network access diversity by offering wireless services that are redundant to their existing wireline broadband connections.

TeraGo’s IP network has been designed to eliminate single points of failure and the Company backs its services with customer service level commitments, including 99.9% service availability and 24 x 7 telephone and email access to technical support specialists.

TeraGo offers Canadian businesses high performance unlimited and usage-based dedicated Internet access with upload and download speeds from 5 megabits per second (“Mbps”) up to 1 gigabit per second (“Gbps”). Unlike asymmetrical DSL services offered by many of its competitors, TeraGo provides services that are symmetrical, hence customers can have the same high speed broadband performance whether uploading or downloading. TeraGo enhances service performance by minimizing the number of networks between its customers and their audiences, using peering arrangements with multiple tier-one carriers to connect to the Internet.

TeraGo Internet Access and Data Connectivity Services

<u>Service</u>	<u>Speed</u>	<u>Benefits</u>	<u>Customer Profile</u>
Metered Internet	5 Mbps to 10 Mbps (Dedicated)	<ul style="list-style-type: none"> • Guaranteed symmetrical bandwidth • Premium service level agreement • Metered pricing allows customers to manage costs through usage 	<ul style="list-style-type: none"> • Businesses and enterprise organizations that require dedicated bandwidth and expect to use less than the maximum on a regular basis
Unlimited Internet	5 Mbps to 1 Gbps (Dedicated)	<ul style="list-style-type: none"> • Guaranteed symmetrical bandwidth • Premium service level agreement 	<ul style="list-style-type: none"> • Businesses and enterprise organizations that require dedicated bandwidth to support mission critical applications

Data Services

TeraGo offers data connectivity services that allow businesses to connect their multiple sites within a city or across TeraGo's geographic footprint through a Private Virtual Local Area Network ("VLAN"). With speeds from 3 Mbps to 1 Gbps, TeraGo's VLAN services are ideal for companies with multiple offices and large interoffice data requirements. Campus VLAN services between two customer locations are available at speeds up to 1 Gbps. TeraGo's data services, which run across the MPLS core network, are symmetrical, allowing communication between parties in both directions simultaneously. TeraGo's use of Ethernet over MPLS ("EoMPLS") technology enhances its VLAN performance and enables VLAN customers to experience higher reliability and easier provisioning.

Network

To deliver its services, the Company has built and operates a carrier-grade, IP network, using licensed and license-exempt spectrum and fibre-optic wireline infrastructure that supports commercially available equipment.

The Company owns and controls a national MPLS distribution network from Vancouver to Montreal that aggregates customer voice and data traffic and interconnects when necessary with carrier diverse leased fiber optic facilities. Major Internet peering and core locations are centralized in Vancouver, Toronto, Seattle, as well as diverse fiber path for all regional markets for further redundancy.

TeraGo offers a range of diverse Ethernet-based services over a secured wireless connection to customer locations up to 20 kilometres from a hub (provided line of sight or wireline networks exist) or through a fibre optic connection.

TeraGo's Core IP network provides reliable, carrier-diverse inter-city fibre connectivity between its major markets. In 2009, TeraGo deployed MPLS in its Core IP network to enable automated re-routing of data services within the inter-city MPLS network in case of a failure in a carrier supplier's inter-city circuit, to make provisioning faster and easier within the MPLS network, and to improve inter-city routing performance. The combination of MPLS and deployment of additional carrier circuits to complete carrier-diverse rings between TeraGo's various markets has improved the reliability and performance of TeraGo's intercity IP network. TeraGo has also deployed MPLS in its Greater Toronto Area ("GTA") metropolitan backhaul network to extend the same benefits within its GTA network.

TeraGo has also implemented DDoS (Distributed Denial of Service) mitigation for all our internet facing routers to help protect and filter attacks on its network, and to provide varying levels of clean traffic as a service.

There are three main network components in each regional market: core hub, multiple hub sites and customer locations:

Core Hub Sites

Core hub sites are the main interconnection point between regional wireless and wireline system and national MPLS fiber-optic facilities. TeraGo's 14 core hub sites are equipped with redundant fiber-optic equipment, high performance MPLS routers, uninterruptible power supplies, and server equipment. Core hub sites are configured in MPLS ring architecture to avoid service disruption in the event of any single point of failure.

Hub Sites

Hub sites are generally equipped with broadband wireless base stations where appropriate; high performance Ethernet switches and routers; high capacity licensed backhaul radios with uninterruptible power supplies; and in selected cases, fibre optic connections, both used to connect the Hub site to one or more adjacent hub sites. Where appropriate at its approximately 480 hub sites across Canada, TeraGo is also deploying fibre-optic facilities between hubs to provide backhaul capabilities.

Customer Locations

TeraGo has approximately 4,800 customer locations. Customer locations are typically equipped with a broadband wireless radio and, depending upon the services deployed, a managed Ethernet switch, router, or Quality of Service (“QoS”)-enabled voice demarcation device. Broadband wireless radios, widely available from leading manufacturers, are selected to match the customer’s performance requirements. Customer connections may also be supported over TeraGo’s fibre-optic facilities. Both broadband wireless and fibre-optic customer premise equipment is industry standard and sourced from leading manufacturers. The customer interface to TeraGo’s services is an industry standard RJ45 Ethernet or PRI jack.

Quality of Service Capabilities

TeraGo’s MPLS network, including key high traffic hub sites, is equipped with QoS capabilities to improve performance and traffic management. All of TeraGo’s major national markets are end-to-end QoS enabled providing the foundation to support high priority traffic and other potential future applications.

RADIO SPECTRUM

24-GHz and 38-GHz Wide-area Licences

The Company owns a national spectrum portfolio of exclusive 24 GHz and 38 GHz wide-area spectrum licences which covers major regions throughout Canada including 2,120 MHz of spectrum across Canada’s 6 largest cities. This spectrum is used to deploy point-to-point and point-to-multipoint microwave radio systems, interconnecting core hubs in ring architectures (where possible) to backhaul metro area network traffic and in the access network or “last mile” to deliver high capacity (speeds of 20 Mbps to 1 Gbps) IP-based services for business, government and mobile backhaul. In September, 2010, the Company purchased six 24 GHz licences from MSI. The purchased 24 GHz spectrum includes 240 MHz in each of Toronto, Montreal and Ottawa, as well as 80 MHz in each of Calgary, Vancouver and Edmonton. In addition, the Company has since acquired through its acquisition of MSI on November 9, 2018, an additional 80 MHz in each of Edmonton and Calgary, 160 MHz in each of Ottawa, Montreal and Toronto, and 320 MHz in Vancouver, all in the 24 GHz band.

TeraGo has built a next generation, carrier-class, broadband IP network using a combination of spectrum bands which the Company owns and leases, together with licence-exempt spectrum. In each of the regions that it services, TeraGo owns and controls wireless networks that aggregate customer data traffic and interconnect with intercity fiber-optic facilities. The Company uses commercially available equipment for the delivery of broadband wireless services.

Other Bands

In addition to its 24 GHz and 38 GHz wide-area licences, TeraGo also utilizes point-to-point spectrum in the 11, 18 and 23 GHz bands. The 11, 18 and 23 GHz spectrum is licensed to TeraGo by Innovation, Science and Economic Development Canada (ISED) on a site-by-site basis. These spectrum resources are utilized by the Company to deploy point-to-point radio links.

In 2010, the Company applied for and received 16 licences in the 3.65 GHz band provided on a shared use basis. Each licence consists of 50 MHz of spectrum which is available for the entire serving area and enables the Company to provide services up to 10 Mbps using point-to-point and point-to-multipoint deployments.

SALES, MARKETING AND PRODUCT

TeraGo uses a combination of direct and indirect sales channels to market its services to Canadian businesses. This complementary sales strategy is intended to enable the Company to better reach its target market.

Sales

The sales team is comprised of account managers, inside sales representatives and channel account managers, and each are supported by solution architects and sales specialists. Account managers are responsible for identifying and generating sales to new customers as well as managing relationships with existing customers. Inside sales representatives manage inbound leads, and prospect outbound for new clients. Channel account managers work with all of TeraGo's channel partners, integrators, resellers and agents who facilitate sales of TeraGo services to the ultimate end user. The solution architects provide support to the sales team by providing customers with technical support and expertise in network and solution design. Sales specialists support account manager in high value offerings.

Marketing

The marketing group includes a marketing team and a customer loyalty management team. Activities within the customer loyalty management team include customer contact strategy planning, contract renewals, churn management and reporting. Activities within the marketing team include lead generation, customer promotions, program development, product launches, public relations, marketing communications, sales channel support and market expansion. Public relations and marketing communications personnel focus on cultivating industry analyst and media relationships as well as the implementation of web and social media marketing, collateral development and advertising.

Product

Activities within the product management team include product strategy and development, pricing, competitive analysis and product lifecycle management.

Trademarks

The Company has registered or is in the process of registering several trademarks that are used in its business, which the Company regards as having significant value or as being important factors in the marketing of its various services.

CUSTOMER SERVICE, TECHNICAL SUPPORT AND BILLING

TeraGo has developed a customer service and technical support organization tailored to service the requirements of Canadian businesses. The Company maintains eastern Canada and western Canada network operation centres (the "NOCs") which monitor its national network 24 x 7. The NOCs which is staffed with trouble shooting and technical support specialists, provide customers with 24 x 7 telephone and e-mail access in order to assist with troubleshooting of customers' networks. In providing its various services, TeraGo offers service level commitments to customers including network availability, power availability and an industry leading mean time to repair.

TeraGo utilizes industry standard enterprise resource planning, network management, general ledger, billing and customer maintenance software systems. It has established procedures and processes for the support of customers and the operation of these systems and these methodologies have been refined through the practical operation of such systems.

EMPLOYEES

As at December 31, 2018, TeraGo had a total of 148 employees, with 26 in sales, 10 in marketing, 4 in product, 89 in operations and 19 in executive, general and administrative positions. No union represents any of its employees.

OPERATIONS AND FACILITIES

The following table sets out as of the date of this AIF, certain information regarding the head office premises located in Thornhill, Ontario and other material leased office premises:

Offices	Square Footage⁽¹⁾
Thornhill, Ontario (Head Office)	22,788
Calgary, Alberta	3,800
Vaughan, Ontario (Technology Centre and Warehouse)	6,118
Kelowna, British Columbia	10,400
Vancouver (Burnaby), British Columbia	2,315
Edmonton, Alberta	1,728

⁽¹⁾ Square footage refers only to office space and excludes any data centre space that may be associated with such office location.

COMPETITIVE CONDITIONS

TeraGo's primary competitors in the Internet, voice and data connectivity market in Canada include telecommunications service providers ("Telcos") such as Bell Canada, TELUS Communications Inc., Allstream Inc., Rogers Communications Inc., Shaw Communications Inc. and Cogeco Inc., who provide wireline services. It competes with these Telcos by offering choice, timely customer service, rapid installation, reliability and faster connection. The wireless model allows it to meet the increasing bandwidth demand of its customers rapidly and cost effectively.

TeraGo competes with a number of data centre and cloud services providers in both Toronto and Vancouver. These include the major telecommunications providers such as Bell Canada, Rogers Communications Inc. and Cogeco Inc., but also include a number of data centre providers including CenturyLink, Inc., Cologix, Inc. and Q9 Networks Inc. TeraGo competes by leveraging its national network to provide secure data flow between customer's premises and its data centres/cloud platforms. TeraGo is one of few providers capable of offering a complete end-to-end IT solutions for its customers, as most competitors do not offer access, data colocation and cloud capability.

In addition, TeraGo can provide truly redundant connectivity between a customer's offices and TeraGo's data centres since TeraGo's wireless connectivity is 100% independent from incumbent Telco landline networks. By utilizing active redundancy technology, TeraGo can provide customers with bonded landline and wireless connectivity, ensuring 100% access availability between customer's premises and their critical data stored in data centres and cloud platforms.

REGULATORY OVERVIEW

Radiocommunication Act

The *Radiocommunication Act* empowers the Minister of Industry, who presides over Industry Canada (now ISED), a department of the Government of Canada, to regulate the orderly development and efficient operation of radiocommunication in Canada. The Minister has broad discretion to, among other things, issue spectrum licences, to fix terms and conditions on such licences, to amend those terms and conditions, to renew or not renew such licences at the end of their terms and, subject to certain procedure requirements, to suspend or revoke licences and other radio authorizations. The Minister also has the authority to establish standards and plan the allocation and use of the radio spectrum including the radio frequencies on which its business depends.

The Company is a licensee of radio spectrum in the 24 GHz and 38 GHz bands. It acquired spectrum licences in these bands in ISED's first spectrum auction which was held in 1999. The term of licenses

initially were set to expire on January 20, 2010. In March 2009, ISED issued a decision granting a five-year extension to the initial term of the 24 GHz and 38 GHz licences held by the Company. In December, 2014, ISED announced a new framework for the licensing and renewal of licenses in the 24, 28 and 38 GHz bands. The new framework permits the renewal of all auctioned licenses for a subsequent 10-year term by their holders if such holders have met the prescribed conditions of these licenses. All spectrum licenses which the Company currently holds and are required for it to operate its internet access business have since been renewed with a renewal term expiring in 2025. In addition, under the new framework, ISED has changed the fee structure for new licences, but has “grandfathered” the previous fee structure for existing licenses.

In June 2017, ISED issued the Consultation on Releasing Millimetre Wave Spectrum to Support 5G. This Consultation contemplates the future use of certain millimetre wave spectrum to support the deployment of 5th generation (5G) wireless networks and systems. The spectrum bands identified by ISED includes (amongst others) the 38 GHz band which the Company currently holds licences in. As of the date, hereof, the Company has submitted a comment letter and a subsequent reply comment letter in response to the Consultation and final decisions from ISED on this Consultation are yet to be released.

In June 2018, ISED published its overall approach and planned activities for spectrum over the next five years in a document titled *Spectrum Outlook 2018 to 2022*. In such document, ISED has confirmed that the 24 GHz band, among several others has been designated as Priority 2 for future release for commercial mobile use. A definitive timeline for the release of spectrum bands designated as Priority 2 and Priority 3 has not yet been confirmed by ISED. A timeline for the release of the 38 GHz band, which has been designated as a Priority 1 band has been set for the end of 2021.

For additional information on ISED Consultations and to review the response letters of the Company or other stakeholders, please refer to ISED’s Consultation webpage: https://www.ic.gc.ca/eic/site/smt-gst.nsf/eng/h_sf11245.html.

ISED also makes available certain spectrum bands on a licence-exempt basis. That is, any user or carrier may use radio equipment in these bands provided that the equipment is certified as complying with applicable ISED standards, and without the need for a licence from ISED. In TeraGo’s network, it makes use of equipment that operates in the licence-exempt bands, notably the 2.4 and 5 GHz bands. Radio apparatus is operated on a non-protection basis; that is, an operator cannot be protected from interference from other users of equipment in the band.

ISED also makes available to carriers and users on a first come first served basis, and subject to certain conditions, radio licences for specific apparatus at a specific location and certain spectrum licences. Typically, these licences must be renewed annually, and incur annual licence fees. It holds such radio licences for radio apparatus that operates in the 11 GHz and 18 GHz bands, and it holds such spectrum licences in the 38 GHz band, which are in addition to the 38 GHz band spectrum licences that it acquired at auction in 1999 and referred to above.

Telecommunications Act

TeraGo Networks is a “Canadian carrier” as defined in the *Telecommunications Act* and is therefore subject to regulation by the CRTC. The CRTC has the authority to regulate, among other things, the rates, terms and conditions of services provided by carriers and interconnection terms and agreements. The CRTC has the power to forbear from exercising certain regulatory powers with respect to a service or class of service. Forbearance may be subject to conditions.

Under a CRTC-administered regime, referred to as the “contribution regime”, all telecommunications service providers operating in Canada are required to pay a percentage of their Canadian telecommunications service revenue, less certain exclusions, such as retail Internet service revenue, and less certain deductions, such as inter-carrier payments, into a fund to subsidize the cost of local telecommunications service in certain high cost regions of the country.

REORGANIZATION

In July 2012, following the change in the foreign ownership restrictions as a result of the amendments to the *Telecommunications Act*, the Company completed the automatic conversion of approximately 3.6 million issued and outstanding Class A Non-Voting Shares into Common Shares on a one-for-one basis, in accordance with the Company's articles.

On January 1, 2017, the wholly-owned subsidiaries of TeraGo Inc. which included RackForce, RackForce Cloud Video Inc. and BoxFabric were amalgamated with TeraGo Networks Inc. through a short-form vertical amalgamation. The amalgamation was undertaken to simplify the Company's corporate structure and to obtain certain administrative and financial reporting efficiencies. No securities were issued in connection with the amalgamation and the amalgamated corporation carries on business as "TeraGo Networks Inc."

DIVIDENDS

TeraGo has not paid dividends to its shareholders to date and does not currently intend to pay dividends on its Common Shares in the near future. The declaration and payment of dividends on Common Shares is within the discretion of the Board. The Board will review the Company's dividend policy from time to time having regard to, among other factors, its earnings, growth plans and operating and financial requirements.

DESCRIPTION OF CAPITAL STRUCTURE

TeraGo's authorized share capital consists of an unlimited number of Common Shares, an unlimited number of Class A Non-Voting Shares and two Class B Shares. The Common Shares, the Class A Non-Voting Shares and the Class B Shares are collectively referred to herein as the "**Equity Shares**". See Description.

As of December 31, 2018, there were 15,767,873 Common Shares and two Class B Shares issued and outstanding. There are no Class A Non-Voting Shares issued and outstanding.

Common Shares

Voting. Holders of Common Shares are entitled to receive notice of and to attend and vote at all meetings of shareholders (except meetings at which only the holders of another specified class or series are entitled to vote separately as a class as provided under applicable law or in the articles) and each Common Share confers the right to one vote (in person or by proxy) at all such meetings. In the event the holders of the Common Shares, the Class A Non-Voting Shares and/or the Class B Shares are entitled to a class vote in respect of a matter arising at law, the Common Shares will be voted as part of an initial vote for all Equity Shares prior to a vote of the holders of the Common Shares separately as a class. See "Voting Agreement". Except as to voting, the Common Shares will have equal rights to the Class A Non-Voting Shares on a share-for-share basis.

Dividends. All dividends declared on the Common Shares and the Class A Non-Voting Shares shall be declared and paid at the same time, and in equal amounts, share-for-share, without any preference or priority of one class over the other.

Rights Upon Liquidation. Holders of Common Shares are entitled to receive remaining assets upon the winding-up, liquidation or dissolution of TeraGo, *pari passu* with the holders of Class A Non-Voting Shares, on a per share basis.

Class A Non-Voting Shares

Voting. Except as otherwise provided by law or in the articles, holders of Class A Non-Voting Shares are not entitled to vote at any meetings of the shareholders of TeraGo, but otherwise enjoy the same rights, privileges and economic entitlements as are enjoyed by holders of the Common Shares. The holders of Class A Non-Voting Shares are entitled to receive notice of and to attend meetings of the holders of Common Shares. Each Class A Non-Voting Share confers the right to one vote (in person or by proxy) at any meeting at which the holders of Class A Non-Voting Shares are entitled to vote. In the event the holders of Class A Non-Voting Shares, the Class B Shares and the Common Shares are entitled to a class vote in respect of a matter arising at law, the Class A Non-Voting Shares will be voted as part of an initial vote of all Equity Shares prior to a vote of the holders of the Class A Non-Voting Shares separately as a class. See “Voting Agreement”.

Dividends. All dividends declared on the Common Shares and the Class A Non-Voting Shares shall be declared and paid at the same time, and in equal amounts, share-for-share, without any preference or priority of one class over the other.

Rights Upon Liquidation. Holders of Class A Non-Voting Shares are entitled to receive the remaining assets on wind-up, liquidation or dissolution of TeraGo, *pari passu*, with the holders of Common Shares, on a per share basis.

Conversion Right. The Class A Non-Voting Shares are convertible into Common Shares on a share-for-share basis, in the following circumstances:

- any time at the option of the holder upon provision by a holder of Class A Non-Voting Shares of a residency declaration to TeraGo and the transfer agent of the Common Shares certifying that the holder is a Canadian within the meaning of the Canadian Ownership and Control Regulations established under the *Telecommunications Act*;
- any time at the option of the holder upon a sale of Class A Non-Voting Shares to a Canadian within the meaning of the Canadian Ownership and Control Regulations established under the *Telecommunications Act*;
- upon a bid being made for the Common Shares where no equivalent bid is made for the Class A Non-Voting Shares, for the purposes of allowing the Class A Non-Voting Shares to tender to an exclusionary bid;
- at any time at TeraGo’s option following a change of control in which a person or company, together with any person or company acting jointly or in concert, acquires beneficial ownership of not less than two-thirds, in the aggregate of the Common Shares and Class A Non-Voting Shares, subject to compliance with the Canadian Ownership and Control Regulations; and
- automatically upon the repeal or relaxation of the rules governing TeraGo’s Canadian ownership and control, but only to the extent of such repeal or relaxation and non-Canadian ownership and control of TeraGo and its subsidiaries not otherwise being restricted by law.

Class B Shares

Voting. Except as described below, or as otherwise provided by law or in the articles, holders of Class B Shares are not entitled to vote at any meetings of shareholders. The holders of the Class B Shares shall be entitled to nominate and elect one director for each Class B Share held. The holders of Class B Shares are entitled to receive notice of and to attend meetings of the holders of Common Shares. Each Class B Share confers the right to one vote (in person or by proxy) at any meeting at which the holders of Class B Shares are entitled to vote.

Dividends. The Class B Shares shall not be entitled to receive dividends.

Rights Upon Liquidation. Holders of Class B Shares are not entitled to receive any of the assets on wind-up, liquidation or dissolution of TeraGo.

Redemption Right. If a holder of the Class B Shares at any time owns less than 20%, and more than 10%, in the aggregate of the issued and outstanding Common Shares and Class A Non-Voting Shares, then the Company will redeem one Class B Share for \$1.00. If the holder of the Class B Shares at any time owns less than 10% in the aggregate of the issued and outstanding Common Shares and Class A Non-Voting Shares, then the Company will redeem the remaining Class B Share for \$1.00. In the event the Company converts all Class A Non-Voting Shares into Common Shares pursuant to a change of control, the Company will redeem any Class B Shares outstanding for \$1.00 per share.

Non-Transferable. The Class B Shares are not transferable by the holder except with the approval of the Board.

Voting Agreement. TeraGo entered into a voting agreement with the holders of the Class A Non-Voting Shares and Class B Shares on June 26, 2007. Under such agreement each such holder agreed that in the event that the holders of Class A Non-Voting Shares and/or Class B Shares are entitled to a class vote in respect of a matter arising at law, each holder will vote such shares together with the Common Shares in an initial vote of all Equity Shares. Such holders will then authorize a voting trustee to vote on behalf of all holders of Class A Non-Voting Shares and Class B Shares in respect of any subsequent class vote of the holders of the Class A Non-Voting Shares and Class B Shares, which vote will be voted in a manner consistent with the way in which the Equity Shares had been voted in the initial vote of all Equity Shares (except in circumstances where the Class A Non-Voting Shares and/or Class B Shares are treated differently than the Common Shares).

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the Toronto Stock Exchange (“TSX”) under the trading symbol “TGO”. The Common Shares began trading on the TSX on June 26, 2007, the closing date of TeraGo’s initial public offering. Monthly closing share prices and volumes for 2018 are set forth in the table below.

<u>Month of 2018</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (#)</u>
January	\$6.45	\$4.35	3,997,600
February	\$6.45	\$5.11	1,769,900
March	\$5.75	\$5.20	634,100
April	\$5.61	\$4.80	228,100
May	\$5.75	\$5.00	1,984,000
June	\$7.17	\$5.50	1,759,500
July	\$7.25	\$7.09	557,800
August	\$7.52	\$7.12	768,300
September	\$7.96	\$7.10	480,000
October	\$10.27	\$7.99	1,996,500
November	\$10.23	\$9.44	711,900
December	\$11.25	\$10.01	417,600

DIRECTORS AND OFFICERS

Directors

The following table sets out, for each of the directors, their name, province/state and country of residence, position(s) with TeraGo, principal occupation and the year in which the person became a director. Directors are elected annually and, unless re-elected, retire from office at the end of the next annual general meeting of shareholders.

<u>Name and Place of Residence</u>	<u>Director Since</u>	<u>Principal Occupation</u>
MICHAEL MARTIN <i>Ontario, Canada</i>	April 16, 2013	Senior Executive, IBM Canada Ltd.
RICHARD BREKKA..... <i>New York, U.S.A.</i>	April 25, 2013	Managing Partner, Second Alpha Partners, LLC
JAMES SANGER <i>Massachusetts, U.S.A.</i>	April 25, 2013	Managing Partner, Second Alpha Partners, LLC
ANTONIO (TONY) CICIRETTO <i>Ontario, Canada</i>	June 23, 2016	President, Chief Executive Officer and Director of the Company, previously President and CEO of Cogeco Peer 1 and Cogeco Data Services
MATTHEW GERBER..... <i>Washington, USA</i>	June 23, 2016	Chief Executive Officer, Rohinni LLC, previously, CEO of Digital Fortress Inc., and EVP Sales & Marketing of 2 nd Watch
GARY SHERLOCK..... <i>British Columbia, Canada</i>	June 23, 2016	Corporate Director, previously Co-CEO of Peer 1 Hosting
LAUREL BUCKNER <i>Washington, USA</i>	June 14, 2018	Sr. Vice President, ATN International, previously Vice President Corporate Venture Investments of General Communication Corp.

Board Committees

The table below lists the committees of TeraGo’s board of directors and their members.

<u>Committee</u>	<u>Members</u>
Audit.....	G. Sherlock (Chair) M. Martin L. Buckner
Compensation.....	J. Sanger (Chair) M. Gerber L. Buckner

Corporate Governance.....	M. Martin (Chair) J. Sanger R. Brekka
Executive.....	R. Brekka (Chair) M. Gerber G. Sherlock

Executive Officers

The following table sets out, for each of TeraGo’s executive officers, the person’s name, province/state and country of residence, position(s) with TeraGo as of the date of this AIF and prior occupations they’ve had during the five preceding years.

<u>Name and Place of Residence</u>	<u>Position(s) with TeraGo</u>	<u>Prior Principal Occupation</u>
ANTONIO (TONY) CICIRETTO <i>Ontario, Canada</i>	President, Chief Executive Officer and Director	President and CEO of Cogeco Peer 1 and Cogeco Data Services (2009 to 2015).
DAVID CHARRON <i>Ontario, Canada</i>	Chief Financial Officer	Chief Financial Officer of Redknee Inc. (2007 to 2017).
RON PERROTTA..... <i>Ontario, Canada</i>	Vice President, Marketing & Strategy	Senior Vice-President Marketing, Residential Services at Rogers Communications (2013 to 2016). Prior to that, he was Vice-President, Marketing & Strategic Planning at Cogeco Cable (2002 to 2013).
DUNCAN MCGREGOR <i>Ontario, Canada</i>	Vice President, Engineering & Operations	Vice President Engineering & Operations of Cogeco Peer 1 (2013 to 2017). Prior to that, he was Chief Technology Officer of Arcestra (2012 to 2013).
MARK LAU..... <i>Ontario, Canada</i>	Vice President, Legal, General Counsel & Corporate Secretary	Corporate Lawyer, Borden Ladner Gervais LLP (2010 to 2014).
CHRISTOPHER TAYLOR <i>Ontario, Canada</i>	Vice President, Product Management and Business Development	Director of Product Management and Development, Q9 Networks Inc. (2015 to 2017). Prior to that he was a Contractor to Pixel Tours Inc. (2014 to 2015). Prior to that, he was Director, Product Management of 407 ETR (2009 to 2014).

Shares Held by Directors and Officers

To the knowledge of the Company, as of December 31, 2018, TeraGo’s directors and executive officers (as a group) owned, or exerted direction or control over, a total of 3,450,465 Common Shares, two Class B

Shares and no Class A Non-Voting Shares, representing 21.88% of the Company's total outstanding Equity Shares.

Cease Trade Orders

To the knowledge of the Company, none of the directors or executive officers of the Company, is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer, or (b) was subject to an order that was issued after the director or executive officer ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer or chief financial officer.

For the purposes of this paragraph, "order" means a cease trade order, an order similar to a cease trade order or an order that denied the relevant company access to any exemption under securities legislation, in each case, that was in effect for a period of more than 30 consecutive days.

Bankruptcies and Receiverships

To the knowledge of the Company, none of the directors or executive officers of the Company, nor any shareholder holding a sufficient number of securities to affect materially the control of the Company, is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, (a) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets.

AUDIT COMMITTEE

Audit Committee Charter

The Audit Committee of the Company supports the Board in fulfilling its oversight responsibilities regarding the integrity of the Company's accounting and financial reporting, internal controls and disclosure controls, legal and regulatory compliance, ethics policy and timeliness of filings with regulatory authorities, the independence and performance of the Company's external and internal auditors, the management of the Company's risk, credit worthiness, treasury plans and financial policy, and whistleblower and complaint procedures. A copy of the Audit Committee's Charter is attached as Schedule B to this AIF.

Composition of the Audit Committee

The current members of the Audit Committee are Gary Sherlock (Chair), Michael Martin and Laurel Buckner. Each member of the Audit Committee is 'independent' and 'financially literate' within the meaning of Multilateral Instrument 52-110 – *Audit Committees*. The following lists the relevant education and experience of the members of TeraGo's Audit Committee that is relevant to his/her role in on the committee.

Gary Sherlock. Mr. Sherlock previously served as Chief Executive Officer and Co-CEO of Peer 1 Dedicated Hosting Inc. for eight years. During that time, he led a turnaround of Peer1 Hosting, which was

in financial and operational distress, repositioning the company strategically upmarket, restructured the organization, and expanding its operations domestically and globally. Prior to joining Peer1, Mr. Sherlock was Vice President, Business Development and Controller at B.C. Hydro and Power Authority. He has over 20 years of experience in executive positions in both corporate and operational roles in a multi-billion-dollar environment. Due to his experiences and recognition in the field, Mr. Sherlock has spoken at conferences around North America on risk management, business planning and activity-based costing. Mr. Sherlock is a CPA, CA, CMA. He graduated with distinction with a Bachelor of Administration from the University of Regina.

Michael Martin. Mr. Martin has more than 30 years' experience in broadband, fibre, wireless and digital communications technologies and has been a Senior Executive with IBM Canada since 2005. He has served on various Boards, including the Board of Managers of the Toronto Section of the Society of Motion Picture and Television Engineers and the Boards of Advisors of a number of Ontario post-secondary institutes, including Centennial College, Ryerson University, George Brown City College and Humber College Institute of Technology and Advanced Learning. Mr. Martin was a member of the Board of Governors of the University of Ontario Institute of Technology (UOIT) from 2007 to 2011, serving as Vice-Chair from 2009 to 2010 and as a member of the Executive, Senior Compensation, Audit and Finance, and Advancement committees. From 2010 to 2012, he was a member of the board of directors of Avante Logixx Inc. Mr. Martin was previously a founding partner and President of MICAN Communications which provides professional technical and business consulting services to the broadcast industry and earlier was President of Comlink Systems Limited and Ensaf Broadcast Services, Inc., both divisions of Cygnal Technologies Company.

Laurel Buckner. Ms. Buckner is Senior Vice President, Managing Director of ATN Ventures, the corporate venture capital group of ATN International, a U.S. publicly traded investment company based in Beverly, Massachusetts. As the head of ATN Ventures, she focuses on value creation through investments in new technologies and business models that benefit ATN's operating subsidiaries in both the communications and renewables sectors. She is a member of the Board of both Fireminds, a cloud services company in Bermuda, and Geoverse, an inbuilding wireless company based in Seattle, Washington. In conjunction with her investments, Ms. Buckner is currently or has been a Board member or observer of the Blue Box Group, the first provider of hosted managed private cloud services on top of OpenStack (which was subsequently sold to IBM); Telesphere, a voice over IP telecommunications company (which was subsequently sold to Vonage); and ZipWhip, a cloud texting platform for business communications. Prior to founding ATN Ventures, Ms. Buckner created and ran the corporate venture investing group at GCI, Alaska's largest communications provider. Ms. Buckner has extensive experience in corporate law, mergers and acquisitions and corporate governance as she was previously a lead M&A attorney at Dell and the Corporate Secretary and General Counsel of SonicWALL a network security company based in San Jose (which was subsequently sold to Dell). She began her career at the law firm of Davis Wright Tremaine in Seattle, Washington. Ms. Buckner holds a Bachelor of Arts in Comparative Literature from Colorado College with Distinction, a Juris Doctor from the University of Denver, and an LL.M in Taxation from the University of Washington.

Audit, Audit Related and Non-Audit Services

The following table is a summary of billings for services incurred by KPMG LLP during the years ended December 31, 2018 and 2017.

<u>Type of Work</u>	<u>Year Ended December 31, 2018</u>	<u>Year Ended December 31, 2017</u>
Audit Fees ⁽¹⁾	\$305,875	\$210,000
Audit-Related Fees ⁽²⁾	\$164,745	\$Nil
Tax Fees ⁽³⁾	\$16,125	\$18,500

All Other Fees ⁽⁴⁾	\$Nil	\$Nil
Total	\$486,745	\$228,500

⁽¹⁾ These fees include professional services provided by the external auditor for the review of the interim financial statements, audits of the annual financial statements and acquired businesses, the review of financial accounting and reporting matters including new accounting standards, and involvement in the Company’s prospectus. Annual audit fees are reported in the above table on an accrual basis regardless of when billed.

⁽²⁾ These fees relate to due diligence related to acquisitions and any business acquisition reports, advice related to compliance with Canadian rules on internal controls, French translation services, and other matters.

⁽³⁾ These fees include professional services for tax consultation and compliance services.

⁽⁴⁾ These fees include any other fees for permitted services not included in any of the above-stated categories.

RISK FACTORS

The risk factors set out under the heading “Risk Factors” in the Company’s management’s discussion and analysis for the fiscal year ended December 31, 2018 (“**MD&A**”) is hereby incorporated by reference. The MD&A is available on SEDAR at www.sedar.com.

INTEREST OF EXPERTS

The Company’s auditors are KPMG LLP, Chartered Accountants, Licensed Public Accountants, Vaughan Metropolitan Centre, 100 New Park Place, Suite 1400, Vaughan, Ontario, L4K 0J3. The Company’s consolidated annual financial statements for the year ended December 31, 2018 have been filed under National Instrument 51-102 – *Continuous Disclosure Obligations* (“**NI 51-102**”) in reliance on the report of KPMG LLP. KPMG LLP has confirmed that they are independent with respect to the Company within the meaning of the Rules of Professional Conduct of the Institute of Chartered Accountants of Ontario.

MATERIAL CONTRACTS

The following are the material contracts that the Company or a subsidiary of the Company has entered into since January 1, 2018 or prior thereto but still in effect and that are required to be filed under NI 51-102:

Credit Facility

TeraGo Networks entered into a Credit Agreement dated June 6, 2014 (the “**Credit Agreement**”) with National Bank of Canada and Royal Bank of Canada for credit facilities totaling \$50.0 million (the “**Credit Facility**”), consisting of a \$5.0 million revolving operating credit facility, a \$20.0 million non-revolving term credit facility to refinance the existing credit facility previously entered into with Royal Bank of Canada and a \$25.0 million non-revolving acquisitions and capital expenditure facility. The Credit Facility is principally secured by a general security agreement over TeraGo Networks’ assets, and is guaranteed by the Company.

Effective March 27, 2015, the Credit Agreement was amended to add The Toronto-Dominion Bank as a party to the agreement along with existing lenders, National Bank of Canada and Royal Bank of Canada. The total Credit Facilities available under the Credit Agreement increased from \$50.0 million to an aggregate amount of \$85.0 million consisting of a \$10.0 million revolving operating credit facility, a \$50.0 million non-revolving term credit facility and a \$25.0 million non-revolving acquisitions and capital expenditure facility. The maturity date for the Credit Facility was also extended to June 30, 2018 under the amendment.

On June 14, 2017, TeraGo entered into a further amending agreement whereby, the maturity date was

extended to June 14, 2021. The total credit facilities decreased from an aggregate amount of \$85.0 million to \$75.0 million, to reflect principal repayments previously made. The covenants and other terms and conditions under the Credit Agreement remain substantially unchanged.

The Credit Agreement, as amended, is subject to certain financial and non-financial covenants which the Company is in compliance with at December 31, 2018. Such covenants include the Company ensuring its debt to earnings ratio is not above a certain ratio, ensuring a minimum fixed charge coverage ratio and various reporting requirements customary in such credit agreements. Under the Credit Agreement, principal payments could also be accelerated depending on the generation of excess cash flow by the Company, as described in the Credit Agreement, which will be calculated and due not later than 120 days after the end of each fiscal year.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc. at its principal transfer office in Toronto, Ontario.

ADDITIONAL INFORMATION

Additional information relating to TeraGo may be found on SEDAR at www.sedar.com and on TeraGo's website at www.terago.ca.

Additional information regarding directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, is contained in TeraGo's information proxy circular dated May 14, 2018 and will be contained in TeraGo's information circular for the next meeting of shareholders that involves the election of directors. Additional financial information is provided in TeraGo's financial statements and the MD&A for the fiscal year ended December 31, 2018.

SCHEDULE A - GLOSSARY OF TECHNICAL TERMS

“**24 x 7**” means 24 hours a day, seven days a week.

“**Backbone**” means the part of a telecommunications network that handles the major traffic. It employs the highest-speed transmission paths in the network and may also run the longest distances. Smaller networks are attached to the backbone, and networks that directly connect to the end user or customer are called “access networks.” A backbone can span a geographic area of any size from a single building to an office complex to an entire country.

“**Backhaul**” refers to the means by which data is transmitted from a base station or other collection point to a core network node, from which it can be distributed over a network. It is also sometimes referred to as transporting data to the network backbone.

“**Bandwidth**” means the amount of data that can be transmitted in a fixed amount of time. For digital, the bandwidth is usually expressed in bits per second (bps) or bytes per second. For analog devices, the bandwidth is expressed in cycles per second, or Hertz (Hz).

“**Broadband**” refers to a wide band of frequencies available to transmit information over a network.

“**Data Centre**” is a facility used to house computer systems and associated components, such as telecommunications and storage systems and generally includes redundant or backup power supplies, redundant data communications connections, environmental controls (e.g., air conditioning, fire suppression) and various security devices.

“**Ethernet**” refers to a transmission technology used in LANs, which typically provide data transmission rates that can range from 10 million to 1 billion bits per second.

“**Ethernet Switch**” means a LAN interconnection device which operates at the data link layer (layer 2) of the OSI reference model. A switch is fundamentally similar to a bridge, but usually supports a larger number of connected LAN segments and has a richer management capability.

“**Fixed Wireless**” refers to the operation of wireless devices or systems between fixed locations such as buildings and towers.

“**GHz**” or “**Gigahertz**” refers to a measurement used for microwave frequencies that are common in wireless communications.

“**IP**” or “**Internet Protocol**” refers to the method or protocol by which data is sent from one computer to another on the Internet.

“**LAN**” or “**Local Area Network**” refers to a computer network or data communications network which is confined in a limited geographical area.

“**Mbps**” or “**millions of bits per second**” or “**megabits per second**” refers to a measure of the total information flow over a given period of time on a telecommunications medium.

“**MPLS**” means Multi-Protocol Label Switching.

“**QoS**” means Quality of Service.

“Spectrum Licenses” means use of radio frequency bands of the electromagnetic spectrum regulated by the federal government.

“VLAN” or **“Virtual (Logical) Local Area Network”** refers to multiple local area networks (“LANs”) simulated over a single network medium.

SCHEDULE B - AUDIT COMMITTEE CHARTER

The Board of Directors of TeraGo Inc. (the “**Board**”) has established an Audit Committee (the “**Committee**”) to assist the Board in fulfilling its oversight of the financial reporting process including the integrity of the Corporation’s accounting and financial reporting, the Corporation’s internal controls and disclosure controls, the Corporation’s legal and regulatory compliance, the Corporation’s ethics policy and timeliness of filings with regulatory authorities, the independence and performance of the Corporation’s external auditors, the management of the Corporation’s risks, the Corporation’s credit worthiness, treasury plans and financial policy and the Corporation’s whistleblower and complaint procedures.

1. MEMBERSHIP

- The Committee will have a minimum of three members, including the Chair of the Committee. The Board will appoint and remove the members of the Committee by a majority vote. The members will sit on the Committee at the pleasure of the Board.
- The Board will appoint the Chair of the Committee from the Committee’s members by a majority vote. The Chair of the Committee will hold such position at the pleasure of the Board.
- All members of the Committee will be Independent Directors. A director is independent if he or she has no direct or indirect material relationship with the Corporation as determined in accordance with applicable laws and regulations.
- All members of the Committee will be financially literate as defined in accordance with applicable securities laws and standards.

2. MEETINGS

- The Committee will meet at least once each quarter corresponding with the Corporation’s reporting cycle and otherwise as necessary. Any member of the Committee may call meetings of the Committee.
- The Chair of the Committee will prepare an agenda in advance of each meeting.
- The notice, agenda and supporting documentation will be circulated to the members of the Committee at least five days in advance of the meeting to allow members appropriate time to prepare for the meeting. The notice and agenda will also be circulated to the CEO and all Directors.
- All Directors of the Corporation, including management directors, may attend meetings of the Committee provided, however, that no director is entitled to vote at such meetings and is not counted as part of the quorum for the Committee if he or she is not a member of the Committee.
- At each meeting of the Committee, the Committee members may meet in private sessions among themselves only; and when appropriate with the external auditors only; and with Management only.
- The Committee will report to the Board on its meetings and each member of the Board will have access to the minutes of the Committee’s meetings, regardless of whether the director is a member of the Committee.

3. QUORUM

- The quorum necessary for the transaction of business at Committee meetings will be a majority of the members of the Committee.

4. DUTIES

The Board hereby delegates to the Committee the following duties to be performed by the Committee on behalf of and for the Board:

Financial Reporting

Prior to public disclosure, the Committee in consultation with management, and where appropriate the external auditors, will review and recommend to the Board for approval:

- the annual audited financial statements and interim unaudited financial statements of the Corporation;
- the interim and annual management's discussion and analysis of financial condition and results of operations ("MD&A") of the Corporation;
- earnings press releases and earnings guidance, if any;
- management's Statement on Financial Reporting; and
- all other material financial public disclosure documents of the Corporation including prospectuses, press releases with financial results and the Annual Information Form.

External Auditors

The external auditors will report directly to the Committee and the Committee will:

- Recommend to the Board, for shareholder approval the external auditors and determine the compensation of the external auditors;
- oversee the work of the external auditors and review and approve the annual audit plan of the external auditors, including the scope of the audit to be performed. The Committee will discuss with the external auditors and management, the adequacy and effectiveness of the disclosure controls and internal controls of the Corporation and elicit recommendations for the improvement of such controls or particular areas where new or more detailed controls or procedures are desirable;
- meet with the external auditors without management present and ask the external auditors to report any significant disagreements with management regarding financial reporting, the resolution of such disagreements and any restrictions imposed by management on the scope and extent of the audit examinations conducted by the external auditors;
- pre-approve all audit, audit-related and non-audit services to be provided to the Corporation or any of its subsidiaries, by the external auditors (and its affiliates), in accordance with applicable securities laws;
- annually review the qualification, expertise and resources and the overall performance of the external audit team and, if necessary, recommend to the Board the termination of the external auditors or the rotation of the audit partner in charge;
- annually assess and confirm the independence of the external auditors and require the external auditors to deliver an annual report to the Committee regarding its independence, such report to include disclosure regarding all engagements (and fees related thereto) by the Corporation and relationships which may impact the objectivity and independence of the external auditors;
- require the external auditors to deliver an annual acknowledgement in writing to the Committee that the shareholders, as represented by the Board and the Committee, are its primary client;

- review post-audit or management letters, containing recommendations of the external auditors and management's response;
- review reports of the external auditors; and
- pre-approve the hiring of employees and former employees of current and former auditors in accordance with applicable securities laws.

Notwithstanding the above, the Committee may delegate the pre-approval of non-audit services to any one member of the Committee, provided, however, a report is made to the Committee on any pre-approval of such services at the Committee's first scheduled meeting following the pre-approval.

Whistleblower, Ethics and Internal Controls Complaint Procedure

The Committee will ensure that the Corporation has in place adequate procedures for:

- the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls, auditing matters or conflicts of interest; and
- the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

The CEO or CFO will report to the Committee, and the Committee will review such reports, on any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal controls.

Accounting and Financial Matters

The Committee will review:

- with management and the external auditors, the Corporation's major accounting policies, including the impact of alternative accounting policies and key management estimates and judgments that could materially affect the financial results and whether they should be disclosed in the MD&A;
- emerging accounting issues and their potential impact on the Corporation's financial reporting;
- significant judgments, assumptions and estimates made by management in preparing financial statements;
- the evaluation by the external auditors of management's internal control systems, and management's responses to any identified weaknesses;
- the evaluation by management of the adequacy and effectiveness in the design and operation of the Corporation's disclosure controls and internal controls for financial reporting;
- audits designed to report on management's representations on the effectiveness and efficiency of selected projects, processes, programs or departments; and
- management's approach for safeguarding corporate assets and information systems, the adequacy of staffing of key financial functions and their plans for improvements.

Credit Worthiness, Treasury Plans and Financial Policy

The Committee will review with management:

- the Corporation's financial policies and compliance with such policies;
- the credit worthiness of the Corporation;
- the liquidity of the Corporation; and
- important treasury matters including financing plans.

Legal/Regulatory Matters and Ethics

The Committee will review:

- with management, the external auditors and, if appropriate, legal counsel, any litigation, claim or other contingency, including any tax assessment, that could have a material effect upon the financial position or operating results of the Corporation;
- annually, management's relationships and compliance with regulators, and the accuracy and timeliness of filing with regulatory authorities; and
- annually, the ethics policy, management's approach to business ethics and corporate conduct and the program used by management to monitor compliance with the policy.

Risk Management

The Committee will:

- consider reports on the annual enterprise business risk assessment and updates thereto;
- consider reports on the business continuity disaster recovery plan(s) for the Corporation;
- consider reports on the insurance coverage of the Corporation;
- consider reports on financial risk management including derivative exposure and policies;
- monitor, on behalf of the Board, the Corporation's compliance with environmental legislation; and
- review other risk management matters as from time to time the Committee may consider suitable or the Board may specifically direct.

Other

The Committee will review:

- the proposed disclosure concerning the Committee to be included in the Corporation's disclosure documents to verify, among other things, that it is in compliance with applicable securities law requirements;
- significant related party transactions and actual and potential conflicts of interest relating thereto to verify their propriety and that disclosure is appropriate; and
- at least once annually, evaluate the adequacy of these Terms of Reference and the Committee's performance, and report its evaluation and any recommendations for change to the Board via the Corporate Governance Committee.

The Committee will also have such other duties and responsibilities as are delegated to it and review such other matters as, from time to time, are referred to it by the Board.

5. AUTHORITY

The Committee, in fulfilling its mandate, will have the authority to:

- after informing the Board Chair and the CEO, engage and set compensation for independent counsel and other advisors;
- Communicate directly with the Chief Financial Officer, the External Auditors and General Counsel/Director of Legal; and

- after informing the Board Chair and the CEO, access appropriate funding as determined by the Committee to carry out its duties.