



SLEEP COUNTRY CANADA HOLDINGS INC.

NOTICE OF ANNUAL GENERAL AND SPECIAL MEETING OF SHAREHOLDERS

NOTICE IS HEREBY GIVEN that the Annual General and Special Meeting (the "**Meeting**") of holders of common shares (collectively, the "**Shareholders**") of SLEEP COUNTRY CANADA HOLDINGS INC. (the "**Company**" or "**Sleep Country**") will be held at 40 King Street West, 2nd Floor, Toronto, Ontario on Tuesday, May 5, 2020 at 10:00 a.m. (Toronto time) for the following purposes:

1. to receive and consider the audited consolidated financial statements of the Company for its financial year ended December 31, 2019, together with the report of the auditors thereon;
2. to elect each of the directors for the ensuing year;
3. to reappoint the auditors of the Company for the ensuing year and authorize the directors to fix the auditors' remuneration;
4. to consider and, if thought advisable, pass a non-binding advisory resolution on the Company's approach to executive compensation;
5. to consider and, if thought fit, to pass an ordinary resolution of the Shareholders approving the renewal of unallocated options, rights or other entitlements under the Company's security-based compensation arrangements until May 5, 2023;
6. to consider and, if thought fit, to pass an ordinary resolution of the Shareholders approving certain amendments to the Company's stock option plan;
7. to consider and, if thought fit, to pass an ordinary resolution of the Shareholders approving certain amendments to the Company's long-term incentive plan (previously the performance share unit plan); and
8. to transact such further or other business as may properly be brought before the Meeting or any adjournment(s) or postponement(s) thereof.

This Notice of Meeting is accompanied by the management information circular of the Company dated March 25, 2020 (the "**Circular**"), a form of proxy or a voting instruction form and a supplemental mailing list form.

The board of directors of the Company has fixed the record date as of March 25, 2020 for the purposes of determining Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment(s) or postponement(s) thereof. **Registered Shareholders who are unable to attend the Meeting in person are entitled to be represented by proxy. In order to validly appoint a proxy nominee to represent, attend and act on behalf of a Shareholder at the Meeting, Shareholders must properly complete, sign and date the enclosed form of proxy and return the form of proxy to the Company's registrar and transfer agent, Computershare Trust Company of Canada, as set out in the accompanying Circular for receipt by no later than 10:00 a.m. (Toronto time) on Friday, May 1, 2020 or at least 24 hours, excluding Saturdays, Sundays and holidays, prior to any adjournment or postponement of the Meeting at which the proxy is to be used.** Alternatively, registered Shareholders may vote using the telephone or by Internet by following the instructions set out in the form of proxy and the accompanying Circular. Non-registered Shareholders, whose shares are registered in the name of an intermediary, such as an investment dealer, bank, trust

company, trustee, custodian or other nominee, or a clearing agency in which the intermediary participates, may vote their shares by following the instructions set out in the accompanying Circular and voting instruction form.

We have been carefully monitoring the outbreak of the novel coronavirus ("COVID-19") and are proactively implementing measures to prioritize the health and well-being of our employees, customers, suppliers, and other stakeholders. We are aware of our responsibility to help slow the spread of the COVID-19 pandemic and reduce its impact on our stakeholders and their health. We take this responsibility seriously. In light of the rapidly evolving global COVID-19 public health emergency and to mitigate against its risks, we may determine to shift our Meeting, in whole or in part, to a virtual meeting. If this occurs, you may not be able to join the Meeting physically but we will, in that case, provide instructions on virtual participation at the Meeting. Converting to a virtual Meeting may require us to postpone the Meeting and the Record Date. If we are unable to convert to a virtual Meeting, we may nonetheless determine to postpone the Meeting and Record Date to ensure the safety of all attendees. Additional information will be provided in due course.

DATED at Toronto, Ontario this 25th day of March, 2020.

BY ORDER OF THE BOARD OF DIRECTORS

(signed) Christine Magee

Christine Magee
Chair



SLEEP COUNTRY CANADA HOLDINGS INC.

Annual General and Special Meeting of Shareholders

to be held on

May 5, 2020

Management Information Circular

TABLE OF CONTENTS

MANAGEMENT SOLICITATION	3
POSSIBLE REQUIRED DELAY	3
VOTING OF PROXIES	4
APPOINTMENT OF PROXY NOMINEES AND DEPOSIT OF PROXIES	4
REVOCAION OF PROXIES	6
RECORD DATE	7
COMMON SHARES AND PRINCIPAL HOLDERS THEREOF	7
BUSINESS OF THE MEETING	7
STATEMENT OF EXECUTIVE COMPENSATION	22
DIRECTORS' COMPENSATION	50
INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS	54
DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES.....	54
ANNUAL COMMITTEE REPORTS	67
INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS	70
INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON	70
SHAREHOLDER PROPOSALS.....	70
ADDITIONAL INFORMATION.....	70
APPROVAL BY DIRECTORS.....	71
APPENDIX A STOCK OPTION PLAN.....	A-1
APPENDIX B LONG-TERM INCENTIVE PLAN	B-1
APPENDIX C NON-IFRS MEASURES	C-1
APPENDIX D CHARTER OF THE BOARD OF DIRECTORS.....	D-1



SLEEP COUNTRY CANADA HOLDINGS INC.

MANAGEMENT INFORMATION CIRCULAR

MANAGEMENT SOLICITATION

This Management Information Circular, including all appendices hereto (the “Circular”) is furnished in connection with the solicitation of proxies by or on behalf of the management (“Management”) of SLEEP COUNTRY CANADA HOLDINGS INC. (the “Company” or “Sleep Country”) for use at the annual general and special meeting (the “Meeting”) of the holders of common shares (the “Common Shares”) of the Company (collectively, the “Shareholders”) to be held at 40 King Street West, 2nd Floor, Toronto, Ontario on Tuesday, May 5, 2020 at 10:00 a.m. (Toronto time), or at any adjournment(s) or postponement(s) thereof, for the purposes set out in the accompanying Notice of Meeting. Except as otherwise stated, the information contained herein is given as of March 25, 2020 and all dollar amounts are expressed in Canadian dollars.

It is expected that the solicitation of proxies will be primarily by mail. Proxies may also be solicited personally, by telephone, e-mail, Internet, facsimile or other means of communication by the directors, officers, employees and agents of the Company. The cost of solicitation will be borne by the Company. The Company will reimburse investment dealers, banks, custodians, nominees and other fiduciaries for permitted reasonable out-of-pocket costs and expenses incurred by them in mailing proxy materials to the beneficial owners of Common Shares. The Company is not sending proxy-related materials to registered or beneficial owners of the Common Shares using the notice-and-access provisions set out in National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (“NI 54-101”). The Company will provide, without cost to such persons, upon request to the Secretary of the Company, additional copies of the foregoing documents required for this purpose. The Company’s 2019 Annual Report (the “Annual Report”) and the Meeting Materials (as defined herein) are available on the System for Electronic Document Analysis and Retrieval (“SEDAR”) at www.sedar.com and the Company’s website at www.sleepcountryir.ca

The Annual Report, which includes the Management’s Discussion and Analysis of the financial condition and results of operations of the Company, the Audited Consolidated Financial Statements of the Company and the auditors’ report to the Shareholders of the Company for the financial year ended December 31, 2019 accompanies this Circular and is also available on SEDAR at www.sedar.com and on the Company’s website at www.sleepcountryir.ca.

POSSIBLE REQUIRED DELAY

We have been carefully monitoring the outbreak of the novel coronavirus (“COVID-19”) and are proactively implementing measures to prioritize the health and well-being of our employees, customers, suppliers, and other stakeholders. We are aware of our responsibility to help slow the spread of the COVID-19 pandemic and reduce its impact on our stakeholders and their health. We take this responsibility seriously. In light of the rapidly evolving global COVID-19 public health emergency and to mitigate against its risks, we may determine to shift our Meeting, in whole or in part, to a virtual meeting. If this occurs, you may not be able to join the Meeting physically but we will, in that case, provide instructions on virtual participation at the Meeting. Converting to a virtual Meeting may require us to postpone the Meeting and the Record Date. If we are unable to convert to a virtual Meeting, we may nonetheless determine to

postpone the Meeting and Record Date to ensure the safety of all attendees. Additional information will be provided in due course.

VOTING OF PROXIES

The form of proxy or voting instruction form forwarded to Shareholders with the notice of meeting accompanying this Circular (the "Notice of Meeting") confers discretionary authority upon the Management proxy nominees named therein in respect of amendments to or variations of matters identified in the Notice of Meeting and any other matters that may properly come before the Meeting or any adjournment(s) or postponement(s) thereof. As of the date of this Circular, Management knows of no such amendments, variations or other matters to come before the Meeting. However, if any amendments, variations or other matters which are not now known to Management should properly come before the Meeting or any adjournment(s) or postponement(s) thereof, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed form of proxy or voting instruction form will be voted on such matters in accordance with the best judgment of such proxy nominees.

The form of proxy or voting instruction form affords each Shareholder an opportunity to specify that the Common Shares registered in the Shareholder's name shall be voted "for" or "withheld" from voting in respect of the election of each director and the reappointment of auditors and authorization of the directors to fix the remuneration of the auditors.

On any ballot that may be called for, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed form of proxy or voting instruction form will be voted for or withheld from voting in respect of the election of each director and the reappointment of auditors and authorization of the directors to fix the remuneration of the auditors, in each case in accordance with the specifications made by each Shareholder, and if a Shareholder specifies a choice with respect to any matter to be acted upon, the Common Shares will be voted accordingly.

If no specifications as to voting have been made by a Shareholder, the Common Shares represented by proxies in favour of the Management nominees will be voted as follows:

- (a) **FOR the election of each of the eight (8) nominees as directors for the ensuing year;**
- (b) **FOR the reappointment of PricewaterhouseCoopers LLP as the auditors and authorization of the directors to fix the remuneration of the auditors;**
- (c) **FOR the approval of the non-binding advisory resolution on the Company's approach to executive compensation;**
- (d) **FOR the approval of unallocated options, rights or other entitlements under the Company's security-based compensation arrangements;**
- (e) **FOR the approval of amendments to the Company's long-term incentive plan; and**
- (f) **FOR the approval of amendments to the Company's stock option plan.**

APPOINTMENT OF PROXY NOMINEES AND DEPOSIT OF PROXIES

Appointment of Proxies

In order to validly appoint a proxy nominee to represent, attend and act on behalf of a Shareholder at the Meeting, Shareholders must properly complete, sign and date the enclosed form of proxy or voting

instruction form (“**VIF**”), as applicable, and return it (or vote using the telephone or by Internet) as set out below for receipt by no later than 10:00 a.m. (Toronto time) on Friday, May 1, 2020, or at least 24 hours, excluding Saturdays, Sundays and holidays, prior to any adjournment or postponement of the Meeting at which the proxy is to be used. Late proxies may be accepted or rejected by the chairperson of the Meeting (the “**Chairperson**”) in his or her discretion, and the Chairperson is under no obligation to accept or reject any particular late proxy.

Each Shareholder has the right to appoint a person (who need not be a Shareholder), other than those Management nominees named in the enclosed form of proxy, to represent, attend and act on behalf of the Shareholder at the Meeting. That right may be exercised by striking out the names of the Management nominees in the enclosed form of proxy and inserting the name of such person in the blank space provided for that purpose.

Corporate Shareholders

Any Shareholder that is a corporation may, by resolution of its directors or other governing body, authorize such person as it thinks fit to exercise in respect of and at the Meeting or any adjournment(s) or postponement(s) thereof the same powers on behalf of the corporation as that corporation could exercise if it were an individual Shareholder personally present, including the right (unless restricted by such resolution) to appoint a proxyholder to represent such corporation. Evidence in writing of the appointment of any such representative should accompany a corporate Shareholder’s completed proxy.

Registered Shareholders

A registered Shareholder (a Shareholder who holds a physical Common Share certificate(s) and whose name appears on such Common Share certificate(s)) will receive a form of proxy. As an alternative to voting in person at the Meeting, a form of proxy entitles a registered Shareholder to vote by mail, by telephone or via the Internet in accordance with the following instructions.

- *To vote by Internet:* Go to the website specified on the enclosed form of proxy and follow the voting instructions on the screen. Shareholders will require a control number (located on the front of the form of proxy) (a “**Control Number**”) to identify themselves to the system. If your form of proxy does not contain a Control Number, you will not be able to vote via the Internet.
- *To vote by Telephone:* Call the toll-free phone number specified on the enclosed form of proxy from a touch tone telephone and, when prompted, follow the instructions provided. Shareholders will require a Control Number (located on the front of the form of proxy) to identify themselves to the system. If your form of proxy does not contain a Control Number, you will not be able to vote by telephone.
- *To vote by Mail:* Properly complete, sign and date the form of proxy and return it in the enclosed envelope (postage prepaid if mailed within Canada) to the registrar and transfer agent of the Company, Computershare Trust Company of Canada (“**Computershare**”), located at 100 University Avenue, 8th Floor, Toronto, Ontario M5J 2Y1, Attention: Proxy Department.

If you vote by telephone or via the Internet, DO NOT complete or return the enclosed form of proxy. Voting by mail may be the only method to vote Common Shares held in the name of a corporation or to vote Common Shares being voted on behalf of another person. The persons named in the enclosed form of proxy represent Management of the Company. Voting by mail or via the Internet are the only methods by which a Shareholder may appoint a person as proxy nominee other than the Management nominees named in the form of proxy.

Non-Registered Shareholders

Only registered Shareholders or their duly appointed proxy nominees are permitted to attend in person and vote at the Meeting. However, in most cases, Common Shares are beneficially owned by the Shareholder. You are a non-registered beneficial Shareholder (a “**Non-Registered Holder**”) if you are a

Shareholder whose Common Shares are registered in the name of an intermediary, such as an investment dealer, bank, trust company, trustee, custodian or other nominee (each, an “**Intermediary**”), or a depository or clearing agency (such as The Canadian Depository for Securities Limited in Canada) in which the Intermediary participates. If your Common Shares are listed in an account statement provided to you by a broker or other Intermediary, then in almost all cases those Common Shares will not be registered in your name and are more likely registered under the name of your broker or other nominee or an agent thereof. In Canada, the vast majority of Common Shares are registered under the name of CDS Clearing and Depository Services Inc. (“**CDS**”) (the registration name for The Canadian Depository for Securities Limited, which acts as nominee for many Canadian brokerage firms). Common Shares registered in the name of any Intermediary, such as an investment dealer, broker, bank, trust company, trustee or other nominee, or a clearing agency, can only be voted upon the instructions of the Non-Registered Holder. Without specific instructions, Intermediaries are prohibited from voting Common Shares on behalf of their clients. Therefore, Non-Registered Holders should ensure that instructions respecting the voting of their Common Shares are communicated to the appropriate person by the appropriate time.

Non-Registered Holders who have not objected to their intermediary disclosing certain information about them to the Company are referred to as “NOBOs” (non-objecting beneficial owners), whereas Non-Registered Holdings who have objected to their intermediary disclosing ownership information about them to the Company are referred to as “OBOs” (objecting beneficial owners). In accordance with NI 54-101, the Company has elected to send the Notice of Meeting, this Circular and the related form of proxy or voting instruction form (collectively, the “**Meeting Materials**”) indirectly through intermediaries to the NOBOs and OBOs.

The Intermediary holding the Common Shares on your behalf is required to forward the Meeting Materials to you, unless you have waived your right to receive them, and to seek your instructions as to how to vote your Common Shares in respect of each of the matters described in this Circular to be voted on at the Meeting. Each Intermediary has its own procedures which should be carefully followed to ensure that your Common Shares are voted by the Intermediary on your behalf at the Meeting. These procedures may allow for voting by telephone, via the Internet, by mail and/or by facsimile. The applicable instructions for each such method of voting will be set out in the proxy or VIF provided to you directly by the Intermediary. The majority of brokers and nominees now delegate responsibility for obtaining instructions from clients to Broadridge Investor Communications Solutions, Canada (“**Broadridge**”). Broadridge typically mails VIFs to the Non-Registered Holders and asks Non-Registered Holders to return the forms to Broadridge. Broadridge then tabulates the results of all instructions received and provides appropriate instructions respecting the voting of Common Shares to be represented at the Meeting. A Non-Registered Holder receiving a VIF from Broadridge cannot use that form to vote Common Shares directly at the Meeting. The form must be returned to Broadridge well in advance of the Meeting in order to have the Common Shares voted. Each Non-Registered Holder should contact his or her Intermediary and carefully follow the voting instructions provided by such Intermediary. If you are a Non-Registered Holder and wish to vote your Common Shares in person at the Meeting, you should contact your Intermediary and follow their instructions for completion and return of the proxy or VIF provided to you directly by them.

These security holder materials are being sent to both registered Shareholders and Non-Registered Holders.

REVOCATION OF PROXIES

If you are a registered Shareholder, proxies previously given for use at the Meeting or any adjournment or postponement thereof may be revoked at any time prior to their use. In addition to revocation in any other manner permitted by law, a proxy may be revoked by:

- (a) depositing an instrument in writing executed by the Shareholder or by the Shareholder’s attorney authorized in writing or, if the Shareholder is a corporation, under its corporate seal or by an officer thereof duly authorized: (i) at the registered office of the Company at 7920 Airport Road, Brampton, ON, L6T 4N8 or transmitted to facsimile number 905-790-

9379 at any time up to 10:00 a.m. (Toronto time) on the last business day preceding the date of the Meeting, or any adjournment or postponement of the Meeting, at which the proxy is to be used; or (ii) with the Chairperson on the day of the Meeting, or any adjournment or postponement thereof, at which the proxy is to be used, prior to the commencement of such Meeting; or

- (b) completing and signing a valid proxy bearing a later date and returning it in accordance with the instructions contained in the accompanying form of proxy, or as otherwise provided in this Circular.

Only a registered Shareholder of the Company has the right to revoke a proxy.

If you are a Non-Registered Holder and wish to change your vote, you must arrange for the Intermediary in whose name the Common Shares are registered to revoke the proxy on your behalf in accordance with the instructions of such Intermediary set out in the VIF. The revocation of proxies or voting instructions by a Non-Registered Holder can take several days or longer to complete and, accordingly, any such revocation should be completed well in advance of the deadline prescribed in the proxy or VIF accompanying this Circular to ensure it is given effect in respect of the Meeting.

A revocation of a proxy will not affect any matter on which a vote has been taken prior to the revocation.

RECORD DATE

In accordance with applicable laws, the board of directors of the Company (the “**Board of Directors**” or the “**Board**”) has provided notice of and fixed the record date as of March 25, 2020 (the “**Record Date**”) for the purposes of determining Shareholders entitled to receive notice of and to vote at the Meeting and any adjournment or postponement thereof. The Company has prepared a list, as of the close of business on the Record Date, of the holders of Common Shares. Only Shareholders of record at the close of business on the Record Date whose name appears on such list will be entitled to vote the Common Shares shown opposite such Shareholder’s name on such list at the Meeting or any adjournment or postponement thereof.

COMMON SHARES AND PRINCIPAL HOLDERS THEREOF

As of the Record Date, 36,700,764 Common Shares were issued and outstanding. Each Common Share carries one (1) vote in respect of each matter to be voted upon at the Meeting.

To the knowledge of the directors and officers of the Company, no person or company beneficially owns, or exercises control or direction over, directly or indirectly, voting securities of the Company carrying 10% or more of the voting rights attached to any class of outstanding voting securities of the Company entitled to vote at the Meeting.

BUSINESS OF THE MEETING

Annual Report and Audited Consolidated Financial Statements

The Annual Report, which includes the Audited Consolidated Financial Statements of the Company for the financial year ended December 31, 2019 and the auditors’ report thereon, will be submitted to Shareholders at the Meeting. Receipt at such Meeting of the auditors’ report and the Company’s Audited Consolidated Financial Statements for its most recently completed financial year will not constitute approval or disapproval of any matters referred to herein. A copy of the 2019 Annual Report has been mailed to Shareholders who requested it and is also available on the Company’s website at www.sleepcountryir.ca and on SEDAR at www.sedar.com.

Election of Directors

The Board is comprised of a minimum of three and a maximum of fifteen members. The Board has determined that the number of directors to be elected at the Meeting is eight. The Board is currently constituted with a majority of individuals who qualify as independent directors in accordance with applicable Canadian securities laws, as determined by the Board.

Majority Voting

The Company has adopted a majority voting policy pursuant to which any nominee proposed for election as a director in an uncontested election who receives, from the Common Shares voted at the meeting in person or by proxy, a greater number of Common Shares withheld than Common Shares voted in favour of their election, shall be considered not to have received the support of the shareholders, even though duly elected as a matter of corporate law, and that nominee must immediately tender his or her resignation to the Board for consideration following the Meeting. The Board will refer the resignation to the Nominating and Corporate Governance Committee which will expeditiously consider the director's offer to resign and make a recommendation to the Board on whether to accept it. The Committee shall recommend acceptance of the resignation unless there are exceptional circumstances that would warrant rejecting or delaying the acceptance of the offer of resignation. The Board will have 90 days to make a final decision and announce it by way of press release. If the Board declines to accept the resignation, the press release shall fully state the reasons for that decision. The relevant director will not participate in any deliberations of the Nominating and Corporate Governance Committee or the Board on the resignation offer.

The Company's majority voting policy only applies in the case of uncontested elections of directors. An "uncontested election" means an election where the number of nominees for director equals the number of directors to be elected and where no proxy materials are circulated in support of the election of one or more nominees who are not included among the nominees supported by the Board.

Director Nominees

The present term of office for each director of the Company will expire immediately prior to the election of directors at the Meeting or until their successors are elected or appointed. It is proposed to nominate for election each of the eight persons whose names are set out below as a director of the Company to serve until the next annual meeting of shareholders, or until their successors are duly elected or appointed unless his or her office is earlier vacated in accordance with the Company's by-laws.

The following sets out for each director nominee, a profile of such nominee together with a description of his or her experience, qualifications, areas of expertise, participation on the Board and its committees, if applicable, ownership of Sleep Country securities, as well as other public company board memberships. A more detailed description of each nominee's competencies together with disclosure of Board and Committee meeting attendance records and a listing of other public company board memberships is described in the Statement of Corporate Governance Practices.

Christine Magee⁽⁶⁾
Chair
 Ontario, Canada
 Age 60

Director since:
 May 27, 2015

Ms. Magee is Chair of Sleep Country. She co-founded Sleep Country in 1994 and served as its President until November 2014. Ms. Magee worked in the industry as the Commercial Accounts Manager of Continental Bank from 1982 to 1985 and as a Senior Manager of Corporate and Commercial Lending with National Bank from 1985 to 1994. She serves on the Board of Directors of Metro Inc., TELUS, Trillium Health Partners, Woodbine Entertainment Group and Plan International Canada and is Chair of the Advisory Council of the Talent Fund. Ms. Magee previously served on the Board of Directors of SiriusXM Canada from January 2014 to May 2017, Richard Ivey School of Business Western University Advisory Board from June 2010 to 2017, Toronto General and Western Hospital Foundation Board from 2010 to 2015, Advisory Board for Adrenalys from May 2016 to December 2017, Cott Corporation from 2004 to 2008 and McDonald's Restaurants from 1999 to 2004. Ms. Magee received a Honorary Doctorate of Commerce from Ryerson University on June 15, 2006. She holds an HBA (Honours) from the University of Western Ontario. On July 1, 2015, Ms. Magee was appointed as a member of the Order of Canada in recognition of her significant contributions to the Canadian business community.

2019 Voting Results: 98.73% in favour

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 26, 2018	293,198	3,389	296,587	9,107	\$10,281,574	\$750,000	Yes
Mar. 25, 2019	293,198	4,916	298,114	9,107	\$5,943,518	\$750,000	Yes
Mar. 25, 2020	293,198	7,530	300,728	9,107	\$2,912,548	\$750,000	Yes
Change	-	2,614	2,614	-	(\$3,030,970)		

J. Douglas Bradley⁽⁷⁾
Director
 Ontario, Canada
 Age 68

Director since:
 July 16, 2015

Mr. Bradley is a member of the Board of Directors of Sleep Country. He is currently a corporate director. From 2005 to 2012, he was Managing Director of Westerkirk Capital Inc., a private equity firm. Prior to that, he was Managing Director, Corporate Development of TrizecHahn Corporation from 1995 to 2002. From 1982 to 1994, Mr. Bradley was a partner of Coopers & Lybrand Chartered Accountants, a predecessor firm of PricewaterhouseCoopers LLP. Mr. Bradley has served on numerous boards during his 45-year career, most recently on the BG Fuels Advisory Board. He holds a Bachelor of Mathematics degree from the University of Waterloo and is a Chartered Professional Accountant.

2019 Voting Results: 99.44% in favour

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 26, 2018	7,470	1,432	8,902	4,553	\$381,953	\$225,000	Yes
Mar. 25, 2019	7,470	2,959	10,429	4,553	\$219,992	\$300,000	No
Mar. 25, 2020	9,610	5,573	15,183	4,553	\$117,985	\$300,000	No
Change	2,140	2,614	4,754	-	(\$102,006)		

John Cassaday⁽⁸⁾
Director
 Ontario, Canada
 Age 66

Director since:
 July 16, 2015

Mr. Cassaday is a member of the Board of Directors of Sleep Country. He is currently a corporate director. Prior to April 2015, Mr. Cassaday served as President and Chief Executive Officer and as a director of Corus Entertainment Inc., a position he held since its inception in 1999. Prior to Corus, Mr. Cassaday was Executive Vice President of Shaw Communications, President and Chief Executive Officer of CTV Television Network and President of Campbell Soup Company in Canada and the United Kingdom. Mr. Cassaday is currently Chairman of Manulife Financial Corporation and Director of Sysco Corporation. He is also active in community affairs, principally with St. Michael's Hospital. Mr. Cassaday has an MBA from the Rotman School of Management at the University of Toronto, a degree of Doctor of Laws, honoris causa from the University of Toronto and is a member of the Order of Canada.

2019 Voting Results: 99.11% in favour

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 26, 2018	20,580	1,432	22,012	4,553	\$829,528	\$225,000	Yes
Mar. 25, 2019	20,580	2,959	23,539	4,553	\$480,225	\$300,000	Yes
Mar. 25, 2020	20,580	5,573	26,153	4,553	\$226,588	\$300,000	No
Change	-	2,614	2,614	-	(\$253,637)		

Zabeen Hirji⁽⁹⁾
Director
 Ontario, Canada
 Age 59

Director since:
 August 2, 2018

Ms. Hirji is a member of the Board of Directors of Sleep Country. She is an Executive Advisor to Deloitte and an advisor to the public sectors. Prior to that, Ms. Hirji held senior executive roles at Royal Bank of Canada, where from 2007 to 2017, she was Chief Human Resources Officer, a member of RBC's Group Executive Committee responsible for setting its overall strategic direction and held responsibility for Brand, Communications and Corporate Citizenship. She previously held numerous management roles in Retail Banking and Operations. Ms. Hirji has served on numerous not-for-profit Boards and currently Chairs Civic Action. Over her career, she has received numerous recognitions for Business Leadership and is a recipient of Canada's Meritorious Service Medal. Ms. Hirji holds an MBA from Simon Fraser University, where she now serves as an Executive in Residence.

2019 Voting Results: 99.47% in favour

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 25, 2019	1,300	1,233	2,533	-	\$50,280	\$300,000	N/A
Mar. 25, 2020	2,600	3,847	6,447	-	\$63,825	\$300,000	No
Change	1,300	2,614	3,914	-	\$13,545		

Andrew Moor⁽¹⁰⁾
Director
 Ontario, Canada
 Age 59

Director since:
 July 16, 2015

Mr. Moor is a member of the Board of Directors of Sleep Country. He joined Equitable Bank and Equitable Group as President and Chief Executive Officer in 2007. Mr. Moor is also a Director of Equitable Bank and Equitable Group. Prior to Equitable, Mr. Moor was President and CEO of Invis Inc., President of SMED International and worked as an investment banker with CIBC. Mr. Moor is a member of the Business Council of Canada, Chairman of the Trust Companies Association, a member of the Executive Council of the Canadian Bankers Association and a member of the Advisory Board of the Smith School of Business at Queen's University. He received his Master of Business Administration from the University of British Columbia, his B.Sc. in Mechanical Engineering from University College London and holds the ICD.D designation.

2019 Voting Results: 98.88% in favour

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 26, 2018	11,800	1,432	13,232	4,553	\$529,779	\$225,000	Yes
Mar. 25, 2019	11,800	2,959	14,759	4,553	\$305,942	\$300,000	Yes
Mar. 25, 2020	11,800	5,573	17,373	4,553	\$139,666	\$300,000	No
Change	-	2,614	2,614	-	(\$166,276)		

Stacey Mowbray⁽¹¹⁾
 Ontario, Canada
 Age 58

Director since:
 August 8, 2019

Ms. Mowbray is a member of the Board of Directors of Sleep Country. She most recently held the position of President North America with WW International (formerly Weight Watchers) where she oversaw and was a key member of the turnaround of the omni-channel health and wellness company. Prior to her work at WW, Ms. Mowbray held the position of President and CEO of Second Cup Limited from 2008 to 2014. She sat on the Second Cup Royalty Income Board from 2007 to 2009. In addition from, 2008 to 2013, Ms. Mowbray was Chair and Board Director for the Coffee Association of Canada. Ms. Mowbray is currently a Board Director for Spärkel Beverage System, Currency Exchange International, the Exchange Bank of Canada and a volunteer Board Director and Vice-Chair of the Quality committee for Trillium Health Partners. She is also on the International Advisory Board for the Schulich School of Business - York University and on the Dean's Advisory Council for Wilfrid Laurier University. In addition, Ms. Mowbray has held volunteer Board Director positions at the LCBO, Association of Canadian Advertisers (ACA) and Kingsway College School. Over her career, she has received numerous recognitions including Diversity Champion, Inaugural CEO in Residence for Wilfrid Laurier, Top 100 Women's Executive Network, Top 20 Women's Post and Schulich School of Business Outstanding Progress and Achievement Award. She holds an MBA from the Schulich School of Business – York University.

<u>As at</u>	<u>Common Shares⁽¹⁾</u>	<u>DSUs⁽²⁾</u>	<u>Securities Held</u>		<u>Total Market Value of Common Shares and DSUs⁽⁴⁾</u>	<u>Minimum Shareholding Requirement⁽⁵⁾</u>	<u>Meets⁽¹⁵⁾ Requirements</u>
			<u>Total Common Shares and DSUs</u>	<u>Options Exercisable⁽³⁾</u>			
Mar. 25, 2020	2,500	1,789	4,289	-	\$42,461	\$300,000	No
Change	2,500	1,789	4,289	-	\$42,461		

David Shaw⁽¹²⁾
Lead Director
 Ontario, Canada
 Age 66

Mr. Shaw is a member and the independent lead director (the “**Lead Director**”) of the Board of Directors of Sleep Country. He is the Founder of Knightsbridge Human Capital Solutions, a national human capital firm founded in 2001 and sold in 2015. Mr Shaw currently is Chair of LHH Knightsbridge as well as Chair of Axsium Group Ltd. Prior to founding Knightsbridge, Mr. Shaw was President and Chief Executive Officer of Pepsi Cola Canada Beverages from 1996 to 1999. Mr. Shaw’s career with PepsiCo spanned 22 years within Canada and abroad in Australia, Singapore and Turkey. Mr. Shaw is the former Chairman of the North York General Hospital Foundation. He currently sits on the Mother Parkers Tea & Coffee Inc. Board of Directors, the Princess Margaret Cancer Foundation Board and the Board of Directors of two publicly traded companies — Fiera Capital Corporation and Brick Brewing Co. Limited.

Director since:
 July 16, 2015

2019 Voting Results: 99.44% in favour

As at	Common Shares ⁽¹⁾	DSUs ⁽²⁾	Securities Held		Total Market Value of Common Shares and DSUs ⁽⁴⁾	Minimum Shareholding Requirement ⁽⁵⁾	Meets ⁽¹⁵⁾ Requirements
			Total Common Shares and DSUs	Options Exercisable ⁽³⁾			
Mar. 26, 2018	20,580	1,432	22,012	4,553	\$829,528	\$225,000	Yes
Mar. 25, 2019	20,580	2,959	23,539	4,553	\$480,225	\$300,000	Yes
Mar. 25, 2020	20,580	5,573	26,153	4,553	\$226,588	\$300,000	No
Change	-	2,614	2,614	-	(\$253,637)		

David Friesema
Director and Chief Executive Officer
 Ontario, Canada
 Age 53

Mr. Friesema is the Chief Executive Officer of Sleep Country, a position he has held since November 2014. He has been with Sleep Country since 1995 holding numerous senior positions, including Head of Sales, General Manager and Chief Operating Officer. During his tenure, Mr. Friesema has been involved in developing many of the sales training programs, creative marketing advertisements and influencing the advanced positioning that Sleep Country enjoys in the mattress industry today. Prior to joining Sleep Country, Mr. Friesema helped establish and manage mattress retail organizations in the United States. He is currently a director of Drug Free Kids Canada, formerly the Chairman of the Better Sleep Council of Canada and is a past board member of Shelternet for Abused Women. He attended the University of Detroit and the University of Missouri-St. Louis.

Director since:
 May 27, 2015

2019 Voting Results: 99.96% in favour

As at	Common Shares ⁽¹⁾	PSUs ⁽¹³⁾	Securities Held		Total Market Value of Common Shares, PSUs and Options Exercisable ⁽¹⁴⁾	Minimum Shareholding Requirement ⁽⁵⁾	Meets ⁽¹⁵⁾ Requirements
			Total Common Shares and PSUs	Options Exercisable ⁽³⁾			
Mar. 26, 2018	391,081	47,921	439,002	194,908	\$16,748,461	\$1,590,000	Yes
Mar. 25, 2019	407,770	41,414	449,184	244,138	8,783,215	\$1,650,000	Yes
Mar. 25, 2020	408,271	36,399	444,670	300,253	4,453,604	\$1,650,000	Yes
Change	501	(5,015)	(4,514)	56,115	(4,329,611)		

Notes:

- (1) “Common Shares” refers to the number of Common Shares beneficially owned by the director, as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively.
- (2) “DSUs” (as defined herein) refers to the number of deferred share units held by the director as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively.
- (3) “Options Exercisable” refers to the number of Options (as defined herein) awarded to the Director and which are exercisable as at March 25, 2020, March 25, 2019 and March 26, 2018.

- (4) "Total Market Value of Common Shares and DSUs" is determined by multiplying the closing price of the Common Shares on the Toronto Stock Exchange ("TSX") on each of March 25, 2020 (\$9.90), March 25, 2019 (\$19.85) and March 26, 2018 (\$34.14), respectively, by the number of Common Shares and DSUs held as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively.
- (5) See the section entitled "Director Share Ownership Requirement". For David Friesema's minimum share ownership requirement as Chief Executive Officer, see the section entitled "Statement of Executive Compensation - Compensation Discussion and Analysis – NEO Share Ownership Requirement".
- (6) Non-Independent Director. Chair of the Board of Directors and member of the Nominating and Corporate Governance Committee. Is not considered independent as of 2020 as a result of the consulting fees she received in 2019.
- (7) Independent Director. Chair of the Audit Committee. Member of the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee.
- (8) Independent Director. Chair of the Nominating and Corporate Governance Committee. Member of the Audit Committee and the Human Resources and Compensation Committee.
- (8) Independent Director. Member of the Audit Committee, Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee.
- (10) Independent Director. Chair of the Human Resources and Compensation Committee. Member of the Audit Committee and the Nominating and Corporate Governance Committee.
- (11) Independent Director. Member of the Audit Committee, Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee.
- (12) Independent Director. Lead Director and member of the Audit Committee, Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee.
- (13) "PSUs" refers to the number of PSUs (as defined herein) held by David Friesema as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively.
- (14) "Total Market Value of Common Shares and PSUs" is determined by multiplying the closing price of the Common Shares on the TSX on each of March 25, 2020 (\$9.90), March 25, 2019 (\$19.85) and March 26, 2018 (\$34.14), respectively, by the number of Common Shares and PSUs held as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively. For the purposes of calculating the value of PSUs, the PSUs are assumed to vest at target, which represents 100% of the number of PSUs held at the relevant date, assuming an Adjustment Factor (as defined below under "Statement of Executive Compensation – Compensation Discussion and Analysis – Details on Equity Compensation Plans – Long-Term Incentive Plan") of 1.0 for PSUs granted during the fiscal year ended December 31, 2017 and December 31, 2018 and 1.0 for PSUs granted during the fiscal year ended December 31, 2019. The value of the exercisable Options is calculated based on the difference between the closing price of the Common Shares on the TSX on March 25, 2020 (\$9.90), March 25, 2019 (\$19.85) and March 26, 2018 (\$34.14), respectively, and the exercise price of the Options, multiplied by the number of exercisable Options held as at March 25, 2020, March 25, 2019 and March 26, 2018, respectively.
- (15) Directors have a period of 5 years from their respective dates of appointment within which to achieve the minimum shareholding requirement. Certain directors previously satisfied the share ownership requirement but, due to significant declines in stock prices (including the Company's stock price on the TSX) associated with the COVID-19 pandemic, these directors no longer satisfy the share ownership requirement as of March 25, 2020. This change is not due to a decline in the number of shares held by directors but due to circumstances beyond the control of the directors.

Cease trade orders, bankruptcies or insolvency proceedings

To the best of the knowledge of the directors or officers of the Company, after having made due inquiry:

- (a) no proposed director of Sleep Country is, as of the date of this Circular, or has been, within 10 years before the date of this Circular, a director, chief executive officer or chief financial officer of any company that: (i) was subject to 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 for a period of more than 30 consecutive days (each an "order") that was issued while the director was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to an order that was issued after the director 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;
 - (i) no proposed director is, as of the date of this Circular, or has been within 10 years before the date of this Circular, 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;

- (ii) no proposed director has, within 10 years before the date of this Circular, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become 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, officer or shareholder; and
- (iii) no personal holding company of any proposed director is or has been, as applicable, subject to the foregoing during the applicable time periods.

Appointment and Remuneration of Auditors

Management proposes to reappoint PricewaterhouseCoopers LLP, Chartered Accountants, (“PwC”) as the auditors of the Company to hold office until the close of the next annual meeting of Shareholders and proposes that the Shareholders authorize the directors to fix the remuneration of the auditors. **The Board unanimously recommends that you vote FOR the reappointment of PwC as the auditors of the Company and the authorization of the directors to fix their remuneration. Unless authority to do so is “withheld”, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed proxy/VIF will be voted “for” the reappointment of PwC as the auditors of the Company to hold office until the next annual meeting of Shareholders and the authorization of the directors to fix their remuneration.** A simple plurality of the votes cast at the Meeting must be voted “for” the reappointment of PwC as auditors and the authorization of the directors to fix their remuneration in order for PwC to be reappointed and for the directors to have authority to fix their remuneration.

Details of the fees paid to PwC during fiscal 2019 and fiscal 2018 can be found in the Company’s Annual Information Form for the fiscal year ended December 31, 2019, a copy of which is available on SEDAR at www.sedar.com.

Advisory Resolution on Approach to Executive Compensation

The Company believes that its compensation objectives and approach to executive compensation appropriately align the interests of management with the long term interests of shareholders. Details of the Company’s approach to executive compensation is disclosed in the “Statement of Executive Compensation” below.

The Company maintains a policy providing that holders of Common Shares shall have the opportunity to cast an advisory vote on the Company’s approach to executive compensation on an annual basis. This policy reflects the Company’s ongoing efforts to meet its objectives and ensure a high level of shareholder engagement.

Shareholders will be asked at the Meeting to consider and, if thought fit, approve the following non-binding advisory resolution (the “**Say on Pay Resolution**”):

“RESOLVED, on an advisory basis and not to diminish the role and responsibilities of the Board, that the holders of Common Shares accept the approach to executive compensation disclosed in this Circular.”

The Board, with Mr. Friesema abstaining, unanimously recommends that you vote FOR the Say on Pay Resolution. Unless indicated to the contrary, the Common Shares represented by

proxies in favour of the Management nominees named in the enclosed proxy/VIF will be voted “for” the Say on Pay Resolution.

Because the Say on Pay Resolution is an advisory vote, the results are not binding upon the Board. However, the Board and the Human Resources and Compensation Committee of the Board will take the results of the vote into account when considering future compensation policies, procedures and decisions. The Board welcomes comments and questions on the Company’s executive compensation practices. Shareholders who wish to contact the Chair or other Board members can do so through the Corporate Secretary of the Company.

Approval of Unallocated Options, Rights or other Entitlements under the Company’s Security-Based Compensation Arrangements and Approval of Amendments to the Security-Based Compensation Arrangements

Unallocated Options, Rights or other Entitlements under the Company’s Security-Based Compensation Arrangements

The Company’s security-based compensation plans consist of a stock option plan (the “**Stock Option Plan**”), a long-term incentive plan (the “**LTIP**”) (previously called the performance share unit plan), and a deferred share unit plan (the “**DSU Plan**”) and, together with the Stock Option Plan and the LTIP, the “**Security-Based Compensation Arrangements**”), the terms of each of which are discussed in further detail below under “*Statement of Executive Compensation*”.

Each of the Security-Based Compensation Arrangements is a “rolling” plan in that each such plan does not provide for a fixed maximum number of securities issuable and, as such, under the policies of the Toronto Stock Exchange (“**TSX**”), any unallocated options, rights or other entitlements under such Security-Based Compensation Arrangements must be approved by shareholders by ordinary resolution at the Meeting and further approval will be required in three years’ time. The unallocated options, rights and entitlements under the Security-Based Compensation Arrangements were previously approved in 2018 and are not required to be re-approved until 2021; however, in light of the other amendments to certain Security-Based Compensation Arrangements being submitted for approval at the Meeting, the Board determined to seek approval of the unallocated options, rights or other entitlements this year.

The maximum number of Common Shares that may be issued under the Security-Based Compensation Arrangements, collectively, shall not exceed 10% of the total number of Common Shares issued and outstanding from time to time (proposed to be reduced to 6.5%). There were 2,474,845 Common Shares available for grant under the Security-Based Compensation Arrangements as of December 31, 2019 (assuming a maximum available to be issued of 10% of the issued and outstanding Common Shares), representing 6.8% of the issued and outstanding Common Shares. As of the date of this Circular, there are 774,417 Common Shares available for grant under the Security-Based Compensation Arrangements (assuming an amended maximum available to be issued of 6.5% of the issued and outstanding Common Shares), representing 2.1% of the issued and outstanding Common Shares.

As of December 31, 2019, the Company had 976,080 stock options (“**Options**”) outstanding, 178,864 Performance Share Units (“**PSUs**”) outstanding and 34,430 Deferred Share Units (“**DSUs**”) outstanding, which represented 2.7%, 0.5%, and 0.1% respectively, and 3.2% collectively, of the issued and outstanding Common Shares. As at the date of this Circular, the Company has 1,244,716 stock options outstanding, 280,946 PSUs outstanding and 34,430 DSUs outstanding, which represent 3.4%, 0.8%, and 0.1% respectively, and 4.3% collectively, of the issued and outstanding Common Shares. On March 16, 2020, the Company awarded 51,041 Restricted Share Units (“**RSUs**”) subject to approval of amendments to the LTIP at the Meeting, which represent 0.1% of the issued and outstanding Common Shares. The RSUs may not vest and be paid out until such time as the shareholders of the Company approve the Security-Based Compensation Amendments (defined below) in respect of the LTIP. Should shareholders fail to approve the Security-Based Compensation Amendments in respect of the LTIP, the RSUs will be cancelled.

Previously allocated options, rights or other entitlements under the Security-Based Compensation Arrangements will continue in effect, irrespective of whether the resolution approving the unallocated options, rights or other entitlements is passed, other than the RSUs which were awarded subject to approval of the amendments to the LTIP at the Meeting. However, if approval of the unallocated options, rights or other entitlements is not obtained at the Meeting, unallocated options, rights or other entitlements as at the time of the Meeting will be cancelled and will no longer be available for grant, and outstanding options, PSUs and DSUs that are otherwise cancelled or expire will no longer be available for re-grant.

For particulars with respect to the terms of the Security-Based Compensation Arrangements, see “*Statement of Executive Compensation*” below.

A copy of the Security-Based Compensation Arrangements is available for viewing up to the date of the Meeting at the Company’s offices at 7920 Airport Road, Brampton, ON, L6T 4N8 and at the Meeting. A copy of each of the Security-Based Compensation Arrangements (as proposed to be amended) is also attached hereto.

Amendments to the Security-Based Compensation Arrangements

As a result of a review by the Board of the Company’s Stock Option Plan and LTIP, on March 16 2020, the Board approved amendments to the Stock Option Plan and amendments to the LTIP (previously the performance share unit plan) to provide for the issuance of both PSUs and restricted share units (“**RSUs**”), to change the name of the performance share unit plan to the LTIP and to make certain other changes. The amendments to the Stock Option Plan and LTIP are described below (the “**Security-Based Compensation Amendments**”) and the full text of the amended and restated Stock Option Plan and LTIP are attached hereto as Appendix “A” and Appendix “B”, respectively.

Amendments to the Stock Option Plan

The Stock Option Plan is being amended to (i) make certain housekeeping changes, (ii) permit the Board to make amendments to the Stock Option Plan to change the class of participants eligible to participate in the Stock Option Plan (other than an amendment that would allow the participation by non-employee directors of the Company), and to require approval by a majority of the shareholders to an amendment to the Stock Option Plan to allow participation in the Stock Option Plan by non-employee directors of the Company, (iii) modify the treatment of Options in the event of a termination of employment due to disability, retirement or death, (iv) modify the treatment of Options in connection with a change of control transaction, and (v) modify the maximum number of Common Shares that (A) may be issued under the Stock Option Plan, as a percentage of the issued and outstanding Common Shares of the Company, and (B) may be issued to insiders at any time under the Stock Option Plan, the LTIP and all other security-based compensation arrangements of the Company, as a percentage of the issued and outstanding Common Shares of the Company. The Board is proposing these amendments based on input received from Mercer (Canada) Limited following the review of the Company’s executive compensation policies and practices described below under “*Statement of Executive Compensation – Letter to Shareholders – 2020 Pay Program Changes*”. The Board believes these changes will bring the Stock Option Plan in line with market practice. The changes do not affect currently outstanding Options but apply to grants made on or after March 16, 2020.

Under the current Stock Option Plan, the maximum number of Common Shares issuable is 10% of the issued and outstanding Common Shares, less the number of Common Shares issuable under the LTIP and all other security-based compensation arrangement of the Company. The Company is proposing to amend the Stock Option Plan to reduce this maximum percentage to 6.5% of the issued and outstanding Common Shares, less the number of Common Shares issuable under the LTIP and all other security-based compensation arrangements of the Company. Under the current Stock Option Plan, the maximum number of Common Shares issuable to insiders under the Stock Option Plan, the LTIP and all other security-based compensation arrangements of the Company is 10% of the issued and outstanding Common Shares. The Company is proposing to amend the Stock Option Plan to reduce this maximum percentage to 6.5% of the issued and outstanding Common Shares.

Under the current Stock Option Plan, if the employment of a participant is terminated due to disability or retirement, unless otherwise permitted by the Board, any unvested Options held by the participant as at the termination date immediately expire and all vested Options held by the participant as at the termination date may be exercised until the earlier of: (i) the expiry date of the Options; or (ii) 90 days after the termination date, after which time all Options will expire. The Company is proposing to amend the Stock Option Plan to provide that if the employment of a participant is terminated due to disability or retirement, unless otherwise permitted by the Board, any unvested Options held by the participant as at the termination date shall continue to vest in accordance with their terms and all vested Options held by the participant as at the termination date or that became exercisable after the termination date may be exercised until the earlier of: (i) the expiry date of the Options; or (ii) the second anniversary of the termination date, after which time all Options will expire. Any Options held by a participant that have not vested by the second anniversary of the termination date will expire on the date that is two years from the termination date.

Under the current Stock Option Plan, if the employment of a participant is terminated due to death, unless otherwise permitted by the Board, any unvested Options held by the participant as at the date of his or her death shall automatically vest and become immediately exercisable by the participant's estate until the earlier of: (i) the expiry date of the Options; or (ii) one year after the date of the participant's death, after which time all Options will expire. The Company is proposing to amend the Stock Option Plan to provide that upon the death of a participant, unless otherwise permitted by the Board, a pro-rata portion of the participant's unvested Options, based on the completed months of employment up to the termination date relative to the number of months in the vesting period, shall automatically vest and become immediately exercisable, and the remaining unvested Options will expire. The vested Options shall continue to be exercisable by the participant's estate until the earlier of: (i) the expiry date of the Options; and (ii) six months after the date of the participant's death, after which time all Options will expire.

Under the current Stock Option Plan, in the event of a change of control of the Company, the Board may, in its discretion, accelerate the vesting of all unvested Options such that they become immediately exercisable and, if requested by the participant, the Company will pay each participant an amount in cash equal to the in-the-money amount of the participant's Options, net of any withholding taxes and source deductions. The Company is proposing to amend the Stock Option Plan to provide that, in connection with a change of control: (i) the Board will take such action as required to ensure that Options are substituted for stock options of the acquiring or surviving entity and in a manner that prevents substantial dilution or enlargement of the rights granted to participants under the Stock Option Plan; or (ii) if the Board determines that it is not possible or not commercially reasonable to continue the Stock Option Plan or to substitute the Options for stock options of the acquiring or surviving entity, the Board may, in its discretion, accelerate the vesting of all unvested Options such that they become immediately exercisable, and a participant shall be entitled to exercise any Options that have vested by their terms or by acceleration by the Board within 14 days of the Board's determination, after which time all Options will expire. In the event that the Options are not continued or substituted, if requested by the participant, the Company will pay each participant, contemporaneous with the completion of the transaction resulting in the change of control, cash equal to the in-the-money amount of the participant's Options, net of any withholding taxes and source deductions. In the event that the Options are continued or substituted and a participant is terminated without cause or a participant resigns for Good Reason (as defined in the amended and restated Stock Option Plan attached hereto as Appendix "A") within 12 months following the change of control, any unvested Options held by the participant at the termination date immediately vest on the termination date and may be exercised until the earlier of: (i) the expiry date of the Options; or (ii) 90 days after the termination date, after which time all Options will expire. If requested by a participant, the Company will pay the participant, contemporaneous with the exercise of Options, an amount in cash equal to the in-the-money amount of the participant's Options, net of any withholding taxes and source deductions.

Long Term Incentive Plan

The Company is proposing to amend the LTIP to (i) modify the performance metrics on which the settlement of PSUs will be based going forward, (ii) make certain housekeeping changes, (iii) require approval by a majority of the shareholders to an amendment to the LTIP to allow participation in the LTIP by non-employee directors of the Company, (iv) modify the treatment of PSUs in the event of a termination of employment due to death, disability or retirement, (v) modify the treatment of PSUs in connection with a change of control, (vi) add the ability to grant RSUs, and (vii) modify the maximum number of Common Shares that (A) may be issued under the LTIP, as a percentage of the issued and outstanding Common Shares of the Company and (B) may be issued to insiders at any time under the LTIP the Stock Option Plan and all other security-based compensation arrangements of the Company, as a percentage of the issued and outstanding Common Shares of the Company. The named executive officers, along with other employees, are eligible to participate in the LTIP. The purpose of the LTIP is to promote greater alignment of interests between employees and shareholders and to support the achievement of the Company's performance objectives. The LTIP is administered by the Board, which has the authority to determine the eligible full time employees to whom PSUs and RSUs may be granted and the number of PSUs and RSUs to be granted to plan participants. PSUs and RSUs may be awarded annually.

The Board of Directors have adopted a policy that the maximum number of Common Shares issuable within any one-year period under the LTIP, the Stock Option Plan, the DSU Plan and all other security-based compensation arrangements of the Company may not exceed 1.5% of the then issued and outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to any one participant under the LTIP, together with the DSU Plan, the Stock Option Plan and all other security-based compensation arrangements of the Company, shall not exceed 5% of the then issued and outstanding Common Shares.

The Board is proposing the amendments to the terms of the PSUs based on input from Mercer following the review of the Company's executive compensation policies and practices described below under "Statement of Executive Compensation – Letter to Shareholders – 2020 Pay Program Changes". The Board believes these changes will bring the PSUs in line with market practice. The Board is proposing to introduce RSUs in order to enhance retention and better align with the Company's performance objectives and value proposition. The changes do not affect currently outstanding PSUs but apply to grants made on or after March 16, 2020.

Amendments applicable to the PSUs

Under the current performance share unit plan, the maximum number of Common Shares issuable is 4% of the issued and outstanding Common Shares. Under the proposed LTIP, the maximum number of Common Shares issuable under the LTIP and the DSU Plan will be 2.6% of the issued and outstanding Common Shares. Under the current performance share unit plan, the maximum number of Common Shares issuable to insiders under the performance share unit plan, Stock Option Plan and all other security-based compensation arrangements of the Company is 10% of the issued and outstanding Common Shares. Under the proposed LTIP, this maximum percentage will be reduced to 6.5% of the issued and outstanding Common Shares.

Under the current performance share unit plan, if the employment of a participant is terminated due to disability or retirement, unless otherwise permitted by the Board, all unvested PSUs held by the participant as at the termination date will be forfeited. Under the proposed LTIP, if the employment of a participant is terminated due to disability or retirement, unless otherwise permitted by the Board, a pro-rata portion of the participant's unvested PSUs, based on the completed months of employment up to the termination date relative to the number of months in the vesting period, shall continue to vest and be paid out in accordance with their terms, and the remaining unvested PSUs will be forfeited.

Under the current performance share unit plan, if the employment of a participant is terminated due to death, all unvested PSUs held by the participant as at the date of his or her death automatically vest and are paid out at the end of the applicable Performance Period (as such term is defined below under "Long

Term Incentive Plan") based on the Adjustment Factor (as such term is defined below under "*Long Term Incentive Plan*") determined by the Board for such Performance Period. Under the proposed LTIP, if the employment of a participant is terminated due to death, unless otherwise permitted by the Board, a pro-rata portion of the participant's unvested PSUs, based on the completed months of employment up to the termination date relative to the number of months in the vesting period, will immediately vest and such vested PSUs will be paid out as of the termination date assuming a Performance Adjustment Factor (as defined in the LTIP attached hereto as Appendix "B") of 1.0.

Under the current performance share unit plan, if a participant's employment is terminated or if a participant resigns for "good reason", in either case, within 12 months following a change of control of the Company, all of such participant's PSUs automatically vest and are paid out based on the Market Value (as such term is defined in the performance share unit plan) determined by the Board and an Adjustment Factor that is the greater of 1.0 and such other Adjustment Factor as may be determined by the Board. Under the proposed LTIP, in connection with a change of control: (i) the Board will take such action as required to ensure that PSUs are substituted for performance share units of the acquiring or surviving entity and in a manner that prevents substantial dilution or enlargement of the rights granted to participants under the LTIP; or (ii) if the Board determines that it is not possible or not commercially reasonable to continue the LTIP or to substitute the PSUs for performance share units of the acquiring or surviving entity, the Board may, in its discretion, accelerate the vesting and early Payout (as defined in the LTIP attached hereto as Appendix "B") of all unvested PSUs, and any remaining unvested PSUs will be forfeited. For the purpose of such Payout, the Board shall determine the applicable Performance Adjustment Factor and the Market Price shall be deemed to be the price per Common Share in the change of control transaction. In the event that the PSUs are substituted or continued, and a participant is terminated without cause or a participant resigns for Good Reason (as defined in the LTIP attached hereto as Appendix "B") within 12 months following the change of control, any unvested PSUs held by the participant at the termination date immediately vest on the termination date and the Board shall pay out the participant either with Common Shares or with cash, net of any withholding taxes and source deductions, where the Performance Adjustment Factor is determined by the Board and the Market Value for the Common Shares is determined in accordance with the LTIP.

Under the current performance share unit plan, the Performance Adjustment Factor is between 0.5 and 1.5 and is determined based on the Company's actual Operating EBITDA relative to the target that has been set over the three year performance period between the grant date and the vesting date of the PSUs. Under the proposed LTIP, the Performance Adjustment Factor will be between 0 and 2.0 and will be determined based on the Company's achievement of certain earnings per share and revenue targets or such other targets established by the Board on the grant date.

Additional features of the proposed RSUs in the LTIP

RSUs generally vest on the third anniversary of their grant, following which a participant is entitled to receive a number of whole Common Shares issued from treasury or purchased by the Company on the open market equal to the number of vested RSUs, or a cash payout equal to the product of the number of vested RSUs and the Market Value of a Common Share on the vesting date, net of any withholding taxes or source deductions. Absent exceptional circumstances, the Board expects that all RSUs will be settled in Common Shares. RSUs granted under the LTIP are not transferable or assignable, other than in the case of death as set out in the LTIP. The administration and operation of the LTIP may be delegated by the Board to a committee thereof.

Unless otherwise permitted by the Board, if the employment of a participant is terminated due to disability or retirement, a pro-rata portion of the participant's unvested RSUs, based on the completed months of employment up to the termination date relative to the number of months in the vesting period, shall continue to vest and be paid out in accordance with their terms, and the remaining unvested RSUs will be forfeited.

In connection with a change of control: (i) the Board will take such action as required to ensure that RSUs are substituted for restricted share units of the acquiring or surviving entity and in a manner that

prevents substantial dilution or enlargement of the rights granted to participants under the LTIP; or (ii) if the Board determines that it is not possible or not commercially reasonable to continue the LTIP or to substitute the RSUs for restricted share units of the acquiring or surviving entity, the Board may, in its discretion, accelerate the vesting and early Payout of all unvested RSUs, and any remaining unvested RSUs will be forfeited. For the purpose of such Payout, the Market Price shall be deemed to be the price per Common Share in the change of control transaction. In the event that the RSUs are substituted or continued, and a participant is terminated without cause or a participant resigns for Good Reason within 12 months following the change of control, any unvested RSUs held by the participant at the termination date immediately vest on the termination date and the Board shall pay out the participant either with Common Shares or with cash, net of any withholding taxes and source deductions, where the Market Value for the Common Shares is determined in accordance with the LTIP.

If the employment of a participant is terminated due to death, unless otherwise permitted by the Board, a pro-rata portion of the participant's unvested RSUs, based on the completed months of employment up to the termination date relative to the number of months in the vesting period, will immediately vest and such vested RSUs will be paid out as of the termination date.

Upon termination of a participant's employment for any other reason (including termination with or without cause and voluntary resignation that is not retirement), unless otherwise permitted by the Board, all unvested RSUs held by the participant as at the termination date will be forfeited.

The Board may, in its discretion, following a grant date but prior to the vesting date, designate an earlier vesting date for the vesting of all or any portion of the RSUs then outstanding and granted to a participant.

The LTIP specifies the types of amendments to the provisions of the LTIP that will and will not require the approval of the Shareholders in order to be effective. The LTIP may be amended by the Board without the consent of the Shareholders generally to, among other things: (i) ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange, including the TSX; (ii) make other changes of a "housekeeping" nature, including amendments relating to the administration of the LTIP or to eliminate any ambiguity or correct or supplement any provision therein which may be incorrect or incompatible with any other provision thereof; (iii) change the class of participants eligible to participate in the LTIP (other than an amendment that would allow the participation in the LTIP by non-employee directors of the Company); and (iv) impose restrictions on the sale, transfer or other disposal of Common Shares by participants under the LTIP.

In addition to such amendments as may require Shareholder approval under applicable laws, the approval of the Shareholders will generally be required for the following amendments: (i) any amendment to the amendment provisions of the LTIP which is not an amendment within the nature of paragraphs (i) through (iv) in the paragraph above requiring the approval of the Board only; (ii) any amendments that would allow participation in the LTIP by non-employee directors of the Corporation, and (iii) any amendment to increase the maximum number of Common Shares reserved for issuance under the LTIP, unless the amendment results from the application of the antidilution provisions of the LTIP.

Shareholder Approval

The approval of the unallocated options, rights or other entitlements under the Security-Based Compensation Arrangements and approval of the Security-Based Compensation Amendments requires the affirmative vote of the Shareholders of a majority of the issued and outstanding Common Shares entitled to vote and represented in person or by proxy at the Meeting.

Shareholders will be asked at the Meeting to consider and, if thought fit, approve with or without variation, the following two ordinary resolutions in the form set forth below:

"RESOLVED, as an ordinary resolution that:

1. the unallocated options, rights or other entitlements under the Security-Based Compensation Arrangements be and are hereby approved and authorized, and the Company has the ability to grant unallocated options, rights or other entitlements under the Security-Based Compensation Arrangements until the third anniversary of the Meeting;
2. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.”

The Board unanimously recommends that you vote FOR the approval of unallocated options, rights or other entitlements under the Security-Based Compensation Arrangements. Unless indicated to the contrary, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed proxy/VIF will be voted “for” the approval of unallocated options, rights or other entitlements under the Security-Based Compensation Arrangements.

“RESOLVED, as an ordinary resolution that:

1. the Security-Based Compensation Amendments relating to the LTIP be approved; and
2. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.”

The Board unanimously recommends that you vote FOR the approval of the Security-Based Compensation Amendments relating to the LTIP. Unless indicated to the contrary, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed proxy/VIF will be voted “for” the approval of the Security-Based Compensation Amendments relating to the LTIP.

“RESOLVED, as an ordinary resolution that:

3. the Security-Based Compensation Amendments relating to the Stock Option Plan be approved; and
4. any director or officer of the Company be and is hereby authorized to do such things and to sign, execute and deliver all documents that such director and officer may, in their discretion, determine to be necessary in order to give full effect to the intent and purpose of this resolution.”

The Board unanimously recommends that you vote FOR the approval of the Security-Based Compensation Amendments relating to the Stock Option Plan. Unless indicated to the contrary, the Common Shares represented by proxies in favour of the Management nominees named in the enclosed proxy/VIF will be voted “for” the approval of the Security-Based Compensation Amendments relating to the Stock Option Plan.

STATEMENT OF EXECUTIVE COMPENSATION

Letter to Shareholders

Dear Shareholder,

As members of the Sleep Country Human Resources and Compensation Committee (HRCC), we are responsible for ensuring that our executive compensation program aligns with the interests of our shareholders and supports the Company's long-term success. As a guide to the discussion of our executive compensation program that follows, we would like to share with you an overview of the design of our compensation program, a discussion of our 2019 performance results and pay outcomes, and explain changes made for 2020 to support our pay-for-performance philosophy.

Executive Compensation Objectives

The Company's executive compensation program is designed to attract, retain and motivate highly qualified executives while also aligning the interests of the executives with those of the Company's shareholders. The compensation program includes three primary elements: (i) base salary; (ii) short-term incentive plan (STIP); and (iii) long-term equity incentive plan (LTIP). Long-term incentives for 2019 were a mix of 50% stock options and 50% performance share units (PSUs) designed to encourage executives to support a long-term view of Company performance. Equity awards and performance-based or at-risk compensation are a significant portion of executive pay. In 2019, 69% of the target total direct compensation of the CEO, and an average of 64% of the other NEOs' total direct compensation, was at-risk and aligned with the Company's shareholders.

2019 Performance Results

In 2019, Sleep Country achieved significant financial and operational achievements, including the following:

- Increased revenue 14.3% (\$89.4 million) over 2018
 - Mattress revenue increased 13.7% to \$564.7 million
 - Accessory revenue increased 16.9% to \$147.7 million
- Expanded gross profit margin to 31.3% from 29.0% in 2018
- Operating earnings before interest taxes depreciation and amortization ("Operating EBITDA") increased by 47.4% to \$155.9 million (21.9% of revenue), from \$105.8 million in 2018 (17.0% of revenue); this increase was primarily driven by the adoption of IFRS 16 accounting standard, when adjusting fiscal 2018 for these accounting standard changes, pro-forma Operating EBITDA* in 2018 was \$145.0 million (23.3% of revenue)
- Achieved Diluted Earnings per Share (EPS) of \$1.49 and Adjusted Diluted EPS* of \$1.59
- Opened 12 new stores, bringing total store count to 276 across the country

*See the non-IFRS Measures section in Appendix C.

2019 Pay Outcomes

These financial and operational achievements were reflected in executive pay outcomes for the year. For 2019, the STIP targets ranged from 36% to 50% of NEOs' base salaries based on meeting Diluted Adjusted Earnings Per Share (EPS) goals. Actual Adjusted Diluted EPS was just below target performance levels resulting in payouts that were just below target, ranging from 27% to 42% of the NEOs' base salaries. PSUs granted in 2017 that vested December 31, 2019 based on meeting cumulative Operating EBITDA performance goals over a three-year performance period paid out based on a multiplier of 1.2x, reflecting performance of \$314.91 million, relative to a target of \$302.63 million. Operating EBITDA for the purposes

of calculating the multiplier for the PSUs granted as part of the 2017 LTIP Plan was based on the definition of Operating EBITDA prior to the adoption of IFRS 16 accounting standard, which was adopted by the Company on January 1, 2019.

2020 Pay Program Changes

To better align executive pay with Company performance, the Board, with the assistance of its new independent compensation advisor (Mercer), approved modifications to both the short- and long-term equity incentives for fiscal year 2020. The changes are designed to provide greater emphasis on incentive compensation, improve alignment with long-term performance, reflect typical market practice and rely where possible on financial metrics reported under IFRS. These changes are part of a broader evolution of the Company's executive compensation practices from the private equity philosophy in place at the time of the IPO in 2015 to practices consistent with a mature public company.

Short-term incentive plan. Changes to the STIP beginning in 2020 include the following:

- Realign STIP targets as a percentage of base salary to align with market levels
- Replace the STIP's Adjusted Diluted EPS metric with Adjusted Operating EBITDA to enhance line-of-sight for employees and to avoid overlapping metrics with the LTIP
- Increase the maximum payout opportunity on the personal performance to further incentivize achievement of stretch goals
- capping the maximum payout related to financial objectives and personal performance at 2.0x and 1.5x for all NEOs

Long-term incentive plan. Changes to the LTIP beginning in 2020 include the following:

- Realign LTIP targets as a percentage of base salary to align with market levels
- Remove the minimum payout in PSUs to align with best practice and increase the upside opportunity to 200% to align with our pay-for-performance philosophy
- Introduce restricted stock units (RSUs) and reduce the weighting on stock options to enhance retention and better align with the Company's performance objectives and value proposition
- Modify the stock option vesting provision from four-year cliff vesting to three-year ratable vesting to align with market practice
- Change the performance metric for PSUs from Operating EBITDA to a combination of two complementary metrics: EPS (75%) and revenue (25%), to align with the market practice of multiple performance metrics, to better support the Company's performance objectives and value proposition, and to measure long-term Company value creation. EPS and revenue were selected as performance metrics because they together will deliver the best opportunity for shareholder value creation. Revenue is a good indicator of performance with respect to key variables such as customer satisfaction, market share, and brand equity, all of which are ingredients for growing EPS and shareholder value in the long run. A weighting of 75% EPS and 25% revenue provides a good balance because it puts greater emphasis on profitability and less focus on top-line growth. We will work diligently to ensure decisions are made with long-term sustainable performance in mind.

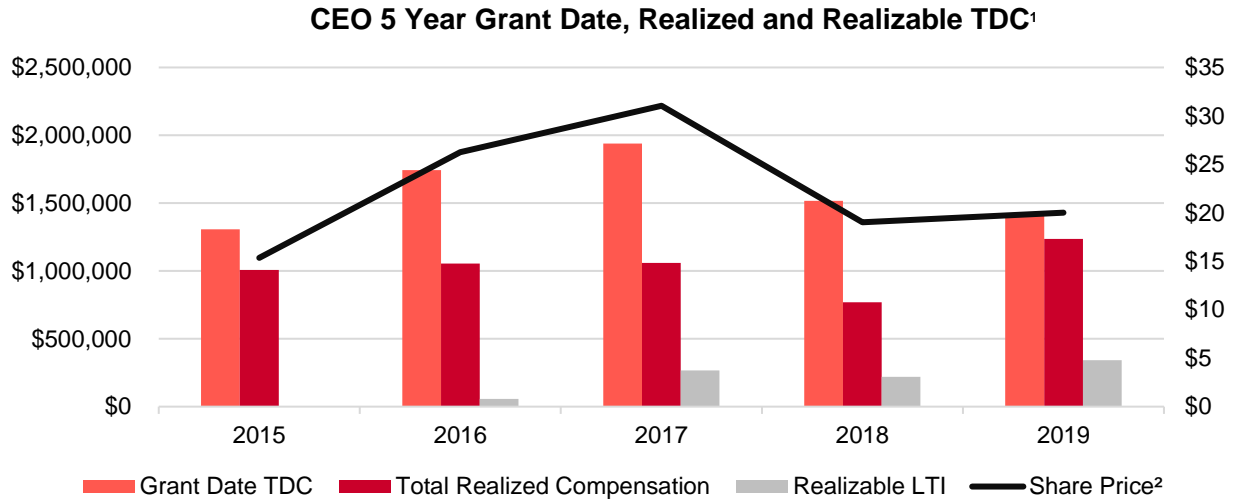
CEO Pay for Performance

The following table compares the grant date value of compensation awarded to Mr. Friesema in respect of his performance as CEO with the value that he has realized or that is realizable from his compensation awards since the Company's initial public offering. The compensation he has received includes salary and annual incentive compensation, and the value of PSUs and options that are outstanding (as at December 31, 2019).

Year	Total Direct Compensation Awarded(\$) ⁽¹⁾	Realized Total Direct Compensation as at December 31, 2019 (\$) ⁽²⁾	Realizable LTI Compensation as at December 31, 2019 (\$) ⁽³⁾
2019	\$1,409,766	\$1,235,568	\$343,502
2018	\$1,517,734	\$768,300	\$218,643
2017	\$1,938,416	\$1,059,300	\$267,057
2016	\$1,744,073	\$1,053,550	\$57,719
2015	\$1,307,800	\$1,007,800	\$0

Notes:

- (1) Includes salary, annual compensation, other compensation, PSUs and Options awarded in each respective year.
- (2) Includes salary, annual compensation, other compensation in each respective year, and PSUs and Options that vested in the prior year. Value of vested Options is the difference between the grant price and the closing price of the Common Shares on the day before vesting, and the value of the vested share-based awards is based on the closing price of the Common Shares on the day before vesting.
- (3) Value of unexercised in-the-money options is the difference between the closing price of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.02) and the exercise prices, and the market or payout value of share-based awards that have not vested based on the closing price of the Common Shares on December 31, 2019 on the TSX (\$20.02) and assuming an Adjustment Factor of 1.0 for all PSU grants.



- (1) Total Direct Compensation ("TDC")
- (2) Share price as at December 31 of each respective year.

HRCC 2019 Activities

In 2019, the HRCC engaged a new independent compensation advisor (Mercer – see “ – Compensation Discussion and Analysis – Compensation Governance - Compensation Consultant” for more details), enhanced the Company’s Clawback Policy, and updated our succession planning process.

Clawback Policy

The HRCC, with advice from Mercer and legal counsel, revised the Company’s Clawback Policy. As of March 2020, the policy was expanded to cover the entire named executive officer group and to broaden the events that can trigger a clawback to include either a financial restatement or misconduct.

Succession planning

The HRCC reviewed and updated the executive succession planning process, and put in place plans to engage an external advisor to assist in CEO succession planning in 2020.

Say on Pay and Shareholder Engagement

Consistent with our ongoing interest in good governance and shareholder outreach, we seek input each year from our shareholders in the form of an advisory vote on the Company’s approach to executive compensation. At our 2019 annual general meeting, 87% of votes were cast in support of our executive pay program. We consider the say-on-pay vote results and shareholder feedback in making future decisions on compensation policies and practices and ensure a high level of shareholder engagement through meetings with our shareholders to seek input on pay and governance matters.

Thank you for your continued support and interest in Sleep Country. We are committed to ensuring that our executive pay program and governance practices are aligned with shareholder interests and support the Company’s long-term success.

Sincerely,

HRCC

Compensation Discussion and Analysis

The following discussion describes the significant elements of the compensation of the named executive officers of the Company (the “**named executive officers**” or “**NEOs**”). A “named executive officer” includes the Chief Executive Officer (“**CEO**”) and Chief Financial Officer (“**CFO**”), and the three most highly compensated executive officers other than the CEO and CFO. The 2019 NEOs are:

Named Executive Officer	Position
David Friesema	Chief Executive Officer
Stewart Schaefer	Chief Business Development Officer and President, Dormez vous?
Craig De Pratto*	Chief Financial Officer and Corporate Secretary
Robert Masson*	Former Chief Financial Officer and Corporate Secretary
David Howcroft	Chief Sales Officer
Sieg Will	Senior Vice President, Operations

** Mr. Masson served as CFO and Corporate Secretary until May 7, 2019, and Mr. De Pratto served as CFO and Corporate Secretary beginning September 9, 2019.*

Overview

The Human Resources and Compensation Committee (“**HRCC**”) is responsible for establishing, reviewing and overseeing the compensation policies of the Company and compensation of the NEOs. The Company’s executive compensation program is designed to attract, retain and motivate highly-qualified executives while also aligning the interests of the executives with those of the Company’s shareholders.

The CEO makes recommendations to the HRCC each year with respect to the compensation for the NEOs based on each executive’s performance during the year and the performance of the Company. The HRCC reviews the CEO’s recommendations in determining whether to make a recommendation to the Board or recommend any further changes to compensation for the executives. In addition, the HRCC annually reviews and makes recommendations to the Board regarding the compensation of the CEO.

Compensation Benchmarking

Target compensation levels for the Company’s executives are reviewed every two years against a group of peer companies, and benchmarked based on position, organizational role and overall scope of responsibility. The objective of the benchmarking process is to ensure that the compensation levels for the Company’s executives are competitively positioned within the marketplace and in line with the Company’s compensation philosophy of paying at the median of the market for target performance and at the 75th percentile and above for achieving performance above target. Actual annual compensation may be above or below the target level of compensation based on actual levels of performance. The HRCC periodically reviews the approach to compensation benchmarking for the Company’s executives and makes any necessary adjustments to the comparator group to ensure proper alignment with the market. In 2019, Mercer, our independent compensation advisor, performed a comprehensive review of the peer group.

General market compensation data may also be incorporated within the benchmarking process to provide an added perspective. The data is used to complement the comparator group data based on companies similar in size to the Company.

The 2019 peer group review focused on four main criteria:

Peer Group Factors for Comparison	
1. Geography	Companies with their head office based in Canada and operations predominantly in Canada are considered more comparable to the Company.
2. Financial	Consider four financial measures - revenue, EBITDA, total assets, and market cap/Enterprise Value. Companies within 1/3x – 3.0x of the Company’s size based on annual revenue are considered to be reasonably similar in size. The other measures serve to provide additional context on the structure and performance of the companies.
3. Industry	Companies within the same Global Industry Classification Standard (GICS) industry codes are considered to be similar. If the industry specification of a company aligns well, it is more likely to be a comparable company. Companies in the “Consumer Discretionary” Global Industry Classification Standard Sector with retail operations were considered the most similar.
4. Operational	Companies are assessed as to whether they have merchandising, marketing, and sales operations, based on an evaluation of the companies’ characteristics. This assessment is somewhat subjective and measured accordingly.

The peer group is comprised of companies that are similar in size to the Company based on the following financial measures: revenue, EBITDA, total assets, and market capitalization, as shown in the table below:

	Revenue ⁽¹⁾	EBITDA ⁽¹⁾	Total Assets ⁽¹⁾	Market Capitalization ⁽¹⁾
75th Percentile	\$1,201	\$146	\$1,957	\$1,246
50th Percentile	\$838	\$61	\$586	\$567
25th Percentile	\$396	\$40	\$409	\$130
<i>Sleep Country</i>	\$712	\$134	\$917	\$751
<i>Percentile Rank</i>	37%	66%	64%	56%

Notes:

(1) Most recently reported as at December 31, 2019

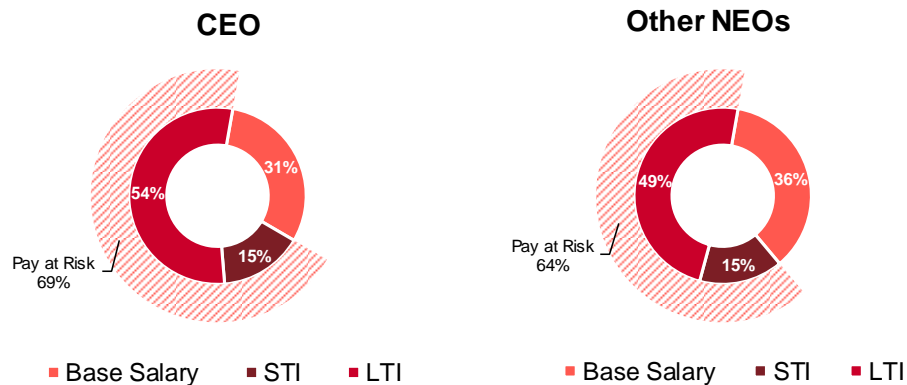
Below is the list of the 12 companies comprising the compensation comparator group for the year ended December 31, 2019 that was reviewed by Mercer.

Compensation Comparator Group	
Alcanna Inc.	MTY Food Group Inc.
Aritzia Inc.	New Look Vision Group Inc.
BMTC Group Inc.	Recipe Unlimited Corporation (formerly Cara Operations Ltd.)
Indigo Books & Music Inc.	Reitmans Canada Ltd.
Jamieson Wellness	Roots
Leon's Furniture Ltd.	Uni-Select Inc.

Principal Elements of Compensation

In 2019, the compensation of the NEOs included three major elements: (i) base salary; (ii) an annual bonus; and (iii) long-term equity incentives, consisting of stock options (“**Options**”) granted under the Stock Option Plan and performance share units (“**PSUs**”) granted under the LTIP. Perquisites and personal benefits are not a significant element of NEO compensation.

The charts below show the target pay mix for the CEO and the average of the other NEOs. In 2019, 69% of the target total direct compensation of the CEO, and an average of 64% of the other NEOs total direct compensation was at risk and aligned with the Company’s shareholders.



* Mr. Masson has been excluded from the Other NEOs’ pay mix.

To better align executive pay with Company performance, the Board approved modifications to both the annual bonus and long-term equity incentives for fiscal year 2020, see “- 2020 STIP Changes” and “- LTIP Changes” below.

Base salaries

A primary element of the Company’s compensation program is base salary. The Company’s view is that a competitive base salary is a necessary element for attracting and retaining qualified executive officers. The amount payable to a NEO is determined based on the scope of their responsibilities and prior

experience, while taking into account competitive market compensation and overall market demand for such executives.

Base salaries are reviewed annually and may be increased based on the executive's success in meeting or exceeding Company and individual objectives, including performance metrics such as an evaluation of the executive's leadership and team development, as well as financial metrics such as achieving revenue targets. Base salaries can also be adjusted throughout the year to reflect promotions or other changes in the scope or breadth of an executive's role or responsibilities, or for market competitiveness.

	2018 Base Salary	2019 Base Salary	% Increase (2018 - 2019)
Dave Friesema	\$550,000	\$566,500	3.0%
Stewart Schaefer	\$449,280	\$468,000	4.2%
Robert Masson*	\$306,800	\$315,292	2.8%
Craig DePratto*	--	\$315,000	--
Dave Howcroft	\$398,320	\$416,000	4.4%
Sieg Will	\$302,640	\$311,000	2.8%

* Mr. Masson served as CFO and Corporate Secretary until May 7, 2019, and Mr. De Pratto served as CFO and Corporate Secretary* beginning September 9, 2019.

Short-term Incentive Plan

The Short-term Incentive Plan is designed to motivate executives to meet the Company's business objectives and annual financial performance targets. For the 2019 fiscal year, the annual bonus target ranged from 36% to 50% of each NEO's base salary, increasing up to 70% to 100% if maximum financial performance targets are met. Annual bonus payouts similarly will decrease if financial performance targets are not met, as set forth in the table below. The Company set Adjusted Diluted Earnings Per Share (EPS) targets in connection with the annual budget process.

	Short-term Incentive Award (% of Base Salary)			
	Threshold	Target	Maximum	2019 Actual
Dave Friesema	25%	50%	100%	41%
Stewart Schaefer	25%	50%	100%	42%
Robert Masson	24%	48%	83%	--
Craig DePratto ⁽¹⁾	23%	45%	79%	N/A
Dave Howcroft	18%	36%	72%	35%
Sieg Will	20%	40%	70%	38%

(1) For 2019, Mr De Pratto's bonus is 45% of base salary (\$141,750), prorated for 4 months (\$47,250). However, under his employment contract, in order to induce Mr. De Pratto to leave his prior employment and join the Company and to compensate him for bonuses foregone with his prior employer, the Company agreed to pay him a minimum guaranteed bonus of \$85,000 for 2019.

For the 2019 financial year, annual bonuses were earned and measured with two components: a Corporate Performance measure of Diluted Earnings Per Share (EPS) weighted 80%, and a Personal Component weighted 20% and based on meeting identified annual scorecard objectives. Diluted EPS refers to Adjusted Diluted Earnings Per Share performance compared with targets established by the Board of Directors at the beginning of the year.

Prior to 2019, annual bonuses were earned and measured with reference to Operating EBITDA. The change from Operating EBITDA to Adjusted Diluted Earnings Per Share was made due to changes in International Financial Reporting Standards (“IFRS”) whereby real-estate leases are no longer captured in EBITDA, which made it challenging to use this metric to properly measure performance. This change also results in different performance metrics for the STIP and LTIP.

Adjusted Diluted EPS is a measure not recognized for financial presentation under IFRS. Non-IFRS earnings measures do not have a standardized meaning prescribed by IFRS and, therefore, may not be comparable to similarly titled measures presented by other public companies, and should not be construed as an alternative to other financial measures determined in accordance with IFRS. For details on the Company’s calculation of Adjusted Diluted EPS, see Appendix C and the Company’s fiscal 2019 Audited Consolidated Financial Statements and Management’s Discussion & Analysis related thereto available on SEDAR at www.sedar.com. To the extent the Company achieves less than the threshold (90% of the applicable financial performance target), no bonus payouts would be triggered.

Corporate Performance Measure	Threshold	Target	Maximum	Actual	Corporate Performance Score
Adjusted Diluted EPS	\$1.49	\$1.66	\$1.82	\$1.65	0.95x
Adjusted Diluted EPS (Including Endy) ⁽¹⁾	\$1.49	\$1.65	\$1.82	\$1.59	0.8x

(1) Used only for the determination of Dave Friesema's and Stewart Schaefer's STIP Award.

The Personal component which represents 20% of the annual STIP was rated on a scale of one to four based on meeting identified annual objectives set forth in individual scorecards that include goals in the following categories:

- Strategic and departmental leadership goals (50%)
- Business leadership goals (40%)
- Personal leadership goals (10%) (except for the CEO)

STIP awards are earned between 0-200% of the target award based on achievement of the applicable Corporate and Personal performance metrics and based on the applicable weighting of each metric, as illustrated below:



Overall payout opportunity for the CEO, CBDO, and CSO is 2.0x and 1.75x for the remaining NEOs

(1) Maximum Diluted EPS score of 2.25x for CEO, CBDO and CSO. Maximum EPS score of 1.94x for all other NEOs.

2020 STIP Changes

To better align executive pay with Company performance, the STIP has been modified beginning in 2020 to provide employees with better line of sight and reflect market practice. Changes to the STIP are as follows:

- Realign STIP targets as a percentage of base salary to align with market levels
- Replace the STIP's Adjusted Diluted EPS metric with Adjusted Operating EBITDA to enhance line-of-sight for employees and to avoid overlapping metrics with the LTIP (a reconciliation of Adjusted Operating EBITDA to IFRS is included at Appendix C)
- Increase the maximum payout opportunity based on personal performance objectives to further incentivize achievement of stretch goals
- Standardize the maximum payout for all executives to maintain consistency

Long-term Incentives

In 2019, the Company awarded to executives, including the NEOs, long-term incentives with a mix of 50% performance share units (PSUs) under the LTIP and 50% Options under the Stock Option Plan.

Stock Options (50%)

Under the Stock Option Plan, the Company may grant Options for the purchase of Common Shares to the NEOs. The purpose of the Stock Option Plan is to attract, retain and motivate executives by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth.

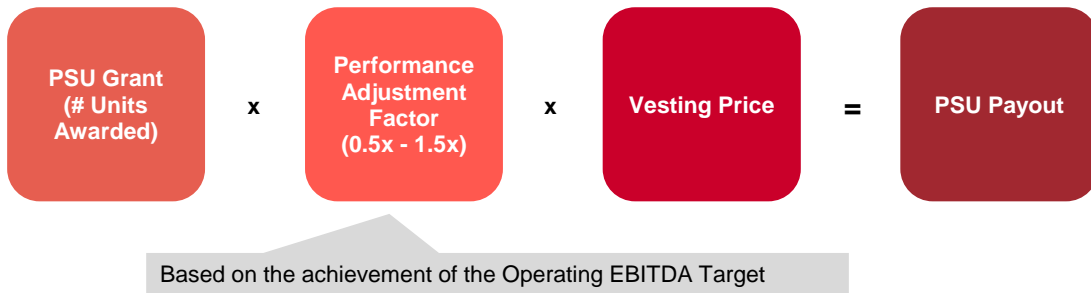
The exercise price of the Options is fixed by the Board of Directors at the date of grant and may not be less than the "market price" on the date of the grant as determined in accordance with the Stock Option Plan and applicable stock exchange rules (generally being the volume-weighted average trading price of the Common Shares on the TSX or such other exchange on which the Common Shares are trading during the five trading days immediately preceding the date of grant) (the "**Market Value**").

Options granted prior to 2020 typically cliff vest at the end of four years and may have a term of up to 10 years (subject to an extension of the scheduled expiry date in the event the option would otherwise expire during a blackout period). The Stock Option Plan allows for the cashless exercise of Options if the Common Shares issuable upon the exercise of the Options are to be immediately sold. In the event of a change of control of the Company, under the Stock Option Plan as it existed prior to the amendments proposed at the Meeting, the Board of Directors may, in its discretion, accelerate the vesting of all unvested Options such that they become immediately exercisable. (For more details, see "*- Details on Equity Compensation Plans*" below.)

Performance Share Unit Plan (50%)

The NEOs and certain other employees are eligible to participate in the PSU Plan (re-named the LTIP in 2020). The purpose of the LTIP is to promote greater alignment of interests between employees and shareholders and to support the achievement of the Company's performance objectives. The LTIP is administered by the Board of Directors, which determines the eligible full time employees to whom PSUs may be granted and the number of PSUs to be granted to plan participants. PSUs may be awarded annually.

PSUs generally vest on the third anniversary of their grant, following which a participant is entitled to receive an amount equal to the product achieved by multiplying: (i) the number of vested PSUs in the participant’s PSU account; (ii) the Market Value of a Common Share on the third anniversary of the date of grant; and (iii) a performance adjustment factor (the “**Adjustment Factor**”) of between 0.5 and 1.5 (proposed to be amended for future grants), which is determined based on the Company’s actual Operating EBITDA over the three year performance period (the “**Performance Period**”) relative to the target set at the date of grant. An illustration of the formula to determine PSU payouts for PSUs awarded prior to 2020 is below:



This amount may, at the discretion of the Board of Directors, be settled in cash, by the issuance of Common Shares from treasury or in Common Shares acquired on the market. The Operating EBITDA thresholds set for any Performance Period are established by the Board of Directors at the time the PSUs are granted.

The following Options and PSUs were granted to the NEOs in 2019:

	Options Awarded (#)	PSUs Awarded (#)
Dave Friesema	49,230	17,156
Stewart Schaefer	44,307	15,440
Robert Masson	24,615	8,578
Craig DePratto	17,471	6,118
Dave Howcroft	24,615	8,578
Sieg Will	19,692	6,862

PSU Awards Vesting in 2019

The PSUs granted in 2017 vested on December 31, 2019 based on a performance multiplier of 1.2x. For more details on PSUs, see “Details on the Equity Compensation Plans” below.

Operating EBITDA Performance (PSUs vesting in 2019)	Threshold	Target	Maximum	Actual
2017	\$82.29	\$91.43	\$100.57	\$100.02
2018	\$90.51	\$100.57	\$110.63	\$105.78
2019	\$99.57	\$110.63	\$121.69	\$109.11
Cumulative	\$272.37	\$302.63	\$332.89	\$314.91
Performance Adjustment Factor:				1.2x

2020 LTIP Changes

To better align executive pay with Company performance, subject to shareholder approval at the Meeting, the LTIP has been modified to provide greater emphasis on improving alignment with long-term performance and reflect typical market practice. Changes to the LTIP beginning in 2020 include:

- Realign LTIP targets as a percentage of base salary to align with market levels;
- Remove the minimum payout in PSUs to align with best practice and increase the upside opportunity to 200% to align with our pay-for-performance philosophy;
- Introduce restricted stock units (RSUs) and reduce the weighting on stock options to enhance retention and better align with the Company’s performance objectives and value proposition;
- Modify the stock option vesting provision from four-year cliff vesting to three-year ratable vesting to align with market practice; and
- Change the performance metric for PSUs from Operating EBITDA to a combination of two complementary metrics: EPS (75%) and revenue (25%), to align with the market practice of multiple performance metrics, to better support the Company’s performance objectives and value proposition, and to measure long-term Company value creation. EPS and revenue were selected as performance metrics because they together will deliver the best opportunity for shareholder value creation. Revenue is a good indicator of performance with respect to key variables such as customer satisfaction, market share, and brand equity, all of which are ingredients for growing EPS and shareholder value in the long run. A weighting of 75% EPS and 25% revenue provides a good balance because it puts greater emphasis on profitability and less focus on top-line growth. We will work diligently to ensure decisions are made with long-term sustainable performance in mind.

See “Business of the Meeting – Approval of Unallocated Options, Rights or Other Entitlements under the Company’s Security-Based Compensation Arrangements and Approval of Amendments to the Security-Based Compensation Arrangements” for a more detailed description of the proposed changes to the LTIP.

Compensation Risk Management

In reviewing the compensation policies and practices of the Company each year, the HRCC seeks to ensure the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of the Company. The HRCC seeks to ensure the Company’s compensation practices do not encourage excessive risk taking behaviour by the executive team. The Company’s LTIP has been designed to focus on the long-term performance of the Company, which discourages executives from taking excessive risks to achieve short term, unsustainable performance.

NEO Share Ownership Requirement

The Board of Directors believes that the economic interests of each NEO should be aligned with those of the Company's shareholders. In that regard, the Board has adopted a formal share ownership policy under which the CEO is expected to own and maintain ownership of Company securities with a total market value of not less than three times the CEO's base salary and the NEOs other than the CEO are expected to own and maintain ownership of Company securities with a total market value of not less than one time the respective NEO's base salary. The NEOs will have five years from the date of appointment as such to meet the requirement, after which they must maintain compliance with the requirement for the duration of their employment with the Company.

Named Executive Officer	Ownership Guideline as a Multiple of Salary	In Compliance
David Friesema	3x	Yes
Stewart Schaefer	1x	Yes
Craig De Pratto	1x	No*
David Howcroft	1x	Yes
Sieg Will	1x	Yes

*Mr. De Pratto has until Sept. 2024 to comply with the guidelines.

Insider trading and hedging policy

All of the Company's executives, including the NEOs, directors and employees, are subject to the Company's insider trading and blackout period policy, which prohibits trading in the securities of the Company while in possession of material undisclosed information about the Company. In addition, under this policy, senior executives, including the NEOs, and directors are prohibited from entering into speculative transactions and transactions designed to hedge or offset a decrease in market value of the Company's securities. Accordingly, senior executives and directors may not, among other things, sell short, buy put options or sell call options on the Company's securities or purchase financial instruments (including prepaid variable contracts, equity swaps, collars or units of exchange funds) which hedge or offset a decrease in market value of the Company's securities.

Clawback policy

The NEOs are subject to compensation clawback provisions that allow the Board to seek reimbursement of incentive compensation from an NEO in certain circumstances. In 2020, the HRCC, with advice from Mercer and legal counsel, revised the Company's Clawback Policy. As of March 2020, the policy was expanded to cover the entire named executive officer group and to broaden the events that can trigger a clawback to include either a financial restatement or misconduct. Previously, clawback applied only to the CEO and CFO in the event of financial restatement due, in whole or in part, to intentional fraud or willful misconduct by the CEO and/or the CFO. The clawback provision is triggered if, in the opinion of the independent directors of the Board, either of the following occurs:

- a) The amount of incentive compensation received by an NEO was calculated based on the achievement of certain financial results that were subsequently the subject of or affected by a restatement of all or a portion of the Company's financial statements and the incentive compensation payment received would have been lower had the financial results been properly reported;

b) An NEO engages in any of the following behaviours (“Misconduct”)

1. Violation of the Company Code of Ethics and Business Practices, gross negligence, intentional misconduct or fraud;
2. Violation of employment or post-employment duties or obligations to the company;
3. Any behaviour that has had a negative impact on the reputation, market performance or financial performance of the Company.

If, in the Board’s opinion, the clawback provision in (b) was triggered by the Misconduct of any of the other NEOs and the CEO was in a position to mitigate the actions of the NEO(s), the Board has discretion to apply the clawback provisions to the CEO as well.

The HRCC reviews all incentive compensation awarded to the NEOs that is attributable to performance during the preceding 36 months. Pursuant to this review, the Board has discretion to recoup all or a part of the after-tax portion of incentive awards that have been awarded or are vested, (including the shares or cash received on vesting or exercise of awards and the proceeds of disposition of any shares) and cancel unvested awards based on misstated financial statements or if it is found that an NEO has engaged in Misconduct.

Employment Agreements

The Company has written employment agreements with each of its NEOs and each executive is entitled to receive compensation established by the Company, as well as other benefits in accordance with plans available to the most senior employees (including health, dental, life insurance, accidental death and dismemberment, sick days and short term disability). The Company’s NEO employment contracts do not contain any provisions relating to a change of control. For a summary of the change of control benefit provisions provided under each of the Company’s long-term incentive plans, see “- *Details on Equity Compensation Plans*” and “- *Employment Agreements and Termination Benefits*” below.

Performance Graph

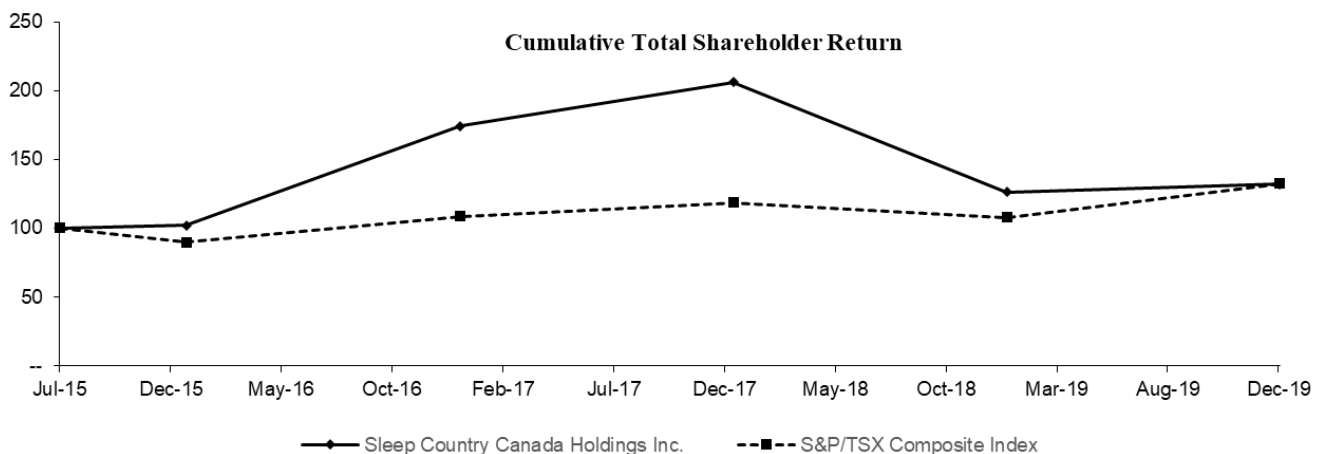
The Common Shares are listed and posted for trading on the TSX under the symbol “ZZZ”. The performance graph set out below compares the total cumulative shareholder return on the Common Shares for the period commencing on July 16, 2015 (the date that the Common Shares first began trading on the TSX upon completion of the Company’s initial public offering) and ending December 31, 2019 with the total return index value of the S&P/TSX Composite Index. The total returns assume an investment of \$100 and the reinvestment of dividends.

During each of the periods described below, the cumulative total shareholder return of the S&P/TSX Composite Index compares with the Company’s total shareholder return and executive compensation as follows:

- For the period between July 16, 2015 and December 31, 2015 (“**2015**”), cumulative total shareholder return of the Company increased and the S&P/TSX Composite Index decreased. Executive compensation during 2015 cannot be compared to a previous period to determine a trend because this was the first period in which the Company was a reporting issuer within the meaning of applicable Canadian securities laws.
- For the period between January 1, 2016 to December 31, 2016 (“**fiscal 2016**”), cumulative total shareholder return of the Company and the S&P/TSX Composite Index both increased, with the Company’s total shareholder return increasing at a significantly greater rate than the S&P/TSX Composite Index. Total compensation for each of the named executive officers during that period increased compared to 2015 due in part to the achievement of the Operating EBITDA targets established by the Board for fiscal 2016.

- For the period between January 1, 2017 to December 31, 2017 (“**fiscal 2017**”), cumulative total shareholder return of the Company and the S&P/TSX Composite Index both increased, with the Company’s total shareholder return increasing at a significantly greater rate than the S&P/TSX Composite Index. Total compensation for each of the named executive officers during that period increased compared to 2016 due in part to the achievement of the Operating EBITDA targets established by the Board for fiscal 2017.
- For the period between January 1, 2018 to December 31, 2018 (“**fiscal 2018**”), cumulative total shareholder return of the Company and the S&P/TSX Composite Index both decreased, with the Company’s total shareholder return decreasing at a greater rate than the S&P/TSX Composite Index. Total compensation for each of the named executive officers during that period decreased compared to 2017 due in part to a lower achievement of the Operating EBITDA targets established by the Board for fiscal 2018.
- For the period between January 1, 2019 to December 31, 2019 (“**fiscal 2019**”), cumulative total shareholder return of the Company and the S&P/TSX Composite Index both increased, with the Company’s total shareholder return increasing at a lower rate than the S&P/TSX Composite Index. Total compensation for each of the named executive officers during that period decreased compared to 2018 due to a decrease in the grant-date value of long-term incentive awards, notwithstanding higher STIP payouts than 2018.

The trend shown by the performance graph set forth below represents a fluctuation in the cumulative total shareholder return from July 16, 2015 to December 31, 2019, which does not necessarily correspond to the Company’s compensation paid or payable to its named executive officers for the period ended December 31, 2019 or for any prior fiscal periods. The Company’s executive compensation is reviewed annually and set by the Board upon the recommendation of the HRCC, as discussed herein. The HRCC considers several factors, including Company performance, various qualitative factors and risk management, in connection with the determination of appropriate levels of compensation as discussed under “Statement of Executive Compensation – Compensation Discussion and Analysis”. Many of the factors are not necessarily tied to the trading price of the Common Shares on the TSX. The trading price of the Common Shares on the TSX is subject to fluctuation based on several factors, some of which are linked to the Company’s financial condition and performance and others which are beyond the control of the Company. Each executive’s compensation is tied to the executive’s relative performance in helping the Company meet various objectives, based on the factors discussed elsewhere in this Circular, in addition to meeting certain quantitative performance targets established by the Board.



The Human Resources and Compensation Committee believes that compensation of its executive officers is fair and competitive.

Expressed as a percentage of Operating EBITDA, total compensation paid to the NEOs for the years ended December 31, 2015, 2016, 2017, 2018 and 2019 was 6.0%, 6.6%, 6.6%, 5.0% and 3.0% respectively. For fiscal 2019 the percentage was calculated as a percentage of Operating EBITDA after the adoption of the IFRS 16 accounting standard, which was adopted by the Company on January 1, 2019.

Compensation Governance

Human Resource and Compensation Committee

The HRCC has responsibility to review, recommend and oversee the determination of the compensation for Sleep Country's executive officers and the administration of the Company's executive compensation plans and programs. Current members of the HRCC are: Andrew Moor, Douglas Bradley, John Cassaday, Zabeen Hirji, Stacey Mowbray and David Shaw.

All members of the HRCC are independent directors and each member has human resources and compensation experience. Detailed information about each member's qualifications and experience is contained under Director Nominees. In May 2019, the chair of the HRCC and a member of management attended an Institute of Corporate Directors (ICD) training on running an effective HRCC.

Compensation Consultant

In August 2019, following an extensive review, the HRCC engaged Mercer as the independent advisor to the HRCC and Board. In 2019 and early 2020, Mercer performed the following services:

- Recommended changes to the design of the short-term incentive plan (STIP) and long-term incentive plan (LTIP)
- Recommended changes to the peer group for executive compensation benchmarking, and reviewed the competitiveness of the Company's NEO compensation
- Reviewed and recommended changes to the Company's Clawback Policy
- Reviewed and recommended modifications to the Company's compensation disclosure

The HRCC first retained Mercer, a wholly-owned subsidiary of Marsh & McLennan Companies, Inc., in 2019 to provide advice and recommendations with respect to the Company's executive compensation programs. Mercer did not provide services other than executive or director compensation services for the Company or any of its affiliates or subsidiaries or directors or members of management in 2019. The Board of Directors does not need to pre-approve other services performed by Mercer any of its affiliates for the Company at the request of management.

During the Company's fiscal year ending December 31, 2019, the Company paid the following fees to Mercer for services related to determining compensation for the Company's executives. The Company did not retain a compensation consultant during its 2018 fiscal year.

Compensation Consulting Fees	2019	2018
Executive compensation-related fees	\$55,000	\$0
All other fees	\$0	\$0

Additional Equity Compensation Information

The following table provides information concerning the Company's equity compensation plans as of December 31, 2019. See the Section entitled "Business of the Meeting – Approval of Unallocated Options, Rights or Other Entitlements under the Company's Security-Based Compensation Arrangements and Approval of Amendments to the Security-Based Compensation Arrangements" for a description of the outstanding awards and securities available for issuance as of the date of the Circular and assuming the amendments to the maximum securities available for issuance are approved at the Meeting.

Equity Compensation Plans Approved by Shareholders	Number of securities to be issued upon exercise of outstanding options or rights (#)	Percentage of Company's outstanding capital represented by number of securities to be issued upon exercise of outstanding options or rights (%)	Weighted average exercise price of outstanding options or rights (\$)	Number of securities remaining available for future issuance under equity compensation plans (excluding securities to be issued upon exercise of outstanding options or rights) (#)
Stock Option Plan	976,080	2.66%	\$24.59 ⁽¹⁾	856,029 ⁽²⁾
Performance Share Unit Plan	178,864	0.49%	N/A	1,286,823
Deferred Share Unit Plan	34,430	0.09%	N/A	331,992

Notes:

- (1) The weighted average exercise price of the outstanding Options is calculated based on the weighted average exercise price as at December 31, 2019.
- (2) Calculated assuming a maximum number of Common Shares that may be issued under the Stock Option Plan equal to 5% of the total number of Common Shares issued and outstanding from time to time on the basis that the maximum number of Common Shares that may be issued under the Performance Share Unit Plan and the Deferred Share Unit Plan is 4% and 1%, respectively, of the total number of Common Shares issued and outstanding from time to time.

Maximum Number of Common Shares Issuable to Insiders

The following table provides the current and proposed maximum number of Common Shares issuable at any time under the Stock Option Plan, the LTIP and the DSU Plan of the Company.

	2019	2020
Overall Maximum	10.0%	6.5%
Allowable in Stock Options ⁽¹⁾	10.0%	6.5%
Allowable in LTIP	4.0%	2.6%
Allowable in DSUs	1.0%	1.0%

- (1) The maximum number of Common Shares that may be issued under the Stock Option Plan would be equal to 5% and 2.9% for 2019 and 2020 respectively, on the basis that the maximum number of Common Shares are issued under the Long-term Incentive Plan and the Deferred Share Unit Plan.

Burn Rate

The following table provides information concerning the burn rate for the Company's equity compensation plans for each of the fiscal years ending December 31, 2017, 2018 and 2019.

	Number of Securities Granted Under Equity Compensation Plans		
	2017	2018	2019
Stock Option Plan	229,475	161,212	277,198
Performance Share Unit Plan	58,951	50,835	125,916
Deferred Share Unit Plan	5,160	10,395	17,473
Total	293,584	222,442	420,587
Burn rate ⁽¹⁾	0.78%	0.60%	1.12%

- (1) Calculated as the percentage obtained by dividing the number of securities granted under the Company's equity compensation plans during the applicable fiscal year divided by the weighted average number of Common Shares outstanding during that period which was 37,611,305 for the fiscal year ended December 31, 2017, 37,028,702 for the fiscal year ended December 31, 2018 and 37,408,602 for the fiscal year ended December 31, 2019.

Summary Compensation Table

The following table sets forth information for 2017, 2018 and 2019 concerning the compensation earned by the NEOs. All amounts are reported in Canadian dollars.

Name and Principal Position	Year	Salary (\$)	Share-based awards (\$) ⁽¹⁾	Option-based awards (\$) ⁽²⁾	Non-equity incentive plan compensation (Bonus) (\$)	All other compensation ⁽⁴⁾	Total compensation (\$) ⁽⁵⁾⁽⁶⁾
					Annual incentive plans ⁽³⁾		
David Friesema Chief Executive Officer	2019	\$ 566,500	\$ 364,222	\$ 220,413	\$ 232,832	\$ 25,800	\$ 1,409,766
	2018	\$ 550,000	\$ 399,672	\$ 349,762	\$ 192,500	\$ 25,800	\$ 1,517,734
	2017	\$ 530,000	\$ 432,006	\$ 447,110	\$ 503,500	\$ 25,800	\$ 1,938,416
Stewart Schaefer Chief Business Development Officer & President, Dormez-vous?	2019	\$ 468,000	\$ 327,791	\$ 198,371	\$ 194,220	\$ 32,687	\$ 1,221,070
	2018	\$ 449,280	\$ 359,705	\$ 314,788	\$ 157,248	\$ 32,170	\$ 1,313,191
	2017	\$ 432,000	\$ 388,806	\$ 402,399	\$ 410,400	\$ 31,687	\$ 1,665,292
Craig De Pratto ⁽⁷⁾ Chief Financial Officer & Corporate Secretary	2019	\$ 90,865	\$ 127,254	\$ 60,406	\$ 85,000	\$ 5,625	\$ 369,150
Robert Masson ⁽⁷⁾ Chief Financial Officer & Corporate Secretary	2019	\$ 315,292	\$ 182,111	\$ 110,206	\$ -	\$ 8,812	\$ 616,421
	2018	\$ 306,800	\$ 199,836	\$ 174,881	\$ 105,000	\$ 26,931	\$ 813,448
	2017	\$ 295,000	\$ 216,003	\$ 223,555	\$ 251,250	\$ 26,252	\$ 1,012,060
David Howcroft Chief Sales Officer	2019	\$ 416,000	\$ 182,111	\$ 110,206	\$ 144,000	\$ 20,738	\$ 873,055
	2018	\$ 398,320	\$ 199,836	\$ 174,881	\$ 105,000	\$ 15,000	\$ 893,037
	2017	\$ 383,000	\$ 216,003	\$ 223,555	\$ 251,250	\$ 17,441	\$ 1,091,249
Sieg Will Senior Vice-President, Operations	2019	\$ 311,000	\$ 145,680	\$ 88,165	\$ 118,750	\$ 29,945	\$ 693,540
	2018	\$ 302,640	\$ 159,869	\$ 139,907	\$ 87,500	\$ 33,347	\$ 723,263
	2017	\$ 291,000	\$ 172,803	\$ 178,844	\$ 209,375	\$ 33,278	\$ 885,300

Notes:

- (1) The dollar values presented in the table represent the grant date fair value of the PSUs awarded to the NEOs on March 10, 2017, March 13, 2018 and March 16, 2019 as applicable. Grant date fair value is determined using the Market Value of the Common Shares on the grant date. The PSUs vest on the third anniversary of the grant date. This value has not been, and may never be, realized by the NEOs. The actual amount payable, if any, in respect of the PSUs will depend on, among other things, the Market Value of the Common Shares on the vesting date and the Company's performance during the Performance Period. See "— Principal Elements of Compensation — Long-Term Incentive Plan".
- (2) The dollar values presented in the table represent the grant date fair value of the Options awarded to the NEOs on March 10, 2017, March 13, 2018 and March 16, 2019, as applicable. Grant date fair value is determined using the Black Scholes Option Pricing Model, which is consistent with the valuation for accounting purposes in accordance with IFRS 2, Share Based Payment. The Black Scholes Option Pricing Model requires the use of subjective assumptions, including with respect to the expected stock price volatility, and therefore it does not necessarily provide a reliable single measure of the fair value of the Options granted. Key assumptions include a risk free interest rate of 1.98%, which is based on a Government of Canada 5 to 10-year benchmark bond yield at the date of grant, expected volatility of 30.8%, estimated dividend yield of 3.67% and a forfeiture rate of 0.37%. The Options expire 10 years from the date of grant and vest on the fourth anniversary of the grant date. This value has not been, and may never be, realized by the NEOs. The actual gains, if any, on the exercise of the Options will depend on the value of the Common Shares on the TSX on the exercise date.
- (3) As a result of the Company achieving the maximum Operating EBITDA target for fiscal 2017, Mr. Friesema and Mr. Schaefer each received a bonus equal to 95% of their salary, Mr. Masson received a bonus equal to 85% of his salary, Mr. Howcroft received a bonus equal to 66% of his salary, and Mr. Will received a bonus of approximately 72% of his salary. Based on the Operating EBITDA achievement for fiscal 2018 relative to the Operating EBITDA target for fiscal 2018, Mr. Friesema and Mr. Schaefer each received a bonus equal to 35% of their salary, Mr. Masson received a bonus equal to 34.2% of his salary, Mr. Howcroft received a bonus equal to 26.4% of his salary, and Mr. Will received a bonus of approximately 28.9% of his salary. Based on the Adjusted Diluted EPS achievement for fiscal 2019 relative to the Adjusted Diluted EPS target for fiscal 2019, Mr. Friesema and Mr. Schaefer each received a bonus equal to 41% of their salary, Mr. Howcroft received a bonus equal to 35% of his salary, and Mr. Will received a bonus of 38% of his salary. Mr. De Pratto received a guaranteed bonus of \$85,000 under his employment contract when he joined the Company. Mr. De Pratto commenced his employment on September 9, 2019. . See "— Principal Elements of Compensation — Annual bonuses".
- (4) Mr. Friesema, Mr. Schaefer, Mr. Masson and Mr. Will each received an annual car allowance equal to \$18,000. Mr. Howcroft was provided with a vehicle for which the Company paid all associated expenses, including insurance, gas and maintenance costs for the months of January to April 2019. Mr. Howcroft received a car allowance for the remaining part of 2019 (May to December) in the amount of \$11,250. Mr. De Pratto received a car allowance equal to \$5,625 for 2019 (September to December). In addition, each of the NEOs received contributions pursuant to the Company's RRSP matching program which amounts to the balance of the amount shown.
- (5) Mr. Friesema is also a director of the Company. Directors who are employees of, and who receive a salary from, the Company or one of its affiliates or subsidiaries are not entitled to receive any remuneration for serving as directors, but are entitled to reimbursement of their reasonable out of pocket expenses incurred in serving as directors.
- (6) The Company maintains Directors and Officers Liability Insurance coverage in the amount of \$30,000,000. The premiums paid for such insurance were \$138,988 in fiscal 2017, \$139,208 in fiscal 2018 and \$142,817 in fiscal 2019 and were in each case paid by the Company.
- (7) Mr. Masson served as CFO and Corporate Secretary until May 7, 2019, and Mr. De Pratto served as CFO and Corporate Secretary beginning September 9, 2019.

Outstanding Option-Based Awards and Share-Based Awards

This table sets forth details of all awards that were outstanding for each NEO as at December 31, 2019.

Name and Principal Position	Option-based Awards ⁽¹⁾					Share-based Awards ⁽²⁾		
	Years	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Optin expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of share-based awards that have not vested (#)	Market or payout value of share-based awards that have not vested (\$) ⁽⁴⁾	Market or payout value of vested share-based awards not paid out or distributed (\$)
David Friesema <i>Chief Executive Officer</i>	2015	27,322	\$17.00	July 16, 2025	\$87,704	0	\$0	Nil
	2016	81,037	\$19.31	March 7, 2026	\$72,933	0	\$0	Nil
	2017	51,917	\$32.39	March 10, 2027	\$0	13,338	\$264,558	Nil
	2018	34,632	\$36.60	March 13, 2028	\$0	10,920	\$216,597	Nil
	2019	49,230	\$21.23	March 8, 2029	\$0	17,156	\$340,287	Nil
Stewart Schaefer <i>Chief Business Development Officer & President, Dornier-vois?</i>	2015	22,768	\$17.00	July 16, 2025	\$73,085	0	\$0	Nil
	2016	72,933	\$19.31	March 7, 2026	\$65,640	0	\$0	Nil
	2017	46,725	\$32.39	March 10, 2027	\$0	12,004	\$238,098	Nil
	2018	31,169	\$36.60	March 13, 2028	\$0	9,828	\$194,937	Nil
	2019	44,307	\$21.23	March 8, 2029	\$0	15,440	\$306,251	Nil
Craig De Pratto ⁽⁵⁾ <i>Chief Financial Officer & Corporate Secretary</i>	2019	17,471	\$20.80	September 9, 2029	\$0	6,118	\$121,350	Nil
Robert Masson ⁽⁵⁾ <i>Chief Financial Officer & Corporate Secretary</i>	2015	10,928	\$17.00	July 16, 2025	\$35,079			Nil
	2016	32,415	\$19.31	March 7, 2026	\$29,174			Nil
	2017	25,958	\$32.39	March 10, 2027	\$0	6,669	\$132,279	Nil
	2018	17,316	\$36.60	March 13, 2028	\$0	5,460	\$108,299	Nil
	2019	24,615	\$21.23	March 8, 2029	\$0	8,578	\$170,144	Nil
David Howcroft <i>Chief Sales Officer</i>	2015	10,928	\$17.00	July 16, 2025	\$35,079	0	\$0	Nil
	2016	32,415	\$19.31	March 7, 2026	\$29,174	0	\$0	Nil
	2017	25,958	\$32.39	March 10, 2027	\$0	6,669	\$132,279	Nil
	2018	17,316	\$36.60	March 13, 2028	\$0	5,460	\$108,299	Nil
	2019	24,615	\$21.23	March 8, 2029	\$0	8,578	\$170,144	Nil
Sieg Will <i>Senior Vice President, Operations</i>	2015	10,928	\$17.00	July 16, 2025	\$35,079	0	\$0	Nil
	2016	32,415	\$19.31	March 7, 2026	\$29,174	0	\$0	Nil
	2017	20,767	\$32.39	March 10, 2027	\$0	5,335	\$105,819	Nil
	2018	13,853	\$36.60	March 13, 2028	\$0	4,368	\$86,639	Nil
	2019	19,692	\$21.23	March 8, 2029	\$0	6,862	\$136,107	Nil

Notes:

- (1) The securities underlying the Options are Common Shares. For further details concerning the terms of the Options generally, see "Details on Equity Compensation Plans – Stock Option Plan" below.
- (2) The securities underlying the PSUs are Common Shares. For further details concerning the terms of the PSUs generally, see "Details on Equity Compensation Plans – Long-Term Incentive Plan" below.

- (3) The value of the unexercised in-the-money Options as at December 31, 2019 is the difference between the closing price of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.21) and the exercise prices. This value has not been, and may never be, realized by the NEO. The actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the Option exercise. The value assumes 100% vesting of all Options granted to the NEO.
- (4) PSUs generally vest on the third anniversary of their grant, following which a participant is entitled to receive an amount equal to the product achieved by multiplying: (i) the number of vested PSUs in the participant's PSU account; (ii) the Market Value of a Common Share on the third anniversary of the date of grant; and (iii) an Adjustment Factor of between 0.5 and 1.5 which is determined based on the Company's Operating EBITDA over the Performance Period. The value of the unvested PSUs as at December 31, 2019 is based on the Market Value of the Common Shares on December 31, 2019 (*i.e.*, the volume-weighted average trading price of the Common Shares on the TSX during the five trading days immediately preceding December 31, 2019). The value assumes 100% vesting of all PSUs and an Adjustment Factor of 1.2 for PSU grants during the fiscal year ended December 31, 2017, and an Adjustment Factor of 1.0 for PSU grants during the fiscal year ended December 31, 2018 and December 31, 2019. This value has not been, and may never be, realized by the NEO. The actual value realized, if any, will depend on the value of the Common Shares on the TSX on the vesting date. See "— Principal Elements of Compensation — Performance Share Unit Plan".
- (5) Mr. Masson served as CFO and Corporate Secretary until May 7, 2019, and Mr. De Pratto served as CFO and Corporate Secretary beginning September 9, 2019.

No Options were exercised by the NEOs during the fiscal year ended December 31, 2019 and thus no gains were realized by the NEOs upon the exercise of Options during such period.

Incentive Plan Awards – Value Vested or Earned During the Year

The following table indicates, for each of the NEOs holding option-based awards or share-based awards, a summary of the value of the option-based awards and share-based awards vested in accordance with their terms during fiscal 2019.

	Option-based awards - value vested during the year ¹ (\$)	Share-based awards - value vested during the year ² (\$)	Non-equity incentive plan compensation - value earned during the year ³ (\$)
David Friesema	87,704	436,506	232,832
Stewart Schaefer	73,085	392,852	194,220
Robert Masson ⁽⁴⁾	35,079	174,614	-
Craig De Pratto ⁽⁴⁾	-	-	85,000
David Howcroft	35,079	174,614	144,000
Sieg Will	35,079	174,614	118,750

- (1) Value that would have been realized if options had been exercised on December 31, 2019, calculated as the difference between the closing price of common shares on the TSX on December 31, 2019 and the exercise price of the options, multiplied by the number of options.
- (2) Share-based awards include payouts of PSUs that vested in 2019, along with the dividend units they earned to December 31, 2019.- all of the PSUs granted for 2016, calculated using a performance multiplier of 1.5.
- (3) Cash bonuses for 2019, which were paid in 2020.
- (4) Mr. Masson served as CFO and Corporate Secretary until May 7, 2019, and Mr. De Pratto served as CFO and Corporate Secretary beginning September 9, 2019.

Employment Agreements and Termination Benefits

The Company has written employment agreements with each of its NEOs and each executive is entitled to receive compensation established by the Company, as well as other benefits in accordance with plans available to the most senior employees (including health, dental, life insurance, accidental death and dismemberment, sick days and short term disability). The Company's NEO employment contracts do not contain any provisions relating to a change of control. For a summary of the change of control benefit provisions provided under each of the Company's long term incentive plans, see "Details on Equity Compensation Plans — Stock Option Plan" and "Details on Equity Compensation Plans – Long-Term Incentive Plan".

Estimated Potential Payments Upon Termination

The table below shows the amount each NE (other than Mr. Masson who is no longer with the Company) would have received in cash severance if he were terminated without cause. In addition, the NEOs would have received certain benefits and perquisites, including for life, health and dental insurance, but the aggregate amount of such compensation would have been less than \$50,000.

The table below also shows the incremental amount each NEO (other than Mr. Masson) would have received if terminated without cause or if he had resigned for "good reason" (as defined in the LTIP) in either case within 12 months following a change of control of the Company. For the purposes of this analysis, the Market Value of the Common Shares as at December 31, 2019 (being the last trading day of 2019) was \$20.21 and the Adjustment Factor was assumed to be 1.5 in the case of PSUs granted during the fiscal years ended December 31, 2016, an Adjustment Factor of 1.2 for the fiscal year ended December 31, 2017, and an adjustment factor of 1.0 in the case of PSUs granted during the fiscal year ended December 31, 2018 and December 31, 2019. If terminated without cause following a change of control, each of the NEOs would also have received cash severance for base salary and annual bonus and benefits and perquisites in the amounts described in the table.

The estimated termination amounts in the table below assume that the NEO's employment terminated on December 31, 2019 (being the last day of fiscal 2019). The amounts do not include any statutory or common law benefits payable pursuant to Canadian law in the event of termination without cause. In addition, the amounts do not include amounts payable due to acceleration of vesting of PSUs and Options in circumstances where the Board exercises its discretion to accelerate vesting.

Estimated Payments

The following table shows the estimated incremental payments that would have been paid to each of the named executives if they had been terminated on December 31, 2019 (with and without a change of control):

	Salary ¹ (\$)	Annual incentive bonus ² (\$)	Benefits and perquisites (\$)	Change of control and termination	Totals (\$) Change of control and termination
David Friesema	1,133,000	283,250	25,800	567,416	2,009,466
Stewart Schaefer	936,000	234,000	25,800	510,666	1,706,466
Craig De Pratto	315,000	141,750	25,800	123,645	606,195
David Howcroft	416,000	150,000	25,800	283,708	875,508
Sieg Will	311,000	125,000	25,800	232,415	694,215

¹ 2019 base salary multiplied by the notice period.

² Annual salary multiplied by the target bonus % for 2019. This amount is pro-rated based on days worked during the year up to the termination date.

Description of Employment Agreements

Mr. Friesema

Mr. Friesema's executive employment agreement provides that the Company may terminate his employment at any time, without cause, by providing notice of termination or payment in lieu thereof. If Mr. Friesema's employment is terminated without cause, he shall be entitled to receive his base salary in effect as of the termination date for two years following the termination date, a pro-rated target annual bonus based on the number of days worked prior to the termination date, entitlements under any Company incentive plans, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date and the continuation of life, health and dental insurance coverage for two years following the termination date.

If Mr. Friesema's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of his employment up to the termination date and entitlements under any Company incentive plans.

Mr. Friesema's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during his employment and for the 24 months following the termination of his employment.

Mr. Schaefer

Mr. Schaefer's executive employment agreement provides that the Company may terminate his employment at any time, without cause, by providing notice of termination or payment in lieu thereof. If Mr. Schaefer's employment is terminated without cause, he shall be entitled to receive his base salary in effect as of the termination date for two years following the termination date, a pro-rated target annual bonus based on the number of days worked prior to the termination date, entitlements under any Company incentive plans, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date and the continuation of life, health and dental insurance coverage for two years following the termination date.

If Mr. Schaefer's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of his employment up to the termination date and entitlements under any Company incentive plans.

Mr. Schaefer's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during his employment and for the 24 months following the termination of his employment.

Mr. De Pratto

Mr. De Pratto's executive employment agreement provides that the Company may terminate his employment at any time, without cause, by providing notice of termination or payment in lieu thereof. If Mr. De Pratto's employment is terminated without cause, he shall be entitled to receive his base salary in effect as of the termination date for one year following the termination date (increasing by one month for every year of service up to a maximum of 18 months), a pro-rated target annual bonus based on the number of days worked prior to the termination date, entitlements under any Company incentive plans, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date and the continuation of life, health and dental insurance coverage for one year following the termination date.

If Mr. De Pratto's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of his employment up to the termination date and entitlements under any Company incentive plans.

Mr. De Pratto's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during his employment and for the 12 months following the termination of his employment.

Mr. Howcroft

Mr. Howcroft's executive employment agreement provides that the Company may terminate his employment at any time, without cause, by providing notice of termination or payment in lieu thereof. If Mr. Howcroft's employment is terminated without cause, he shall be entitled to receive his base salary in effect as of the termination date for two years following the termination date, a pro-rated target annual bonus based on the number of days worked prior to the termination date, entitlements under any Company incentive plans, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date and the continuation of life, health and dental insurance coverage for one year following the termination date.

If Mr. Howcroft's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of his employment up to the termination date and entitlements under any Company incentive plans.

Mr. Howcroft's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during his employment and for the 12 months following the termination of his employment.

Mr. Will

Mr. Will's executive employment agreement provides that the Company may terminate his employment at any time, without cause, by providing notice of termination or payment in lieu thereof. If Mr. Will's employment is terminated without cause, he shall be entitled to receive his base salary in effect as of the termination date for one year following the termination date, a pro-rated target annual bonus based on the number of days worked prior to the termination date, entitlements under any Company incentive plans, the reimbursement of expenses properly incurred in the course of employment up to the termination date, accrued but unpaid vacation pay up to the termination date and the continuation of life, health and dental insurance coverage for one year following the termination date.

If Mr. Will's employment is terminated for cause or due to his resignation, death or incapacity, he or his estate, as applicable, will be entitled to accrued but unpaid base salary and vacation pay up to the termination date, the reimbursement of expenses properly incurred in the course of his employment up to the termination date and entitlements under any Company incentive plans.

Mr. Will's employment agreement also contains customary confidentiality covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-solicitation and non-competition provisions which are both in effect during his employment and for the 12 months following the termination of his employment.

Details on Equity Compensation Plans

On March 16, 2020, the Board of Directors, based on the recommendation of the HRCC, approved an amended and restated Performance Share Unit Plan, which will be called the Long-term Incentive Plan. The amendments to the LTIP are effective as of the date of Board approval, subject to approval by shareholders at the Meeting.

All awards made under the LTIP on or after March 16, 2020 will be subject to the terms and conditions of the LTIP, as amended, unless such amendments are not approved at the Meeting in which case the awards made on March 16, 2020 will be subject to the terms of the PSU Plan and Stock Option Plan, unamended. RSU awards are subject to the approval of the amendments to the LTIP allowing for the creation of RSUs and therefore no Common Shares may be issued upon the exercise, vesting, distribution or payment of RSUs unless the amendments to the LTIP are approved at the Meeting.

Stock Option Plan

Pursuant to the Stock Option Plan, the Company may grant options (“**Options**”) for the purchase of Common Shares to any employee, executive officer, director or consultant of the Company or its subsidiaries. The purpose of the Stock Option Plan is to attract, retain and motivate directors, officers, employees and other services providers by providing them with the opportunity, through stock options, to acquire a proprietary interest in the Company and to benefit from its growth. The Company will not issue Options to non-employee directors.

The maximum number of Common Shares that may be issued under the Stock Option Plan shall not exceed 10% of the total number of Common Shares issued and outstanding from time to time, (proposed to be reduced to 6.5%), less the amount of Common Shares issuable under all other security-based compensation arrangements implemented by the Company, including the LTIP and DSU Plan. The maximum number of Common Shares issuable to insiders at any time under the Stock Option Plan, the LTIP, the DSU Plan and all other security-based compensation arrangements of the Company shall not exceed 10% of the issued and outstanding Common Shares (proposed to be reduced to 6.5%). The Board of Directors have adopted a policy that the maximum number of Common Shares issuable within any one-year period under the Stock Option Plan, the LTIP, the DSU Plan and all other security-based compensation arrangements of the Company may not exceed 1.5% of the then issued and outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to any one participant under the Stock Option Plan, together with the LTIP, the DSU Plan and all other security-based compensation arrangements of the Company, shall not exceed 5% of the then issued and outstanding Common Shares. In addition, the Company will not issue options to non-employee directors under the Stock Option Plan in the future. Future equity-based compensation for non-employee directors will be provided through the DSU Plan.

The exercise price of the Options is fixed by the Board of Directors at the date of grant and may not be less than the “market price” on the date of the grant as determined in accordance with the Stock Option Plan and applicable stock exchange rules (generally being the volume-weighted average trading price of the Common Shares on the TSX or such other exchange on which the Common Shares are trading) during the five trading days immediately preceding the date of grant (the “**Market Value**”). Options vest at the discretion of the Board of Directors, which vesting schedule is generally fixed at the time of grant by the Board of Directors. Recent Board practice in this regard has been to provide for cliff vesting of option grants at the end of four years but it is anticipated that going forward Options will vest as to one-third of each option grant on each of the first through third anniversaries of the date of grant. Options granted under the Stock Option Plan may have a term of up to 10 years (subject to an extension of the scheduled expiry date in the event the option would otherwise expire during a blackout period). Options granted under the Stock Option Plan are not transferable or assignable, other than in the case of death as set out in the Stock Option Plan. The Stock Option Plan allows for the cashless exercise of Options if the Common Shares issuable upon the exercise of the Options are to be immediately sold. The administration and operation of the Stock Option Plan may be delegated by the Board of Directors to a committee thereof.

Unless otherwise permitted by the Board of Directors, upon termination of a participant's employment for any reason other than for cause or as a result of the death of the participant (including voluntary resignation and retirement), any unvested Options held by the participant as at the termination date immediately expire and all vested Options held by the participant as at the termination date may be exercised until the earlier of: (i) the expiry date of the Options; or (ii) 90 days after the termination date, after which time all Options will expire. As discussed above under "*Amendments to the Stock Option Plan*", the company is proposing to amend the Stock Option Plan with respect to the treatment of Stock Options in the event of termination due to disability or retirement. Unless otherwise permitted by the Board of Directors, upon termination of a participant's employment for cause, all Options (whether vested or unvested) held by the participant as at the termination date immediately expire. Upon the death of a participant any unvested Options held by the participant as at the date of his or her death shall automatically vest and become immediately exercisable by the participant's estate until the earlier of: (i) the expiry date of the Options; or (ii) one year after the date of the participant's death, after which time all Options will expire. As discussed above under "*Amendments to the Stock Option Plan*", the company is proposing to amend the Stock Option Plan with respect to the treatment of Stock Options in connection with the death of a participant.

Although non-employee directors are not currently eligible to participate in the Stock Option Plan, there are certain non-employee directors who received grants of Options at a time when they were eligible to participate in the Plan. Unless otherwise permitted by the Board of Directors, if the participant is a non-employee director of the Company who ceases to hold office as a result of: (i) his or her removal by shareholders; (ii) voluntary resignation; or (iii) death or disability, any vested Options held by the participant as at the termination date may be exercised until the earlier of: (i) the expiry date of the Options; or (ii) 90 days after the termination date (provided the termination is not due to a criminal act, in which case all vested Options will immediately expire), after which time all Options will expire. Any unvested Options held by the participant as at the termination date immediately expire.

In the event of a change of control of the Company, the Board of Directors may, in its discretion, accelerate the vesting of all unvested Options such that they become immediately exercisable and, if requested by the participant, the Company will pay each participant an amount in cash equal to the in-the-money amount of the Options, net of any withholding taxes and source deductions. The Company will pay the foregoing amounts contemporaneously with completion of the transaction resulting in the change of control. As discussed above under "*Amendments to the Stock Option Plan*", the Company is proposing to amend the Stock Option Plan with respect to the treatment of Stock Options in connection with a change of control.

The Stock Option Plan specifies the types of amendments to the provisions of the Stock Option Plan and any options granted thereunder that will and will not require the approval of the Shareholders in order to be effective. By its current terms, the Stock Option Plan and any Option granted thereunder may be amended by the Board without the consent of the Shareholders generally to: (i) ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange, including the TSX; (ii) change the vesting and exercise provisions of the Stock Option Plan or any Option in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable Option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Board's discretion; (iii) change the termination provisions of the Stock Option Plan or any Option which, in the case of an Option, does not entail an extension beyond such Option's originally scheduled expiry date; (iv) change the provisions on transferability of Options for normal estate settlement purposes; (v) change the process by which a participant who wishes to exercise his or her Option can do so, including the required form of payment for the Common Shares being purchased, the form of exercise notice and the place where such payments and notices must be delivered; (vi) add a conditional exercise feature which would give participants the ability to conditionally exercise in certain circumstances determined by the Board in its discretion, at any time up to a date determined by the Board in its discretion, all or a portion of those Options granted to such participants which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in such circumstances; and (vii) make other changes of a "housekeeping" nature, including amendments relating to the administration of the Stock Option Plan or to eliminate any ambiguity or correct or supplement any

provision herein which may be incorrect or incompatible with any other provision hereof. As discussed above under “*Amendments to the Stock Option Plan*”, the Company is proposing to amend the Stock Option Plan with respect to amendments to the Stock Option Plan that may be made by the Board without shareholder approval.

In addition to such amendments as may require Shareholder approval under applicable laws, the approval of the Shareholders will generally be required for the following amendments, in each case unless the amendment results from the application of the anti-dilution provisions of the Stock Option Plan: (i) any amendment to the amendment provisions of the Stock Option Plan which is not an amendment within the nature of paragraphs (i) through (vii) above requiring the approval of the Board only; (ii) any amendment to increase the maximum number of Common Shares issuable under the Stock Option Plan; (iii) any amendment to remove or exceed the plan limits described herein; (iv) any amendment that would reduce the option price of an outstanding Option (including a cancellation and reissue of an Option constituting a reduction in the option price) or extension of the period during which an Option may be exercised; (v) any amendment to extend the period during which an Option may be exercised; and (vi) any amendment to the provisions of the Stock Option Plan that would permit Options to be transferred or assigned other than for normal estate settlement purposes. As discussed above under “*Amendments to the Stock Option Plan*”, the Company is proposing to amend the Stock Option Plan with respect to amendments to the Stock Option Plan that require shareholder approval.

Long-Term Incentive Plan

The NEOs, along with other employees, are eligible to participate in the LTIP (previously called the performance share unit plan). The purpose of the LTIP is to promote greater alignment of interests between employees and shareholders and to support the achievement of the Company’s performance objectives. The LTIP is administered by the Board of Directors, which has the authority to determine the eligible full time employees to whom PSUs may be granted and the number of PSUs to be granted to plan participants. PSUs may be awarded annually.

The maximum number of Common Shares that may be issued under the LTIP is 4% of the total number of Common Shares issued and outstanding from time to time (proposed to be reduced to 2.6% inclusive of awards under the DSU Plan). The maximum number of Common Shares issuable to insiders at any time under the LTIP, the Stock Option Plan and all other security-based compensation arrangements of the Company shall not exceed 10% of the issued and outstanding Common Shares (proposed to be reduced to 6.5%). The Board of Directors have adopted a policy that the maximum number of Common Shares issuable within any one-year period under the LTIP, the Stock Option Plan, the DSU Plan and all other security-based compensation arrangements of the Company may not exceed 1.5% of the then issued and outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to any one participant under the LTIP, together with the DSU Plan, the Stock Option Plan and all other security-based compensation arrangements of the Company, shall not exceed 5% of the then issued and outstanding Common Shares.

PSUs generally vest on the third anniversary of their grant, following which a participant is entitled to receive an amount equal to the product achieved by multiplying: (i) the number of vested PSUs in the participant’s PSU account; (ii) the Market Value of a Common Share on the third anniversary of the date of grant; and (iii) a performance adjustment factor (the “**Adjustment Factor**”) of between 0.5 and 1.5 which is determined based on the Company’s actual Operating EBITDA relative to the target that has been set over the three-year performance period between the grant date and the vesting date of the PSUs (the “**Performance Period**”). As discussed above under “*Amendments applicable to the PSUs*” the Company is proposing to amend the LTIP to provide that the Performance Adjustment Factor for future awards of PSUs will be between 0 and 2.0 and will be determined based on the Company’s achievement of certain earnings per share and revenue targets established by the Board on the grant date. The payout may, at the discretion of the Board of Directors, be settled in cash, by the issuance of Common Shares from treasury or in Common Shares acquired on the market for such purpose. The performance metrics for any Performance Period are established by the Board of Directors at the time the PSUs are granted. PSUs granted under the LTIP are not transferable or assignable, other than in the case of death as set out in the

LTIP. The administration and operation of the LTIP may be delegated by the Board of Directors to a committee thereof.

Unless otherwise permitted by the Board of Directors, upon termination of a participant's employment for any reason (including termination with or without cause, voluntary resignation or retirement) other than following a change of control or as a result of the death of a participant, all unvested PSUs held by the participant as at the termination date will be forfeited. As discussed above under "*Amendments applicable to the PSUs*" the Company is proposing to amend the LTIP with respect to the treatment of PSUs in connection with the termination of employment due to disability or retirement. If a participant's employment is terminated or if a participant resigns for "good reason", in either case, within 12 months following a change of control of the Company, all PSUs credited to such participant's account automatically vest and are paid out based on the Market Value determined by the Board of Directors acting in good faith and an Adjustment Factor that is the greater of 1.0 and such other Adjustment Factor as may be determined by the Board of Directors acting in good faith. As discussed above under "*Amendments applicable to the PSUs*" the Company is proposing to amend the LTIP with respect to the treatment of PSUs in connection with a change of control.

Upon the death of a participant, all PSUs credited to such participant's account as at the date of his or her death automatically vest and are paid out at the end of the applicable Performance Period based on the Adjustment Factor determined by the Board of Directors for such Performance Period. As discussed above under "*Amendments applicable to the PSUs*" the Company is proposing to amend the LTIP with respect to the treatment of PSUs in connection with the death of a participant.

The Board of Directors may, in its discretion, following a grant date but prior to the vesting date, designate an earlier vesting date for the vesting of all or any portion of the PSUs then outstanding and granted to a participant.

The LTIP specifies the types of amendments to the provisions of the LTIP that will and will not require the approval of the Shareholders in order to be effective. The LTIP may be amended by the Board without the consent of the Shareholders generally to, among other things: (i) ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange, including the TSX; (ii) make other changes of a "housekeeping" nature, including amendments relating to the administration of the LTIP or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof; (iii) change the class of participants eligible to participate in the LTIP; and (iv) impose restrictions on the sale, transfer or other disposal of Common Shares by participants under the LTIP.

In addition to such amendments as may require Shareholder approval under applicable laws, the approval of the Shareholders will generally be required for the following amendments: (i) any amendment to the amendment provisions of the LTIP which is not an amendment within the nature of paragraphs (i) through (iv) above requiring the approval of the Board only; and (ii) any amendment to increase the maximum number of Common Shares reserved for issuance under the LTIP, unless the amendment results from the application of the anti-dilution provisions of the LTIP. As discussed above under "*Amendments applicable to the PSUs*" the Company is proposing to amend the LTIP with respect to amendments to the LTIP that require shareholder approval.

DIRECTORS' COMPENSATION

Directors' Remuneration

The Board of Directors, through the Nominating and Corporate Governance Committee, is responsible for reviewing and approving the directors' compensation arrangements and any changes to those arrangements.

The Nominating and Corporate Governance Committee has established the compensation arrangements for each director other than Mr. Friesema. The directors' compensation program is designed to attract and retain highly qualified individuals to serve on the Board of Directors. Non-employee directors are paid an annual retainer (which may, at the Board's discretion, be paid in cash or in some combination of cash and DSU's) and are reimbursed for their reasonable out of pocket expenses incurred in serving as directors. Directors who are employees of, and who receive a salary from, the Company or one of its affiliates or subsidiaries are not entitled to receive any remuneration for serving as directors, but are entitled to reimbursement of their reasonable out of pocket expenses incurred in serving as directors. The Company does not pay meeting fees or any additional retainer to directors for service on a committee of the Board of Directors.

Mr. Friesema receives compensation as an officer and employee of the Company. Accordingly, he does not receive any additional compensation in connection with his role as a director. His compensation in his capacity as an NEO is summarized under "Statement of Executive Compensation - Summary Compensation Table".

Ms. Magee, as Chair of the Board, is entitled to an annual compensation of \$200,000, benefits and share-based awards valued at \$50,000 per year at the time of grant. The value of the share-based compensation payable to Ms. Magee may escalate each year commensurate with any general increases in the retainer paid to the non-employee directors. Ms. Magee is not entitled to any other bonus compensation.

Directors' Equity-Based Compensation

Director Share Ownership Requirement

The Board of Directors believes that the economic interests of directors should be aligned with those of the Company's shareholders. To achieve this, the Board has adopted a formal share ownership policy pursuant to which each Director (other than any Director who is also the Chief Executive Officer) is expected to establish, over a period of five years, ownership of an amount of Common Shares and/or DSUs which is equivalent in value (based on the market value of the Common Shares on the TSX) to three times the annual retainer paid to such Director or in the case of the Chair, three times the amount payable pursuant to the Chair's compensation arrangements, and subsequently maintain such minimum ownership position for the duration of his or her tenure as a director.

Directors' Stock Option Plan

Directors who are executive officers or employee are eligible to participate in the Company's Stock Option Plan. While non-employee directors were formerly eligible to participate in the Stock Option Plan, subject to certain limits, the proposed amendments to the Stock Option Plan will remove the ability of non-employee directors to participate. See "*Statement of Executive Compensation—Stock Option Plan*" for further details concerning the Stock Option Plan. See also the description above of proposed amendments to the Stock Option Plan under "*Approval of Unallocated Options, Rights or other Entitlements under the Company's Security-Based Compensation Arrangements and Approval of Amendments to the Security-Based Compensation Arrangements*". For further details concerning the options held by the directors of the Company, see "*—Directors' Outstanding Option-Based Awards*" below. Future equity-based compensation for non-employee directors will be provided through the DSU Plan.

Deferred Share Unit Plan

The Company introduced the DSU Plan on January 22, 2016 for directors in order to promote greater alignment of interests between directors and Shareholders. Shareholders approved the DSU Plan at the Annual and Special Meeting of Shareholders held on May 11, 2016. A deferred share unit (“**DSU**”) is a share-based unit that is equal to the Market Value of a Common Share of the Company.

Prior to May 11, 2018, each non-executive director received an annual DSU grant equal to one-third of his or her annual retainer and was entitled to elect to receive all or a portion of the remaining two-thirds of his or her annual retainer in DSUs. Effective May 11, 2018, each non-executive director will receive an annual DSU grant equal to one-half of his or her annual retainer and may elect to receive all or a portion of the remaining half of his or her annual retainer in DSUs. Employee directors, other than the CEO, are also entitled to receive DSUs at the discretion of the Board (or pursuant to any entitlement in their employment agreements) and may elect to receive all or a portion of their annual salaries in the form of DSUs. Directors are credited with additional DSUs to reflect dividends paid on the Common Shares based on the number of DSUs in their DSU account and the Market Value of the Common Shares on the dividend payment date. The DSUs granted in respect of an annual retainer will vest monthly. The DSUs are not transferrable or assignable, other than in the case of death as set out in the DSU Plan.

Upon retirement from the Board (and provided the director is not otherwise engaged or employed by the Company in another capacity), the retiring director will receive a payout equal to the number of DSUs in the director’s DSU account multiplied by the Market Value of a Common Share on the payment date. The Company may, in its sole direction, elect to settle DSUs in cash or through market purchases.

The maximum number of Common Shares available for issuance under the DSU Plan shall not exceed 1% of the issued and outstanding Common Shares. The maximum number of Common Shares issuable to insiders at any time under the DSU Plan, the Stock Option Plan, the LTIP and all other security-based compensation arrangements of the Company shall not exceed 10% of the issued and outstanding Common Shares. The Board of Directors have adopted a policy that the maximum number of Common Shares issuable within any one-year period under the DSU Plan, the Stock Option Plan, the LTIP and all other security-based compensation arrangements of the Company may not exceed 1.5% of the then issued and outstanding Common Shares. The aggregate number of Common Shares reserved for issuance to any one participant under the DSU Plan, together with the Stock Option Plan, the LTIP and all other security-based compensation arrangements of the Company, shall not exceed 5% of the then issued and outstanding Common Shares.

The DSU Plan specifies the types of amendments to the provisions of the DSU Plan that will and will not require the approval of the Shareholders in order to be effective. The DSU Plan may be amended by the Board without the consent of the Shareholders generally to: (i) ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange; (ii) make other changes of a “housekeeping” nature, including amendments relating to the administration of the DSU Plan or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof; and (iii) impose restrictions on the sale, transfer or other disposal of Common Shares by participants under the DSU Plan.

In addition to such amendments as may require Shareholder approval under applicable laws and the rules of the TSX, the approval of the Shareholders will generally be required for the following amendments: (i) any amendment to the amendment provisions of the DSU Plan which is not an amendment within the nature of paragraphs (i) through (iii) above requiring the approval of the Board only; and (ii) any amendment to increase the maximum number of Common Shares issuable under the DSU Plan.

Directors' Summary Compensation Table

The following table sets forth information concerning the compensation earned by the directors of the Company during fiscal 2019. All amounts are reported in Canadian dollars.

Name	Fees earned ⁽¹⁾ (\$)	Share-based awards ⁽²⁾ (\$)	All other compensation ⁽³⁾	Total compensation (\$)
Christine Magee ⁽⁴⁾	\$200,000	\$50,000	\$30,720	\$280,720
J. Douglas Bradley	\$50,000	\$50,000	Nil	\$100,000
John Cassaday.....	\$50,000	\$50,000	Nil	\$100,000
Zabeen Hirji.....	\$50,000	\$50,000	Nil	\$100,000
Andrew Moor	\$50,000	\$50,000	Nil	\$100,000
Stacey Mowbray ⁽⁵⁾	\$19,837	\$37,247	Nil	\$57,084
David Shaw	\$50,000	\$50,000	Nil	\$100,000
David Friesema ⁽⁶⁾	Nil	Nil	Nil	Nil

Notes:

- (1) Represents all fees awarded, earned, paid or payable in cash for services as a director for 2019. For further details concerning the annual retainer payable to each director in their capacity as directors, see above under “– Directors’ Remuneration”.
- (2) Each non-executive director receives an annual DSU grant equal to one-half of his or her annual retainer and may elect to receive all or a portion of the remaining half of his or her annual retainer in DSUs. Ms. Magee is entitled to receive stock options or similar share-based awards valued at \$50,000 per year at the time of grant. The Company granted 2,614 DSUs to each director, except for Ms. Mowbray, on May 16, 2019. The Company granted to Ms. Mowbray 1,789 DSUs on August 20, 2019. The values presented in the table were calculated based on the Market Value of the Common Shares on the TSX (\$21.32) on the grant date.
- (3) The Company maintains Directors and Officers Liability Insurance coverage in the amount of \$30,000,000 and indemnification agreements with directors for alleged acts covered by the policy. The premiums paid for such insurance in 2019 were \$142,817 and were paid by the Company. The directors are also entitled to reimbursement for certain reasonable out-of-pocket expenses incurred in connection with attending Board of Directors and committee meetings. Ms. Magee receives an annual car allowance equal to \$24,000 and in 2018 received contributions pursuant to the Company’s RRSP matching program in the amount of \$6,720.
- (4) Ms. Magee, as Chair of the Board, is entitled to an annual compensation of \$200,000, benefits and share-based awards valued at \$50,000 per year at the time of grant. The value of the share-based compensation payable to Ms. Magee may escalate each year commensurate with any general increases in the retainer paid to the non-employee directors. Ms. Magee is not entitled to any other bonus compensation.
- (5) Ms. Mowbray was appointed to the Board effective August 8, 2019. The compensation reported reflects compensation paid to Ms. Mowbray for the portion of the year in which she served as a Director.
- (6) David Friesema is also a NEO. His compensation is fully reflected under “Statement of Executive Compensation— Executives’ Summary Compensation Table”. He does not receive any additional compensation for his service as a director of the Company.

Directors' Outstanding Option-Based and Share-Based Awards

This table sets forth details of all awards that were outstanding for each director as at December 31, 2019.

Name	Option-based Awards ⁽¹⁾				Share-based Awards ⁽²⁾		
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options ⁽³⁾ (\$)	Number of shares or units of shares that have not vested (#)	Market or payout value of share-based awards that have not vested ⁽⁴⁾ (\$)	Market or payout value of vested share-based awards not paid out or distributed ⁽⁵⁾ (\$)
Christine Magee	9,107	\$17.00	July 16, 2025	\$29,233	871	\$17,279	\$132,041
J. Douglas Bradley	4,553	\$17.00	July 16, 2025	\$14,615	871	\$17,279	\$93,234
John Cassaday	4,553	\$17.00	July 16, 2025	\$14,615	871	\$17,279	\$93,234
Zabeen Hirji	Nil	N/A	N/A	N/A	871	\$17,279	\$59,007
Andrew Moor	4,553	\$17.00	July 16, 2025	\$14,615	871	\$17,279	\$93,234
Stacey Mowbray	Nil	N/A	N/A	N/A	795	\$15,767	\$19,709
David Shaw	4,553	\$17.00	July 16, 2025	\$14,615	871	\$17,279	\$93,234

Notes:

- (1) The securities underlying the Options are Common Shares. For further details concerning the terms of the Options generally, see the section of this Circular above entitled "Statement of Executive Compensation – Details on Equity Compensation Plans Stock Option Plan".
- (2) The securities underlying the DSUs are Common Shares. For further details concerning the terms of the DSUs generally, see the section of this Circular above entitled "Directors' Compensation – Directors' Equity-Based Compensation – Deferred Share Unit Plan".
- (3) The value of the unexercised in-the-money Options as at December 31, 2019 is the difference between the closing price of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.21) and the exercise prices. This value has not been, and may never be, realized by the director. The actual gains, if any, on exercise will depend on the value of the Common Shares on the TSX on the date of the Option exercise. The value assumes 100% vesting of all Options granted to the director.
- (4) Each DSU is a share-based unit that is equal to the Market Value of a Common Share of the Company. For DSU grants during the fiscal year ended December 31, 2019, each non-executive director received an annual DSU grant equal to one-half of his or her annual retainer and may elect to receive all or a portion of the remaining half of his or her annual retainer in DSUs. Ms. Magee is entitled to certain minimum share-based compensation, which, in 2018, was paid in the form of DSUs. DSUs granted in respect of an annual retainer vest monthly. Upon retirement from the Board (and provided that the director is not otherwise engaged or employed by the Company in another capacity), the retiring director will receive Common Shares equal to the number of DSUs in the director's DSU account multiplied by the Market Value of a Common Share on the date on which the director retires from the Board. The value of the unvested DSUs as at December 31, 2019 is based on the Market Value of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.21) multiplied by the number of unvested DSUs. This value has not been, and may never be, realized by the director. The actual value realized, if any, will depend on the Market Value of the Common Shares on the TSX on the date on which the director retires from the Board.
- (5) The value of the DSUs that have vested but have not been paid out or distributed as at December 31, 2019 is based on the Market Value of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.21) multiplied by the number of vested DSUs. This value has not been, and may never be, realized by the director. The actual value realized, if any, will depend on the Market Value of the Common Shares on the TSX on the date on which the director retires from the Board.

No Options were exercised by Directors during the fiscal year ended December 31, 2019 and thus no gains were realized by Directors upon the exercise of Options during such period.

Value Vested or Earned During the Year

The table below shows the value of DSUs earned for 2019.

	Share-based awards - value vested during the year ¹ (\$)	Non-equity incentive plan compensation - value earned during the year ² (\$)
Christine Magee	35,219	200,000
Douglas Bradley	35,219	50,000
John Cassaday	35,219	50,000
Zabeen Hirji	35,219	50,000
Andrew Moor	35,219	50,000
Stacey Mowbray	20,086	
David Shaw	35,219	50,000

¹ Represents the value of the vested DSUs vested in fiscal 2019 and is based on the Market Value of the Common Shares on December 31, 2019 (being the last trading day of 2019) on the TSX (\$20.21) multiplied by the number of vested DSUs.

² Represents all fees awarded, earned, paid or payable in cash for services as a director for 2019. For further details concerning the annual retainer payable to each director in their capacity as directors, see above under "– Directors' Remuneration".

INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

As of the date of this Circular, there is no amount of indebtedness outstanding to the Company or its subsidiary in respect of any executive officers or director of the Company and its subsidiary, or their respective associates.

DISCLOSURE OF CORPORATE GOVERNANCE PRACTICES

Effective corporate governance is a priority for the Board and is essential to the proper conduct of the affairs of the Company. Set out below is a description of the Company's approach to corporate governance, in compliance with the requirements prescribed by National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101").

Board of Directors

The Company holds regularly scheduled Board of Directors meetings and intends to meet at least five times per year. Each meeting of the Board is followed by an *in camera* session comprised solely of independent directors, without the presence of non-independent directors and Management, to facilitate an open and candid discussion among the independent directors.

The Company's standing committees consist of the Audit Committee, the Human Resources and Compensation Committee and the Nominating and Corporate Governance Committee. Prior to March 1, 2018, the Human Resource Committee and the Nominating and Corporate Governance Committee were structured as a single committee that was known as the Compensation, Nominating and Corporate Governance Committee.

The Board of Directors is comprised of a majority of independent directors. The Board of Directors currently consists of eight directors, six of whom are considered “independent” for purposes of NI 58-101 and applicable stock exchange requirements. If each of the eight persons nominated by Management at the Meeting to serve as directors of the Company for the ensuing year are elected, the Board of Directors will consist of eight directors, six of whom will be considered “independent” for purposes of NI 58-101 and applicable stock exchange requirements. Each committee of the Board of Directors is chaired by an independent director. The Company’s assessment of whether a director is independent starts with the basic question as to whether there are any relationships that have been identified that could reasonably be expected to interfere with the exercise of the director’s independent judgment. That analysis is augmented, where required, to ensure compliance with certain presumptive standards that are applicable to members of the audit committee of the Board (the “**Audit Committee**”).

Generally, a director is not considered independent if he or she is:

- (a) an individual who is, or has been within the last three years, an employee or executive officer of the Company;
- (b) an individual whose immediate family member is, or has been within the last three years, an executive officer of the Company;
- (c) an individual who:
 - (i) is a partner of a firm that is the Company’s internal or external auditor,
 - (ii) is an employee of that firm, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the Company’s audit within that time;
- (d) an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual:
 - (i) is a partner of a firm that is the issuer’s internal or external auditor,
 - (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or
 - (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- (e) within the last three years, an executive officer of an entity if any of the Company’s current executive officers serves or served at that same time on the entity’s compensation committee; and
- (f) an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the Company during any 12 month period within the last three years.

An “immediate family member” includes a director’s spouse, parents, children, siblings, mothers- and fathers-in-law, sons- and daughters-in-law, brothers- and sisters-in-law and anyone (other than an employee of the director or the director’s immediate family member) who shares such director’s home.

Determinations of Independence

When assessed against the above criteria, the Nominating and Corporate Governance Committee has determined that Douglas Bradley, John Cassaday, Zabeen Hirji, Andrew Moor, Stacey Mowbray and David Shaw are independent of Management.

As described above under Directors' Summary Compensation Table, Christine Magee received more than \$75,000 in direct compensation from the Company during a 12 month period within the last three years, and David Friesema is the Chief Executive Officer of the Company and, as such, Christine Magee and David Friesema are not considered independent. Christine Magee, as Chair, is responsible for chairing all meetings of the Board of Directors, providing leadership to the Board of Directors, managing the Board of Directors, acting as a liaison between the Board of Directors and Management as well as the independent directors and the non-independent directors, representing the Company to external groups and providing spokesperson and ambassador services to the Company and any other commensurate services.

In the view of the Board, although Christine Magee is not an independent director, the knowledge, experience and perspective she brings to the Board as a cofounder of the Company and a past member of the executive team contribute significantly to the effective governance of the Company.

Other Independence Mechanisms

The Board has established other important governance policies and practices to enhance director independence, including the following:

- the Charter of the Board provides that the Board may engage external advisors at the Company's expense;
- each committee mandate provides that the committee may engage external advisors at the Company's expense; and
- following each Committee meeting, each of the Committees hold *in camera* sessions attended only by committee members (who are all independent directors, other than the Nominating and Corporate Governance Committee, which has a majority of independent directors beginning in 2020). Members of Management, as well as other non-independent directors, may attend by invitation as determined by members of the committee.

Lead Director

On February 24, 2016, Mr. David Shaw was selected as the Lead Director by the independent directors of the Company and the Board adopted a lead director position description to facilitate the functioning of the Board independently from Management and other non-independent directors. The Lead Director has, among others, the responsibility of consulting with the Chair regarding the agenda and associated materials for Board meetings and participating in the annual performance evaluation of the Chief Executive Officer. The Lead Director is also responsible for working in conjunction with the Nominating and Corporate Governance Committee to conduct the annual Board and individual director's assessment process.

Attendance Record of Each Director

The Board held six meetings in 2019. The attendance record for each director is set out below.

<u>Name of Director</u>	<u>Board of Directors</u>	<u>Audit Committee</u>	<u>Human Resources and Compensation Committee</u>	<u>Nominating and Corporate Governance Committee</u>
Christine Magee.....	6 of 6	N/A	N/A	N/A
J. Douglas Bradley.....	6 of 6	4 of 4	5 of 5	5 of 5
John Cassaday.....	6 of 6	4 of 4	5 of 5	5 of 5
Zabeen Hirji.....	6 of 6	4 of 4	5 of 5	5 of 5
Andrew Moor	6 of 6	4 of 4	5 of 5	5 of 5
Stacey Mowbray ⁽¹⁾	3 of 3	2 of 2	2 of 2	2 of 2
David Shaw	6 of 6	4 of 4	5 of 5	5 of 5
David Friesema.....	6 of 6	N/A	N/A	N/A

Note:

- (1) Ms. Mowbray was appointed to the Board effective August 8, 2019 and thus attendance reported reflects meetings held on or after the date of Ms. Mowbray's appointment.

The following table provides details regarding directorships held by Sleep Country's directors in other reporting issuers or the equivalent thereof in foreign jurisdictions. J. Douglas Bradley, Zabeen Hirji and David Friesema are not currently directors of any other reporting issuer.

<u>Name of Director</u>	<u>Name of Other Reporting Issuer</u>	<u>Stock Exchange</u>
John Cassaday.....	Manulife Financial Corporation Sysco Corporation	TSX / NYSE
Christine Magee.....	Metro Inc. TELUS Corporation	TSX
Andrew Moor	Equitable Group Inc.	TSX
Stacey Mowbray.....	Currency Exchange International, Corp.	TSX / OTC Markets
David Shaw	Fiera Capital Corporation Brick Brewing Co. Limited	TSX

The Charter of the Board of Directors

The Board is responsible for the stewardship of the Company and for the supervision of the management of the business and affairs of the Company. The Board has adopted a formal charter (the "**Charter**") that describes its major responsibilities, goals and duties. The Board is satisfied that it is not constrained in its access to information, in its deliberations or in its ability to satisfy its mandate to supervise the business and affairs of the Company and that there are sufficient systems and procedures in place to enable the Board to function independently of Management. In performing its role, the Board makes major policy decisions, participates in strategic planning, delegates to Management the authority and

responsibility for day-to-day affairs and reviews Management's performance and effectiveness. The full text of the Charter is set out in Appendix A to this Circular. The Board has reviewed and approved its Charter. Some of the Board's major supervisory responsibilities are described below.

Strategic Planning

One of the Board's major responsibilities is to review with Management the Company's strategic goals and objectives. The Board regularly reviews the Company's strategic plan, operating plans and budgets, which take into account the opportunities and principal risks of the Company's business. The Board is provided with regular updates on the implementation of the Company's strategies, plans and budgets and any regulatory or social constraints that may impact the achievement of the Company's business objectives.

Risk Oversight

The Board believes that an enterprise-wide approach to risk management allows the Company to efficiently and effectively assess risks so that they can be prioritized and addressed appropriately. Risk is an inherent component of any business. However, effective enterprise risk management enables the Company to meet its strategic objectives. The Company's enterprise risk management model provides a framework to:

- identify, assess and communicate inherent and residual risk;
- embed enterprise risk management responsibilities into the Company's operating model; and
- integrate risk responses into the Company's strategic priorities and business plans.

Position Descriptions

Chair of the Board of Directors

The Chair of the Board of Directors is Christine Magee. The Board of Directors has adopted a written position description for the Chair of the Board of Directors, indicating that the Chair is responsible for, among other things, chairing all meetings of the Board of Directors, promoting cohesiveness among the directors, promoting a thorough understanding of the duties and responsibilities of the directors, promoting the proper flow of information to the directors, acting as liaisons between the Board of Directors and Management to promote open and constructive discussions between directors and Management and presiding over meetings of the Company's shareholders. The Chair also schedules meetings of directors where non-independent directors and Management are not in attendance.

Lead Director

The Lead Director is David Shaw. The Lead Director provides leadership to the Board by fulfilling the following duties and responsibilities:

- review and approve meeting agendas and the annual schedule of meetings;
- provide leadership to ensure that the Board functions independently of Management;
- provide input to the Chair on the quantity, quality and timeliness of information provided to the Board;
- call and chair meetings of the independent directors and apprise the Chair of the Board of the issues considered, as appropriate;

- assume the responsibilities of the chairperson of the Board during meetings of the Board when the Chair declares a conflict or otherwise excuses herself from the debate on an agenda item and does not participate in a vote;
- preside, in the absence of the Chair, at Board meetings and the annual meeting of shareholders;
- help the Chair facilitate full and candid Board discussions, ensure all directors express their views on key Board matters and assist the Board in achieving a consensus;
- serve as the liaison between the Company's independent directors and the Chair and Chief Executive Officer;
- work with the Chair and the Chief Executive Officer to ensure that the Board is provided with the resources, including external advisers and consultants as considered appropriate, to permit it to carry out its responsibilities and bringing to the attention of the Chair and the Chief Executive Officer any issues that are preventing the Board from being able to carry out its responsibilities;
- participate in the annual performance evaluation of the Chief Executive Officer; and
- perform such other duties as the Board may determine from time to time.

Chair of the Audit Committee

The Chair of the Audit Committee is J. Douglas Bradley. The Board of Directors has adopted a written position description for the Chair of the Audit Committee, indicating that the Chair of the Audit Committee is responsible for, among other things, chairing all meetings of the committee, promoting cohesiveness among members of the committee, promoting a thorough understanding of the duties and responsibilities of the committee, promoting the proper flow of information to the committee, acting as the liaison between the committee and each of the Management, the internal auditor and external auditor, promoting open and constructive discussions between members of the committee, Management, the internal auditor and the external auditor and reporting to the Board of Directors on the activities of the committee.

Chair of the Human Resources and Compensation Committee

The Chair of the Human Resources and Compensation Committee is Andrew Moor. The Board of Directors has adopted a written position description for the Chair of this committee, indicating that the Chair of the Human Resources and Compensation Committee is responsible for, among other things, chairing all committee meetings, promoting cohesiveness among members of the committee, promoting a thorough understanding of the duties and responsibilities of the committee, promoting the proper flow of information to the committee, acting as the liaison between the committee and each of the Company's management, compensation consultants and other outside advisors, promoting open and constructive discussions between members of the committee, Management, compensation consultants and other outside advisors and reporting to the Board of Directors on the activities of the committee.

Chair of the Nominating and Corporate Governance Committee

The Chair of the Nominating and Corporate Governance Committee is John Cassaday. The Board of Directors has adopted a written position description for the Chair of this committee, indicating that the Chair of the Nominating and Corporate Governance Committee is responsible for, among other things, chairing all committee meetings, promoting cohesiveness among members of the committee, promoting a thorough understanding of the duties and responsibilities of the committee, promoting the proper flow of information to the committee, acting as the liaison between the committee and each of the Company's

management, governance consultants and other outside advisors, promoting open and constructive discussions between members of the committee, Management, governance consultants and other outside advisors and reporting to the Board of Directors on the activities of the committee.

Chief Executive Officer

The Board of Directors has adopted a position description for the Chief Executive Officer, whose primary role is to take overall supervisory and managerial responsibility for the day-to-day operations of the Company's business and manage the Company in order to achieve the goals and objectives determined by the Board of Directors in the context of the Company's strategic plan. The Chief Executive Officer's position description sets forth responsibilities including, but not limited to: (i) fostering a corporate culture that promotes ethical practices and encourages individual integrity; (ii) maintaining a positive and ethical work climate that is conducive to attracting, retaining and motivating top-quality employees at all levels; (iii) developing a long-term strategy and vision for the Company that leads to the creation of shareholder value; (iv) developing an annual operating plan and financial budget that support the Company's long-term strategy; (v) strategy and implementation for major mergers, acquisitions and divestitures; (vi) designing or supervising the design and implementation of effective disclosure and internal controls; (vii) formulating and overseeing the implementation of major corporate policies; (viii) serving as the chief spokesperson for the Company and establishing the Company's communications framework and strategy; and (ix) ensuring that the Company has an effective management team and has an active plan for its development and succession.

Orientation and Continuing Education

The Company has adopted a director education and training policy and has established a formal orientation process for new directors and continuing education program for all directors. New directors will be provided with a tour of the Company's facilities. They will also be provided with a Board of Directors member manual that includes the articles of incorporation, by-laws, minutes of meetings, significant corporate policies, list of Board of Directors committees and mandates, a project overview and strategic plan, a list of Board of Directors members and their contact information, the latest financial statements and the current budget/forecast of the Company. This material will be supplemented by a meeting between the new director and Management to discuss the nature and operations of the Company. The new director will also be introduced to all of the then-current members of the Board of Directors. The Chair will be responsible for ensuring that the new director understands his or her responsibilities as a member of the Board of Directors and any committees that they may join and ensuring that directors maintain the skill and knowledge necessary to meet their obligations as directors.

In order to assist directors in the continuous advancement of their knowledge of the Company's business, senior management makes regular presentations to the Board on the main areas of the Company's business, financial matters, operations and overall industry. These presentations include highlighting market conditions and trends that may impact the Company's business and influence its strategy, as well as the key risks and opportunities the Company faces. Directors are invited to provide input into the topics they wish to be covered in the education program, and management schedules presentations to cover such areas, which include presentations by external consultants when appropriate. During 2019, the Board received presentations on Marketing Effectiveness, Growth Strategy, Partnerships, Sleepworks (ERP Implementation), Investor Relations, and Endy. All Directors attended each of these sessions.

Further, directors are provided with opportunities to visit the Company's various distribution centres and store locations. During visits, Board members are given the opportunity to interact with management to gain a better understanding of the Company's operations first-hand. The Nominating and Corporate Governance Committee also reviews information on available external educational opportunities and ensures that directors are aware of such opportunities. In order to encourage directors to attend external education sessions, the Company reimburses each director up to a pre-determined amount each year to cover expenses associated with attendance at such sessions. Finally, Board members have full access to the Company's senior management and employees. The Board encourages management to address the

Board in those instances where a manager's expertise and assistance can enhance the Board's understanding of a particular issue under its consideration. Interactions with management are also facilitated by periodically inviting members of the management team to attend Board dinner sessions, which are scheduled around the Board's regularly-scheduled meetings.

Ethical Business Conduct

The Company has adopted a Code of Ethics and Business Practices (the "**Code**") that applies to all of the Company's directors, officers and employees. The Code embodies the Company's commitment to conducting its business in accordance with the highest standards of honesty, integrity and ethical behavior and all applicable laws. The Code sets out fundamental principles that guide the Board in its deliberations and shape the Company's business activities. The Code addresses, among other things:

- compliance with laws, including laws prohibiting bribery and corruption;
- respect for human rights;
- accuracy of financial controls and records;
- avoidance of conflicts of interest;
- protection and proper use of Company assets;
- confidentiality;
- fairness in all the Company's dealings; and
- dignity and respect within working relationships.

The Code also deals with reporting of suspected unethical or illegal behavior. The Company has established a toll-free compliance hotline and Internet web portal to allow for anonymous reporting of any suspected Code violations, including concerns regarding accounting, purchasing, expensing, internal controls or other auditing matters. The Company encourages and expects its personnel to raise possible ethical issues and will not tolerate retaliatory action against any individual for raising, in good faith, concerns or questions regarding ethics or Code matters. Any waivers of the Code may generally only be granted by the Chief Executive Officer or the Chair. However, any waiver of the Code for directors or executive officers may only be granted by the Board or a committee consisting only of independent directors and will be publicly disclosed as required by applicable laws. To date, no waivers of the Code have been granted.

The Code was developed in consultation with the Nominating and Corporate Governance Committee. The Board monitors compliance with the Code through the Nominating and Corporate Governance Committee, which receives periodic reports from Management with respect to any reports of alleged violations of the Code and any corrective actions taken by the Company. All supervisory and administrative employees are required to complete an annual certification confirming that they:

- understand and agree to abide by the requirements of the Code;
- are in compliance with the requirements of the Code; and
- are not aware of any potential misconduct under the Code that has not been reported to Management.

The Board of Directors will review compliance with the Code at least annually. A copy of the Code may be obtained by emailing your request to investor.relations@sleepcountry.ca.

Human Resources and Compensation Committee

The Human Resources and Compensation Committee's purpose and responsibilities include: (i) reviewing and approving corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluating the Chief Executive Officer's performance in light of these goals and objectives and approving the Chief Executive Officer's compensation level based on this evaluation; (ii) reviewing and recommending arrangements related to the CEO's and other senior executives' material employment terms, including termination arrangements; (iii) overseeing the evaluation of the Chief Executive Officer and the senior executives of the Company; (iv) evaluating compensation risk generally with a view to ensuring an appropriate balance of risk and reward consistent with the risk profile of the Company; (v) reviewing the Company's approach to compensation benchmarking and making recommendations as to the comparator group; (vi) having regard to any "Say on Pay" shareholder vote and such other factors the Committee considers advisable, recommending salary compensation policies, incentive compensation plans and equity-based compensation plans; (vii) recommending to the Board of Directors, the compensation, incentive-compensation and equity-based plan compensation of the Chief Executive Officer and other members of senior management; (viii) approving and monitoring insider trading and share ownership policies; (ix) reviewing the Company's executive compensation disclosure; (x) overseeing succession planning, including in the event of an emergency or retirement; and (xi) other human resources matters such as employee engagement and reviewing significant Human Resources policies applicable to employees of the Corporation.

The Human Resources and Compensation Committee is comprised of Andrew Moor (Chair), Douglas Bradley, John Cassaday, Zabeen Hirji, Stacey Mowbray and David Shaw. Each member is independent within the meaning of NI 58-101. Accordingly, the committee is able to ensure an objective process in determining compensation. The Human Resources and Compensation Committee will periodically review peer group practices when determining compensation for senior management.

Nominating and Corporate Governance Committee

The Nominating and Corporate Governance Committee's purpose and responsibilities include: (i) identifying individuals qualified to become directors, consistent with the criteria established by the Board of Directors; (ii) recommending to the Board of Directors the director nominees for the next annual meeting of shareholders; (iii) developing and recommending to the Board of Directors a set of corporate governance principles applicable to the Company; (iv) overseeing the evaluation of the directors; (v) reviewing the Board of Directors' committee structure and recommending to the Board of Directors any changes it considers necessary or desirable; (vi) making recommendations with respect to compensation arrangements for the Directors, for the Chair of the Board, the Lead Director and for the Chairs and members of Board committees; and (vii) developing and recommending of an orientation program and a continuing education program for the directors.

The Nominating and Corporate Governance Committee is comprised of John Cassaday (Chair), Christine Magee (as of March 2020), Douglas Bradley, Zabeen Hirji, Andrew Moor, Stacey Mowbray and David Shaw. Each member, except Christine Magee, is independent within the meaning of NI 58-101. Christine Magee is not considered independent because, although she has not been an executive officer of the Company for more than three years, she received in excess of \$75,000 in compensation from the Company (in addition to compensation received as a director) in 2019 in connection with consulting work Ms Magee performed as a spokesperson for the Company. The Charter of the Nominating and Corporate Governance Committee does not require all members of the committee to be independent. Although National Policy 58-201 – *Corporate Governance Guidelines* recommends a nomination committee composed entirely of independent directors, these guidelines are not prescriptive.

Audit Committee

The Audit Committee is comprised of six independent directors (Douglas Bradley (Chair), John Cassaday, Zabeen Hirji, Andrew Moor, Stacey Mowbray and David Shaw). The Audit Committee has direct communication channels with internal personnel responsible for financial statement preparation and with

the Company's external auditors. The Audit Committee monitors audit functions, Management reporting on internal controls and the preparation of financial statements and meets with outside auditors independent of Management. The Audit Committee operates independently. Additional details regarding the Audit Committee can be found in the section entitled "Audit Committee" in the Annual Information Form of the Company for the year ended December 31, 2019. The full text of the Audit Committee Charter can be found in Appendix A to the Annual Information Form of the Company for the year ended December 31, 2019. The Annual Information Form is available on SEDAR at www.sedar.com.

Compensation

The Board of Directors, with the assistance of the Human Resources and Compensation Committee, is responsible for reviewing the compensation of members of the Board of Directors to ensure that compensation realistically reflects the responsibilities and risks involved in being a director and for reviewing the compensation of members of senior management to ensure that compensation is competitive within the industry and aligns the interests of such individual with those of the Company.

Nomination of Directors

The Board of Directors, with the assistance of the Nominating and Corporate Governance Committee, is responsible for the nomination of directors. The Nominating and Corporate Governance Committee identifies the individuals qualified to become new directors and recommends to the Board of Directors new nominees for election by shareholders or for appointment by the Board of Directors to fill any vacancy on the Board of Directors. In making its recommendations to the Board of Directors, the committee, with the assistance of the skills matrix described below, considers: (i) the competencies and skills that the Board of Directors considers to be necessary for the Board of Directors, as a whole, to possess; (ii) the competencies and skills that the Board of Directors considers each existing director to possess; (iii) the competencies and skills each new nominee would bring to the boardroom; and (iv) the representation of women on the Board of Directors.

Board of Directors Assessments

The Nominating and Corporate Governance Committee, on behalf of the Board of Directors, is responsible for reviewing, on an annual basis, the performance, requisite competencies, skills and diversity of members of the Board of Directors, as well as the composition of the Board of Directors as a whole and the performance and effectiveness of the Board and its committees.

Questionnaires are distributed to each director for the purpose of evaluating the Board's responsibilities and functions, its operations, the performance of the Board's committees. Specifically, the questionnaires address the following subjects:

- (a) creating an effective Board;
- (b) running an effective Board;
- (c) professional development;
- (d) strategic foresight;
- (e) stewardship;
- (f) performance evaluation;
- (g) overseeing Management;
- (h) value creation; and

(i) corporate culture.

The results of the questionnaires are compiled by the Company's Director of Internal Audit on a confidential basis to encourage full and frank commentary. In addition, each year the Lead Director and the Chair formally meet with each director individually to engage in a full and frank two-way discussion of any and all issues which either may wish to raise.

The results of the questionnaires as well as any issues raised during individual interviews are presented and are discussed at the next regular meeting of the Nominating and Corporate Governance Committee. Based on the outcome of the discussion, the Nominating and Corporate Governance Committee then presents to the Board the findings of the Nominating and Corporate Governance Committee and its recommendations to enhance the performance and effectiveness of the Board as a whole and the Board committees. The Nominating and Corporate Governance Committee is then charged with ensuring that any recommendations are implemented and reporting on same to the Board of Directors.

In addition to the above assessment process, the Board of Directors completes an annual review of a skills matrix as completed by the Directors and reviewed by the Board of Directors with a view towards identifying the competencies, skills and diversity of members of the Board of Directors, as well as the composition of the Board of Directors as a whole.

The skills matrix below lists the skills determined by the Board of Directors as being important to the Company to assess the overall strengths of directors and assist in the ongoing renewal process of the Board of Directors. The skills matrix below highlights the key skills for each director. This matrix is not intended to be an exhaustive list of each director's skills.

SKILLS	Christine Magee	Douglas Bradley	John Cassaday	Zabeen Hirji	Andrew Moor	Stacey Mowbray	David Shaw	David Friesema
Retail	X		X			X	X	X
Supply Chain		X					X	X
Marketing / Customer Experience	X		X	X	X	X	X	X
Senior Executive Leadership / Strategic Planning	X	X	X	X	X	X	X	X
Audit, Compliance, Financial Accounting and Reporting	X	X			X			
Risk Management	X	X		X	X			X
Information Technology / Data Analytics					X	X		
Human Resources/ Executive Compensation	X	X	X	X	X		X	X
Corporate Governance	X	X	X	X	X	X	X	

CEO and Executive Succession Planning

The Board of Directors, either on its own or through the Human Resources and Compensation Committee, is primarily responsible for oversight of mechanisms regarding succession planning for the Chief Executive Officer and the other key executives of the Company.

The Board formally considers succession planning at least once a year during an *in camera* session to which the Chief Executive Officer is invited and may do so on a more frequent basis as necessary. The Board held such a succession planning meeting during the fiscal year ended December 31, 2019. At the meeting, the Board receives a presentation from the Chief Executive Officer regarding the proposed succession plan for the CEO position, as well as for the other key executives and reviews the Company's talent management programs and initiatives. The Board assesses the degree to which potential vacancies could be filled with qualified people by discussing the qualifications required for the key positions, the competencies and development considerations for each potential successor candidate, and the performance of individuals in their current roles. The Board and the CEO then discuss steps that can be implemented, such as training and education plans, to enhance the readiness of potential succession candidates.

Director Term Limits and Other Mechanisms of Board Renewal

The Company does not impose fixed term limits on directors nor does it maintain a retirement policy. The Board does not believe it should establish term limits or a retirement policy. While the Board acknowledges the benefit of fresh ideas and viewpoints, it encourages means of ensuring Board renewal other than the imposition of arbitrary thresholds, given the value of the contribution of directors who have been able to develop, over a period of time, increasing insight into the Company and its operations and, therefore, provide an increasing contribution to the Board as a whole. The Board's assessment of the contributions of individual directors in accordance with the process established for evaluation of the effectiveness of directors is a more meaningful way to make determinations about whether a director should be removed due to under-performance. Directors shall be elected for a one year term, but if directors are not elected at any annual meeting of the company, the incumbent directors shall continue in office until their successors are elected.

Diversity

The Charter of the Nominating and Corporate Governance Committee includes the Company's commitment to the representation of women on the Board. The Board has established a target representation level for women on the Board which has increased to 30% from 25%. The Charter also articulates the Company's desire to promote better corporate governance and performance and effective decision-making by having a diverse range of views and considerations represented at the Board. In considering directors for election to the Board, the Charter requires the Board and the Nominating and Corporate Governance Committee to consider only highly-qualified candidates having regard to the target level of representation of women on the Board. The Charter also requires the Board and the Nominating and Corporate Governance Committee to consider diversity criteria more generally. In addition, the Charter requires the Nominating and Corporate Governance Committee to consider and recommend, where appropriate, the implementation of initiatives to further promote gender diversity at the Board and senior leadership levels.

The Nominating and Corporate Governance Committee believes that having a diverse Board of Directors and senior management offers a depth of perspective and enhances Board of Directors and Management operations. The objective of the Nominating and Corporate Governance Committee is to identify candidates to the Board of Directors that possess skills with the greatest ability to strengthen the Board of Directors, including with respect to diversity of the Board of Directors. To further promote gender diversity of the Company, the Nominating and Corporate Governance Committee has established a policy that when selecting candidates for new or replacement board positions for nomination, no less than 50% of such candidates will be women.

The Nominating and Corporate Governance Committee does not specifically define diversity, but considers diversity of experience, perspective, education, race, gender and national origin as part of its overall annual evaluation of director nominees for election or re-election as well as candidates for management positions. Gender and geography are of particular importance to the Company in ensuring diversity within the Board of Directors. Although the Charter of the Nominating and Corporate Governance Committee does not specifically identify diversity objectives with respect to Aboriginal peoples, persons

with disabilities and members of visible minorities (designated groups), the Board and the Nominating and Corporate Governance Committee intend to examine the desirability of specifically including the designated groups within its Charter while still maintaining a broad focus on diversity more generally.

The Board does not have a target representation level at the Board or senior management level for any group (including the designated groups) other than women (at the Board level). The Board believes that having quota or strict rules about board and leadership diversity may not necessarily result in identifying or selecting the best candidates. The Nominating and Corporate Governance Committee ensures that searches specifically seek out candidates who may enhance our Board diversity.

In addition to director diversity, the Company understands the benefits of a diversified work force. While the Company does not have a fixed target for the representation of women (or any other designated group) in executive officer positions, it is committed to promoting diversity among its senior leadership and will consider the level of female representation and the other indicia of diversity, outlined above, when deliberating on hires and promotions regarding all senior leadership positions, including executive officers. In identifying and considering potential candidates for senior leadership, including executive officer appointments, the Company considers factors such as years of service, regional background, experience and qualifications. In addition, unlike the identification and selection process for the Board, the diversity of the Company's senior leadership team is driven by other factors, some of which are outside of the control of the Company, including the level of staff turnover, the times at which hiring and promotion opportunities arise, the available pipeline of staff with the necessary skills and experiences, and various other factors. Traditionally, the retail mattress industry has been a male-dominated business, although more women are entering the industry. The Company has, and will continue to, assess and develop ways to promote women within the Company and to ensure women are provided greater opportunities for advancement within the Company.

The Company has a senior management team that consists of 29 members, made up of Directors, Vice-Presidents and Chief Level Executives. Of the 29 members, eleven (38%) are female, five (17%) self-identify as visible minorities, and zero (0%) self-identify as having a disability or identify as being a member of an Aboriginal group. Currently, three of the eight (37.5%) members of the Board of Directors are female, one (13%) self-identify as visible minorities, and zero (0%) self-identify as having a disability or identify as being a member of an Aboriginal group. The Company's commitment to diversity extends beyond the formal programs and initiatives in place. The Company strives to create a culture in which both visible and tacit differences are recognized and valued. The Company believes its competitive advantage lies in creating and maintaining a culture where all employees are able to contribute and fulfil their potential without artificial barriers.

ANNUAL COMMITTEE REPORTS

The annual report of each of the Audit Committee, the Human Resources and Compensation Committee, and the Nominating and Corporate Governance Committee is set out below:

Report of the Audit Committee

Members Douglas Bradley(Chair) John Cassaday Zabeen Hirji Andrew Moor Stacey Mowbray David Shaw	<i>100% independent and financially literate within the meaning of the CSA rules</i>
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The Audit Committee is responsible for overseeing (i) the quality and integrity of the Company's accounting and financial reporting systems; (ii) the adequacy of the Company's internal controls over financial reporting and disclosure controls and procedures; (iii) the Company's compliance with legal and regulatory requirements; (iv) the qualifications, independence and performance of the external auditors; (v) the performance of the internal auditor; (vi) the risk management procedures; and (vii) all related party transactions the Company is involved or proposes to be involved.

The Committee meets at least once each quarter and reports on its activities to the Board. Activities are based on its mandate and annual work plan. At each quarterly meeting, the Committee meets in camera without management present, and also meets separately in camera with each of the Chief Financial Officer, the Director of Internal Audit and the external auditors. The Committee held four meetings in 2019.

The Committee is satisfied that it has fulfilled its responsibilities under its mandate and has approved this report.

2019 HIGHLIGHTS
Financial Reporting and Internal Controls <ul style="list-style-type: none">• received presentations from the CFO related to the Company's quarterly and annual financial performance and operating results• reviewed and recommended for Board approval the quarterly and annual consolidated financial statements, the related MD&A and earnings releases, and annual information form• discussed with management and PwC significant estimates and areas of judgment regarding accounting principles and financial statement presentation• reviewed management's report assessing the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting• approved the mandate for the Chief Financial Officer and assessed his performance• approved the budget and resources of the Finance function• received updates from management on IFRS 16 and its impact on the Company's consolidated financial statements• received updates regarding 2014 CRA Audit• received management's report assessing the effectiveness of the Company's disclosure controls and procedures and internal controls over financial reporting including the newly acquired subsidiary
External Auditors <ul style="list-style-type: none">• oversaw the work of the external auditor• reviewed and approved the annual audit plan and monitored the audit plan's execution

- received written confirmation from PwC of its independence, including written disclosure of all relationships between PwC and Sleep Country
- assessed PwC performance on (i) qualifications, skill and experience of the engagement team, (ii) quality of communications and service, and (iii) independence, objectivity and professional skepticism, all of which were rated satisfactory
- received updates from PwC on auditing developments
- recommended the approval of the auditors' fees to the Board for approval and proposed that the Board recommend to the shareholders the appointment of PwC as the external auditor
- pre-approved all engagements with PwC and the associated fees, and received quarterly reports on fees paid for audit, audit-related, tax and other services
- reviewed the annual report from the Canadian Public Accountability Board on inspection findings
- discussed with PwC the impact of upcoming accounting standards, including the effect on the financial statements and related disclosures

Internal Auditor

- reviewed the performance and independence of the Director of Internal Audit and approved the mandate, budget and resources of the Internal Audit function
- reviewed and approved Internal Audit plan and the 2019 schedule of audits, and reviewed quarterly reports of all internal audit activities
- received quarterly report of internal audit activities, findings and recommendations, management action plans and progress of any corrective actions

Legal and Regulatory

- received reports on litigation claims against Sleep Country Canada
- established procedures for the whistleblower program

Risk Management

- received updates from the management on the action plans undertaken to monitor and control financial risks.

Report of the Human Resources and Compensation Committee

Members Andrew Moor(Chair) Douglas Bradley John Cassaday Zabeen Hirji Stacey Mowbray David Shaw	<i>100% independent</i>
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The Committee met five times in 2019. The Committee is satisfied that it has fulfilled its responsibilities under its mandate and has approved this report.

2019 HIGHLIGHTS
Compensation Matters <ul style="list-style-type: none">• reviewed and approved corporate goals and objectives relevant to CEO compensation• evaluated the CEO's performance in light of those corporate goals and objectives• determined and approved the CEO's compensation level based on the evaluation• discussed goals and objectives of the other senior executives of the Company• recommended the senior executive compensation to the Board and reviewed compensation benchmark study• discussed, determined and approved Long Term Incentive Plan (LTIP) grant for executive team• approved annual merit budget• reviewed bonus payout for senior leadership team• approved Deferred Share Unit (DSU) grant for Board of Directors• reviewed and recommended to the Board for approval any public disclosure of information relating to the Corporation's Director or executive compensation• reviewed and considered the report from Mercer, the Company's independent compensation consultant for 2019 and reviewed and recommended to the Board for approval changes to the executive compensation structure for 2020 and amendments to the Security-Based Compensation Arrangements and Plans• revised the Company's Clawback Policy, the policy was expanded to cover the entire named executive officer group and to broaden the events that can trigger a clawback to include either a financial restatement or misconduct.

Report of the Nominating and Corporate Governance Committee

Members John Cassaday(Chair) Christine Magee Douglas Bradley Zabeen Hirji Andrew Moor Stacey Mowbray David Shaw	<i>86% independent</i>
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The Committee met five times in 2019. The Committee is satisfied that it has fulfilled its responsibilities under its mandate and has approved this report.

2019 HIGHLIGHTS

Nominating and Corporate Governance Matters

- evaluated competencies and skills of the Board
- reviewed and recommended to the Board for approval the nominees for election as directors
- developed and recommended to the Board a process for assessing the performance and effectiveness of the Board, as a whole and each committee of the Board
- discussed the director selection process, including identification of selection criteria and the selection of an executive search firm and reviewed potential candidates to fill existing vacancy on the Board
- reviewed the Company's Disclosure Policy, Insider Trading / Blackout Policy and Code of Conduct
- reviewed and assessed the adequacy of each Committee Charter
- developed and recommended to the Board a continuing education program for all Directors

INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS

There were no material interests, direct or indirect, of any director or executive officer of the Company, any other "informed persons" (as such term is defined in National Instrument 51-102 – *Continuous Disclosure Obligations*), any person who, to the knowledge of the directors or officers of the Company, beneficially owns or exercises control or direction over securities carrying more than 10% of the voting rights attached to any class of outstanding voting securities of the Company or any associate or affiliate of any of the foregoing, in any transaction since the commencement of the Company's most recently completed financial year or in any proposed transaction which has materially affected or would materially affect the Company or any of its subsidiaries.

INTERESTS OF CERTAIN PERSONS IN MATTERS TO BE ACTED UPON

No person who has been a director or executive officer of the Company at any time since the beginning of the Company's last completed financial year, no proposed nominee for election as a director and no associate or affiliate of any of the foregoing persons has any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, except as disclosed in this Circular. Each of the officers of the Company may be considered interested in the matters relating to the approval of unallocated options, rights or other entitlements under the Company's security-based compensation arrangements and the approval of amendments to the Stock Option Plan and LTIP by virtue of the potential of such individuals to receive awards under those plans.

SHAREHOLDER PROPOSALS

Pursuant to Section 137 of the *Canada Business Corporations Act* (the "CBCA"), any notice of a Shareholder proposal must be submitted to the Company at its registered office, to the attention of the Secretary of the Company, on or before December 25, 2019 in order to be considered for inclusion in the management information circular for the 2020 annual meeting of the Shareholders. It is the Company's position that only Shareholder proposals made in accordance with the foregoing procedure and the provisions of the CBCA need be recognized.

ADDITIONAL INFORMATION

Copies of this Circular and the Company's Annual Information Form, Annual Report, Audited Consolidated Financial Statements and Management's Discussion & Analysis related thereto, for the fiscal year ended December 31, 2019, may be obtained on SEDAR at www.sedar.com or free of charge upon

written request to the Secretary of the Company at 7920 Airport Road, Brampton, ON, L6T 4N8. Financial information relating to the Company is included in the comparative Audited Consolidated Financial Statements for the fiscal year ended December 31, 2019 and the Management's Discussion and Analysis related thereto contained in the 2018 Annual Report of the Company for the twelve-month period ended December 31, 2019. Additional information relating to the Company may be found on SEDAR at www.sedar.com.

APPROVAL BY DIRECTORS

The contents of this Circular and the sending of this Circular to the Shareholders of the Company has been approved by the Board of Directors of the Company.

DATED the 25th day of March, 2020.

(signed) Christine Magee

Christine Magee
Chair

APPENDIX A
STOCK OPTION PLAN

SLEEP COUNTRY CANADA HOLDINGS INC.

AMENDED AND RESTATED STOCK OPTION PLAN

as amended and restated on March 16, 2020

SLEEP COUNTRY CANADA HOLDINGS INC.

STOCK OPTION PLAN

1. PURPOSE

- 1.1 The principal purpose of this Plan is to advance the interests of the Corporation by:
- (a) providing Eligible Persons with additional incentive to develop and promote the growth and success of the Corporation and to align the interests of the Eligible Persons and the shareholders of the Corporation;
 - (b) encouraging Share ownership by such Eligible Persons;
 - (c) increasing the proprietary interest of Eligible Persons in the long-term success of the Corporation;
 - (d) encouraging Eligible Persons to remain with the Corporation and its Affiliates; and
 - (e) attracting and retaining persons of outstanding competence whose efforts will dictate, to a large extent, the future growth and success of the Corporation.

2. PLAN DEFINITIONS AND INTERPRETATION

- 2.1 In this Plan, the following terms have the following meanings:
- (a) “**Affiliate**” means an affiliate of the Corporation within the meaning of Section 1.3 of National Instrument 45-106 – *Prospectus and Registration Exemptions*, as may be amended or replaced from time to time;
 - (b) “**Blackout Period**” means a period when the Participant is prohibited from trading in the Corporation’s securities pursuant to securities regulatory requirements or the Corporation’s written policies then applicable;
 - (c) “**Board**” means the board of directors of the Corporation;
 - (d) “**Business Day**” means any day, other than a Saturday, Sunday or statutory holiday in the Province of Ontario;
 - (e) “**Cashless Exercise**” means a procedure whereby the Corporation assists the Participant by arranging the sale of Shares with respect to an Option exercised by the Participant, then forwards to the Participant the cash benefit net of exercise price, required tax withholdings including, but not limited to, the Employee Benefit Withholding Tax and other applicable fees;
 - (f) “**Cause**” means, unless otherwise specified in the Participant’s written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan):
 - (i) the willful failure of the Participant to properly carry out the Participant’s duties or to comply with the rules and policies of the Corporation or any reasonable instruction or directive of the Board or an officer of the Corporation, that is not cured, if curable, to the reasonable satisfaction of the Board, within ten days after the Board or its designee gives written notice thereof to the Participant;

- (ii) the Participant acting dishonestly or fraudulently, or the willful misconduct of the Participant, in the course of the Participant's employment, in each case resulting in adverse consequences to the Corporation, which in the case of willful misconduct only, is not cured, if curable to the reasonable satisfaction of the Board, within ten days after the Board or its designee gives written notice thereof to the Participant;
 - (iii) the conviction of the Participant for, or a guilty plea by the Participant to, any criminal offence punishable by imprisonment that may reasonably be considered to be likely to adversely affect the Corporation or any Affiliate of the Corporation or the suitability of the Participant to perform the Participant's duties, including, without limitation, any offence involving fraud, theft, embezzlement, forgery, willful misappropriation of funds or property, or other fraudulent or dishonest acts;
 - (iv) the failure by the Participant to fully comply with and perform the Participant's fiduciary duties; or
 - (v) other act, event or circumstance which would constitute just cause at law for termination of the Participant's employment;
- (g) **"Change of Control"** means:
- (i) any person (other than the Corporation, its Affiliates or an employee benefit plan or trust maintained by the Corporation or its affiliates, or any company owned, directly or indirectly, by the shareholders of the Corporation in substantially the same proportions as their ownership of Shares of the Corporation) becoming the beneficial owner of, or obtaining voting direction and control over, directly or indirectly, more than 50% of the combined voting power of the Corporation's then outstanding securities (excluding any person who is a beneficial owner of, or has voting direction and control over, directly or indirectly, more than 50% of the combined voting power of the Corporation's outstanding securities as of the Effective Date:
 - (ii) the consummation of a merger or consolidation of the Corporation or any direct or indirect subsidiary of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or any parent thereof) more than 20% of the combined voting power or the total fair market value of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person (other than those covered by the exceptions in paragraph (i) of this definition) acquires more than 50% of the combined voting power of the Corporation's then outstanding securities shall not constitute a Change in Control of the Corporation; or
 - (iii) a complete liquidation or dissolution of the Corporation or the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Corporation; other than such liquidation, sale or disposition to a person or persons who beneficially own, directly or indirectly, more than 20% of the combined voting power of the outstanding voting securities of the Corporation at the time of the sale.

- (h) “**Clawback Policy**” means the Clawback Policy dated February 11, 2020 in respect of the clawback of compensation of certain employees of the Corporation and its Affiliates in designated circumstances, as such policy may be amended from time to time;
- (i) “**Committee**” means the Compensation, Human Resources and Compensation Committee of the Board, as constituted from time to time, or such other committee comprised of members of the Board as the Board shall from time to time appoint to administer the Plan; provided that if the Board does not appoint a Committee to administer the Plan, all references to the Committee shall be deemed to be references to the Board;
- (j) “**Corporation**” means Sleep Country Canada Holdings Inc. and its respective successors and assigns and any reference in the Plan to action by the Corporation means action by or under the authority of the Board, the Committee or any person that has been designated by the Committee as responsible for this Plan;
- (k) “**Consultant**” means any person or company engaged, under a written contract, to provide *bona fide* consulting, technical, management or other services to the Corporation or to an Affiliate for an initial, renewable or extended period of 12 months or more;
- (l) “**Cover Method**” has the meaning ascribed thereto in Section 8.1(b);
- (m) “**Date of Grant**” means, for any Option, the date specified by the Committee at the time it grants the Option (which cannot be earlier than the date on which the Option was granted) or, if no such date is specified, the date on which the Option was granted;
- (n) “**Director**” means a member of the Board or a member of the board of directors of an Affiliate;
- (o) “**Disability**” means, unless otherwise specified in the Participant’s written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan), the inability of the Participant to perform substantially all his or her duties as an Employee or Director by virtue of illness, accident, injury, physical or mental incapacity or any other disability (from any cause or causes whatsoever) in substantially the manner and to the extent required under the terms of his or her employment or service for a period or periods aggregating at least 180 days (whether or not consecutive) during any 12 consecutive calendar month period;
- (p) “**Effective Date**” means the closing date of the initial public offering of the Corporation;
- (q) “**Eligible Person**” means:
 - (i) any officer or Employee of the Corporation or any Affiliate of the Corporation (“**Eligible Individual**”), or
 - (ii) a Consultant;
- (r) “**Employee**” means an employee of the Corporation or of any of its Affiliates and includes officers of the Corporation or of any of its Affiliates;
- (s) “**Employee Benefit Withholding Tax**” means the amount required by Canadian authorities to be withheld and remitted by the Corporation in respect of the deemed employment benefit on exercise of an Option by a Participant, as determined under the Tax Act and the regulations thereunder, and any other federal or provincial legislation that requires the Corporation to withhold tax or other amounts in respect of the deemed employment benefit determined under the Tax Act;

- (t) **“Exchange”** means the Toronto Stock Exchange;
 - (u) **“Exchange Manual”** means the Company Manual of the Exchange, as amended or varied from time to time, including such staff notices of the Exchange which may supplement the same;
 - (v) **“Exercise Notice”** has the meaning set out in Section 8.2;
 - (w) **“Exercise Period”** means the period of time during which an Option granted under this Plan may be exercised, provided, however, that, subject to Section 5.3, the Exercise Period may not exceed ten years from the relevant Date of Grant;
 - (x) **“Good Reason”** means the occurrence of any of the following events which, if capable of being cured, remains uncured by the Corporation or its applicable Affiliate within 60 days following receipt of written notice from the Participant specifying in reasonable detail the nature of such occurrence, which notice shall be provided by the Participant no later than 30 days after the occurrence of such event giving rise to the right to resign for Good Reason:
 - (i) the material reduction in the Participant’s position, duties and responsibilities or the reassignment to the Participant of any duties materially inconsistent with his or her current position, duties and responsibilities;
 - (ii) a material reduction in the Participant’s annual compensation; or
 - (iii) any reason which would be considered to amount to constructive dismissal at common law.
- In order for a resignation to qualify as a resignation for “Good Reason” hereunder, the Participant must resign for such event no later than 30 days after the Corporation’s cure period has expired.
- (y) **“Insider”** means any “insider”, as such term is defined in the Exchange Manual from time to time;
 - (z) **“LTIP”** means the Sleep Country Canada Holdings Inc. Long Term Incentive Plan, as may be amended or varied from time to time (prior to March 16, 2020, the Sleep Country Canada Holdings Inc. Performance Share Unit Plan);
 - (aa) **“Market Price”** means the volume weighted average trading price of the Shares calculated by dividing the total value by the total volume of securities traded on the Exchange or, if the Shares are not listed on such exchange, on such other exchange or exchanges on which the Shares are listed, for the five trading days immediately preceding the relevant date. If the Shares are not listed for trading on any exchange, on such day, the Market Price shall be the fair market value of the Shares as determined by the Board;
 - (bb) **“Non-employee Director”** means a Director who is not also an Employee;
 - (cc) **“Option”** means an option to purchase Shares granted to an Eligible Person under this Plan;
 - (dd) **“Option Agreement”** means an agreement, certificate or other type of form of document or documentation, such as the form of option agreement attached hereto as Appendix A, approved by the Committee which sets forth the terms and conditions of an Option; such document or documentation may be in written, electronic or other media, may be limited to

a notation on the books and records of the Corporation and, unless the Committee requires otherwise, need not be signed by a representative of the Corporation or the Participant;

- (ee) **“Option Price”** means the price per Share at which the Shares may be purchased under an Option, as the same may be adjusted from time to time in accordance with Section 11 hereof;
- (ff) **“Participant”** means an Eligible Person to whom an Option has been granted and who continues to hold such Option;
- (gg) **“Payment Method”** has the meaning ascribed thereto in Section 8.1(a);
- (hh) **“person”** includes any individual, firm, partnership, syndicate, association, trust, trustee, executor, legal personal representative, government, governmental body or agency, corporation or other incorporated or unincorporated entity;
- (ii) **“Plan”** means the Sleep Country Canada Holdings Inc. Stock Option Plan, as may be amended or varied from time to time;
- (jj) **“Retirement”** means, unless otherwise specified in the Participant’s written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan), (i) a resignation of a Participant from employment with the Corporation and any of its Affiliates on or after the Participant has reached at least age 60 and has at least five (5) years of continuous employment with the Corporation and/or any of its Affiliates which the Committee determines, in its sole discretion, should be treated as retirement or (ii) resignation of a Participant from employment with the Corporation and any of its Affiliates on or after the Participant has reached such combination of age and continuous employment with the Corporation and/or its Affiliates which the Committee determines, in its sole discretion, is reasonable and appropriate to be treated as retirement in the circumstances;
- (kk) **“Shares”** means the common shares of the Corporation or, in the event of an adjustment or substitution contemplated by Section 10 or 11 hereof, such other shares or securities which a Participant may be entitled upon the exercise of an Option as a result of such adjustment or substitution;
- (ll) **“Tax Act”** means the *Income Tax Act* (Canada); and
- (mm) **“Termination Date”** means, in the case of any Participant whose employment or service is terminated, the date on which such Participant actually ceases to be employed or perform services for the Corporation or any Affiliate or, in the case of an Employee Participant, the end of the statutory notice period under applicable employment minimum standards legislation, if later, and, in the case of an Employee Participant, without regard to (i) whether such Employee Participant continues thereafter to receive any payment from the Corporation or such subsidiary, as the case may be, in respect of the termination of such Employee Participant’s employment, including without limitation any continuation of salary or other compensation in lieu of notice of such termination other than statutory notice or pay in lieu of statutory notice, or (ii) whether such Employee Participant is entitled or claims to be entitled at law to greater reasonable notice of such termination or greater compensation in lieu thereof than has been received by such Employee Participant.

2.2 Headings wherever used herein are for reference purposes only and do not limit or extent the meaning of the provisions herein contained.

2.3 In the Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and *vice versa*.

3. **ADMINISTRATION**

3.1 **Committee Powers.** Except for matters that are under the jurisdiction of the Board as specified under this Plan or as required by law, and subject to Section 3.2, this Plan shall be administered by the Committee and the Committee has the sole and complete authority, in its discretion, to:

- (a) determine the individuals (from among the Eligible Persons) to whom Options may be granted;
- (b) grant Options in such amounts and, subject to the provisions of this Plan, on such terms and conditions as it determines including:
 - (i) the time or times at which Options may be granted;
 - (ii) subject to Section 5.5, the Option Price;
 - (iii) the time or times when each Option becomes exercisable and, subject to Section 5.3, the duration of the Exercise Period;
 - (iv) any additional performance-related or other requirements for the exercise of Options;
 - (v) whether restrictions or limitations are to be imposed on the Shares and the nature of such restrictions or limitations, if any;
 - (vi) whether the Clawback Policy will apply to any grant of Options;
 - (vii) any acceleration of exercisability or waiver of termination regarding any Option, based on such factors as the Board may determine;
- (c) determine the nature and extent of any adjustment(s) to be made to Options pursuant to Section 11;
- (d) prescribe the form of the instruments relating to the grant, exercise and other terms of Options;
- (e) interpret this Plan and adopt, amend and rescind administrative guidelines and other rules and regulations relating to this Plan and any Options granted pursuant to the Plan; and
- (f) make all other determinations and take all other actions necessary or advisable for the implementation and administration of this Plan and regarding any questions arising with respect to any Option granted pursuant to the Plan.

3.2 **Delegation of Authority to Grant Options.** Notwithstanding anything contained herein to the contrary, the Committee, in its discretion, may, but need not, delegate from time to time to any director or officer of the Corporation or its Affiliates some or all of the Committee's authority to grant Options under this Plan. Any delegation hereunder shall be subject to the restrictions and limitations that the Committee specifies at the time of such delegation of authority and may be rescinded at any time by the Committee.

3.3 **Interpretation.** The Committee's determinations and actions under this Plan are final, conclusive and binding on the Corporation and all other persons. No member of the Committee or any person acting pursuant to authority delegated by the Committee hereunder shall be liable for any action or

determination in connection with this Plan made or taken in good faith and each member of the Committee and each such person shall be entitled to indemnification with respect to any such action or determination in the manner provided for by the Corporation.

4. **SHARES SUBJECT TO PLAN**

4.1 **Number of Shares.** Subject to adjustment as provided in Article 11, the maximum number of Shares issuable under the Plan shall not exceed 6.5% of the issued and outstanding Shares less the number of Shares issuable under the LTIP and all other security based compensation arrangements of the Corporation. Every three years after the Effective Date of the Plan, or such earlier date as may be considered advisable by the Board, all unallocated Shares under the Plan shall be submitted for approval to the Board and the shareholders of the Corporation.

4.2 **Fractional Shares.** No fractional Shares shall be issued upon the exercise of Options granted under this Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the exercise of an Option, such Participant shall only have the right to purchase the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

4.3 **Other Accounting for Awards.** Any Shares related to an Option which terminates by expiration, forfeiture, cancellation or otherwise without the issuance of such Shares shall again be available for issuance under this Plan.

5. **GRANT OF OPTIONS**

5.1 **General.** Subject to the other provisions of this Section 5, the Committee shall determine the number of Shares subject to each Option, the Option Price, the expiration date of each Option, the extent to which each Option is exercisable from time to time during the term of the Option and other terms and conditions relating to each such Option, including whether the Clawback Policy will apply to the Options.

5.2 **Eligibility.** The Committee shall, from time to time, in its sole discretion, determine those Eligible Persons, if any, to whom Options are to be awarded. If the Committee elects to award an Option to an employee of the Corporation, the number of Shares to be acquired on the exercise of such Option shall be determined by the Board in its sole discretion, and in so doing the Board may take into account the following criteria:

- (a) the annual salary of the Employee as at the Date of Grant in relation to the total annual salaries payable by the Corporation to all of its Employees as at the Date of Grant;
- (b) the length of time that the Employee has been employed by the Corporation; and
- (c) the quality and importance of the work performed by the Employee

5.3 **Term.** Unless the Committee otherwise determines in its discretion and subject to any accelerated termination in accordance with the terms of this Plan, each Option shall expire on the tenth anniversary of the Date of Grant. Notwithstanding the foregoing, if the term of an Option held by any Participant would otherwise expire during, or within ten Business Days of the expiration of a Blackout Period applicable to such Participant, then the term of such Option shall be extended to the close of business on the tenth Business Day following the expiration of the Blackout Period.

5.4 **Exercise Period.** Subject to Section 10, an Option will vest and be exercisable in the manner determined by the Committee and specified in the applicable Option Agreement. The Committee may, in its entire discretion, subsequent to the time of granting Options hereunder, permit a Participant to exercise any or all of the unvested options then outstanding and granted to the Participant under this Plan, in which event all such unvested Options then outstanding and granted to the Participant shall be deemed

to be immediately exercisable during such period of time as may be specified by the Committee. Once an Option becomes exercisable, it remains exercisable until expiration or termination of the Option, unless otherwise specified by the Board in connection with the grant of such Option. Each Option or instalment may be exercised at any time or from time to time, in whole or in part, for up to the total number of Shares with respect to which it is then exercisable.

5.5 Option Price. The Option Price for the Shares which are the subject of any Option shall be determined on the Date of Grant and shall not in any circumstances be lower than the Market Price of the Shares on the Date of the Grant of the Option. In the event that the Committee passes a resolution to grant an Option during a Blackout Period or within five Business Days of the end of a Blackout Period, the Option Price of such Option shall be no less than the Market Price calculated on the date that is the sixth Business Day after the end of such Blackout Period.

5.6 Additional Limits. Notwithstanding any other provision of this Plan, any Option Agreement or other agreement relating to Options:

- (a) the maximum number of Shares issuable to Insiders at any time under the Plan, the LTIP and all other security based compensation arrangements of the Corporation shall not exceed 6.5% of the issued and outstanding Shares and the number of Shares issued to Insiders within any one-year period under the Plan, the LTIP and all other security based compensation arrangements of the Corporation may not exceed 1.5% of the then issued and outstanding Shares; and
- (b) the aggregate number of Shares reserved for issuance to any one Participant under the Plan, together with the LTIP and all other security based compensation arrangements of the Corporation, shall not exceed 5% of the then issued and outstanding Shares (on a non-diluted basis).

6. TRANSFERABILITY

6.1 An Option is personal to the Participant and is non-assignable and non-transferable. No Option granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Participant, whether voluntarily or by operation of law, otherwise than by testate succession, will or the laws of descent and distribution, and any attempt to do so will cause such Option to terminate and be null and void. During the lifetime of the Participant, an Option shall be exercisable only by the Participant and, upon the death of a Participant, the person to whom the rights shall have passed by testate succession or by the laws of descent and distribution may exercise any Option in accordance with the applicable provisions of Section 7.

7. TERMINATION OF EMPLOYMENT OR SERVICES

7.1 Termination of Employment. Subject to the discretion of the Committee, if the employment of an Employee Participant is terminated due to (i) termination without Cause by the Corporation other than in accordance with Section 10.1, or (ii) the voluntary resignation of the Employee Participant other than in accordance with Section 10.1, all Options held by the Employee Participant that are exercisable at the Termination Date shall continue to be exercisable by the Employee Participant until the earlier of:

- (a) the originally scheduled expiry date for such Options under the applicable Option Agreement; or
- (b) 90 days after the Termination Date.

Unless otherwise determined by the Committee in its discretion, any Options held by an Employee Participant that are not exercisable at the Termination Date immediately expire and are automatically cancelled effective on the Termination Date. Any exercisable Option that remains unexercised at the earlier

of the periods set out in paragraphs 7.1(a) or (b) above shall immediately expire and automatically be cancelled at the end of such period.

7.2 Termination of Employment due to Death. Subject to the discretion of the Committee, if the employment of an Employee Participant is terminated due to the death of the Employee Participant, a pro-rata portion of the Employee Participant's Options that have not yet become exercisable, based on the Participant's completed months of active employment up to the Termination Date relative to the number of months in the vesting period, will immediately vest and become exercisable on the Termination Date. Such Options, together with all Options held by the Employee Participant that were already exercisable at the Termination Date shall continue to be exercisable by the Employee Participant (or the Employee Participant's beneficiary, as the case may be) until the earlier of:

- (a) the originally scheduled expiry date for such Options under the applicable Option Agreement; or
- (b) six months after the Termination Date.

Unless otherwise determined by the Committee in its discretion, any Options held by an Employee Participant that are not exercisable at the Termination Date and do not become exercisable on the Termination in accordance with this Section 7.2 immediately expire and are automatically cancelled effective on the Termination Date. Any exercisable Option that remains unexercised at the earlier of the periods set out in paragraphs 7.2(a) or 7.2(b) above shall immediately expire and automatically be cancelled at the end of such period.

7.3 Termination of Employment for Cause. Where an Employee Participant's employment is terminated by the Corporation for Cause, any Options held by the Employee Participant, whether or not exercisable at the Termination Date, shall immediately expire and will be automatically cancelled on the Termination Date, unless otherwise determined by the Committee in its discretion.

7.4 Termination of Employment due to Disability or Retirement. Subject to the discretion of the Committee, if the employment of an Employee Participant is terminated due to (i) Retirement, or (ii) the Disability of the Employee Participant, all Options held by the Employee Participant that are not exercisable at the Termination Date shall continue to vest in accordance with their terms and Options held by the Employee Participant that are exercisable at the Termination Date or that become exercisable after the Termination Date shall continue to be exercisable by the Employee Participant until the earlier of:

- (a) the originally scheduled expiry date for such Options under the applicable Option Agreement; or
- (b) the second anniversary of the Termination Date.

Unless otherwise determined by the Committee in its discretion, any Options held by an Employee Participant that are not exercisable by the second anniversary of the Termination Date expire and are automatically cancelled effective on the date that is two (2) years from the Termination Date. Any exercisable Option that remains unexercised at the earlier of the periods set out in Section 7.4(a) or 7.4(b) above shall immediately expire and automatically be cancelled at the end of such period.

7.5 Termination of Board Service. Although Non-employee Directors are not currently eligible to participate in the Plan, there are certain Non-employee Directors who received grants of Options at a time when they were eligible to participate in the Plan. Subject to the discretion of the Committee, if the service of a Director Participant is terminated due to (i) the Director Participant's removal by shareholders, (ii) the voluntary resignation or retirement by the Director Participant; or (iii) the death or Disability of the Director Participant, all Options held by the Director Participant that are exercisable at the Termination Date

shall continue to be exercisable by the Director Participant (or the Director Participant's beneficiary, as the case may be) until the earlier of:

- (a) the originally scheduled expiry date for such Options under the applicable Option Agreement; or
- (b) 90 days after the Termination Date.

Unless otherwise determined by the Committee in its discretion, any Options held by a Director Participant that are not exercisable at the Termination Date immediately expire and are automatically cancelled effective on the Termination Date. Any exercisable Option that remains unexercised at the earlier of the periods set out in paragraphs 7.5(a) or 7.5(b) above shall immediately expire and automatically be cancelled at the end of such period. Notwithstanding the foregoing, in the event a Director Participant is removed from the Board for committing a criminal act, any Options held by the Director Participant, whether or not exercisable at the Termination Date, shall immediately expire and will be automatically cancelled on the Termination Date

8. EXERCISE OF OPTIONS

8.1 Payment of Exercise Price and Employee Benefit Withholding Tax. The exercise price of each Share purchased under an Option shall be paid in full in cash or by bank draft, certified cheque or other form of payment agreed to by the Corporation, at the time of such exercise, in lawful money of Canada, to the Corporation, and the Participant shall provide for the applicable Employee Benefit Withholding Tax, as determined by the Corporation,

- (a) by paying, at the time of exercise, the Employee Benefit Withholding Tax (the "**Payment Method**"); or
- (b) by directing the Corporation to use the Cashless Exercise procedure for all or a sufficient portion of the Options exercised, whereby the Employee Benefit Withholding Tax will be deducted from the net proceeds payable to the Participant (the "**Cover Method**")

and upon receipt of payment in full of the exercise price and the applicable Employee Benefit Withholding Tax the number of Shares issued in respect of which the Option is exercised shall be duly issued as fully paid and non-assessable.

8.2 Exercise by Written Notice. Subject to the terms and conditions of this Plan, an Option may be exercised by written notice signed by the Participant and dated the date of exercise, and not post-dated, stating that the Participant elects to exercise its rights to purchase Shares under such Option and the number of Shares in respect of which such Option is being exercised (the "Exercise Notice"), accompanied by full payment for the Shares being purchased under such Option, and satisfaction of the applicable Employee Benefit Withholding Tax in one of the manners set out in Section 8.1 of this Plan, delivered to the Corporation at its principal office at 140 Wendell Avenue, North York, Ontario, M9N 3R2 (or such other address of the principal office of the Corporation at the time of exercise). Delivery of any notice of exercise accompanied by the payment set out in Section 8.1 of this Plan may be made by personal delivery, by courier service or by agent.

8.3 Effect of Exercise. As soon as practicable after the exercise of an Option in accordance with the terms of this Plan, the Corporation shall issue a certificate or certificates evidencing the Shares in respect of which the Option is exercised, reduced where the Participant has chosen the Cover Method to the number of Shares remaining after the Participant has satisfied the Employee Benefit Withholding Tax.

8.4 Cashless Exercise. A Participant may elect Cashless Exercise in its Exercise Notice if the Shares issuable upon exercise of the Option are to be immediately sold. In such case, the following procedure will be followed:

- (a) the Participant will notify the Corporation in its Exercise Notice that it wishes to use the Cashless Exercise provision;
- (b) the Corporation will instruct a licensed securities broker to sell the number of Shares as set out in the Exercise Notice;
- (c) upon settlement of the sale of such Shares, the Corporation will arrange deliver of a share certificate to the broker, to be registered as instructed by the broker;
- (d) the Corporation will instruct the broker to deliver to it the proceeds of sale (net of agreed brokerage commissions and fees);
- (e) the Corporation will pay the net benefit to the Participant receiving the net benefit due; and
- (f) if, upon exercise of the Options, only a portion of the Shares are sold, the Corporation will arrange delivery of a share certificate for the number of unsold Shares to the Participant, to be registered as instructed by the Participant, provided that all amounts owing to the Corporation upon calculating the net benefit of such exercise, are fully paid.

For the purpose of Sections 8.4(e) and (f) above, the "net benefit" to a Participant will be the difference between the option exercise price and proceeds of sale, less any or all of the following, as applicable: sales commissions, bank transfer fees, taxes or other withholdings required by law, and specifically the Employee Benefit Withholding Tax.

8.5 Additional Terms and Conditions. Notwithstanding any of the provisions contained in this Plan or in any Option or Option Agreement, the Corporation's obligation to issue Shares to a Participant upon the exercise of an Option shall be subject to the following:

- (a) completion of such registration or other qualification of such Shares and the receipt of any approvals of governmental authority or stock exchange as the Corporation shall determine to be necessary or advisable in connection with the authorization, issuance or sale thereof;
- (b) the admission of such Shares to listing on any stock exchange(s) or over-the-counter market on which the Shares may then be listed or quoted; and
- (c) the receipt from the Participant of such representations, agreements and undertakings, including as to future dealings in such Shares, as the Corporation or its counsel determines to be necessary or advisable in order to safeguard against the violation of the securities laws of any applicable jurisdiction.

In connection with the foregoing, the Corporation shall, to the extent necessary, take all steps determined by the Board, in its discretion, to be reasonable to obtain such approvals, registrations and qualifications as may be necessary for the issuance of such Shares in compliance with applicable securities laws and for the listing or quotation of such Shares on any stock exchange(s) on which the Shares are then listed or quoted.

9. OPTION AGREEMENTS

9.1 Option Agreement. Each Option shall be confirmed by an Option Agreement which shall incorporate such terms and conditions as the Committee, in its discretion, deems consistent with the terms of this Plan. In the event of a conflict between the terms of an Option Agreement and the terms of this Plan, the terms of this Plan shall prevail and the Option Agreement shall be deemed to have been amended accordingly.

9.2 Representations by Participants. Each Option Agreement shall provide that upon each exercise of an Option, the Participant (including for the purposes of this Section 9.2 each other person who, pursuant to this Plan, may purchase Shares under an Option granted to an Eligible Person) shall, if so requested by the Corporation, represent and agree in writing that:

- (a) the person is, or the Participant was, an Eligible Person and has not been induced to purchase the Shares by expectation of employment or continued employment;
- (b) the person is purchasing the Shares pursuant to the exercise of such Option as principal for the Participant's own account (or if such Participant is deceased, for the account of the estate of such deceased Participant) for investment purposes, and not with a view to the distribution or resale thereof to the public;
- (c) the person will, prior to and upon any sale or disposition of any of the Shares purchased pursuant to the exercise of such Option, comply with all applicable securities laws and any other federal, provincial or state laws or regulations to the extent that such laws or regulations are applicable to such sale or disposition; and
- (d) such Participant (or such other person) will not offer, sell or deliver any of the Shares purchased pursuant to the exercise of such Option, directly or indirectly, in the United States or to any citizen or resident of, or any corporation, partnership or other entity created or organized in or under the laws of, the United States, or any estate or trust, the income of which is subject to United States federal income taxation regardless of its source, except in compliance with United States federal and state securities laws. The Participant acknowledges that the Corporation has the right to place any restriction or legend on any securities issued pursuant to this agreement or this Plan including, but in no way limited to placing a legend to the effect that the securities have not been registered under the Securities Act (1933) of the United States and may not be offered or sold in the United States unless registration or an exemption from registration is available.

9.3 Other Procedures and Documentation. The Corporation may employ other procedures and require further documentation from a Participant to ensure compliance with all applicable laws.

10. CHANGE OF CONTROL

10.1 Treatment of Options Upon Change of Control. Notwithstanding anything else contained in this Plan, in connection with a Change of Control, the Board will provide Participants with written notice of any proposed Change of Control (the "Change of Control Notice") and will take such action as is required to ensure that, following the Change of Control, the Options are substituted for stock options of the acquiring or surviving entity and that such adjustments are made to the Options as required to prevent substantial dilution or enlargement of the rights granted to or available for the Participant hereunder.

10.2 Accelerated Vesting on Change of Control. If, in connection with a Change of Control, in the reasonable opinion of the Board, the surviving or acquiring entity cannot or it is not commercially reasonable (including due to adverse tax consequences to the Participants) to continue the Plan and to continue the Options or to substitute and replace similar options for the Options on substantially the same terms and conditions as the Plan, then the Board may, in its discretion, permit and authorize the accelerated vesting and early exercise of all or any portion of the then outstanding Options in connection with the completion of such Change of Control. Upon the giving of any Change of Control Notice in which the Board advises that the vesting of all or any portion of the Options will be accelerated, Participants shall be entitled to exercise, at any time within the 14-day period following the giving of such notice, all or a portion of those Options granted to such Participants which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in connection with the completion of such Change of Control. Unless the Board determines otherwise (in its discretion), upon the expiration of such 14-day period, all rights of the Participants to exercise any outstanding Options, whether vested or unvested, shall terminate and all such Options shall

immediately expire and cease to have any further force or effect, subject to the completion of the relevant Change of Control.

10.3 Termination of Employment Following Change of Control. If the Options are continued or replaced following the Change of Control and, within 12 months following a Change of Control, a Participant's employment is terminated by the Corporation or its Affiliates, as applicable, without Cause or the Participant resigns for Good Reason, then any unexercised Option that has not vested under Section 5.4 shall immediately vest on the Termination Date and become exercisable until the earlier of (A) the originally scheduled expiry date for such Options under the applicable Option Agreement and (B) 90 days following the Termination Date.

10.4 Payout Upon Change of Control. On the occurrence of a Change of Control where vesting is accelerated pursuant to Section 10.2 or 10.3, if requested by a Participant, the Corporation will pay each such requesting Participant an amount in cash equal to the whole number of Shares covered by the Participant's Options multiplied by (i) the case of Section 10.2 above, the amount by which the price paid for a Share pursuant to the Change of Control transaction exceeds the Option Price of such Options, and (ii) in the case of Section 10.3 above, the amount by which the Market Price of the Shares on the date of exercise exceeds the Option Price of such Options, in each case net of any withholding taxes and source deductions. The Corporation will pay such amounts contemporaneously with the completion of the Change of Control transaction or exercise of Options, as applicable.

11. **CHANGES IN SHARE CAPITAL**

11.1 If:

- (a) a dividend shall be declared upon the Shares or other securities of the Corporation payable in Shares or other securities of the Corporation (other than a dividend that may be paid in cash or Shares at the option of the shareholder);
- (b) the outstanding Shares shall be changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, whether through an arrangement, plan of arrangement, merger, amalgamation or other similar statutory procedure, or a share recapitalization, subdivision or consolidation or otherwise;
- (c) there shall be any change, other than those specified in paragraphs (a) and (b) of this Section 11.1 in the number or kind of outstanding Shares or any shares or other securities into which such Shares shall have been changed or for which they shall have been exchanged; or
- (d) there shall be a distribution of assets or shares to shareholders of the Corporation out of the ordinary course of business,

the Committee may make appropriate adjustments in the right to purchase granted hereby as may be required to prevent substantial dilution or enlargement of the rights granted to or available for the Participant hereunder. Any adjustment proposed to be made under this Section 11.1 will be subject to the approval of the Exchange.

12. **AMENDMENT OR DISCONTINUANCE**

12.1 Amendments by Board. Subject to any required regulatory approval or the approval of the Exchange, the Board may from time to time amend or revise the terms and conditions of this Plan, provided that no such action may in any manner adversely affect the rights under any previously granted Option unless the Corporation has the consent of the affected Participant(s) or unless additional similar rights comparable thereto, or other compensation of equal or greater value, is given to such Participant(s). Without limiting the foregoing, the Board is specifically authorized to amend or revise the terms of this Plan or an Option, by passing a resolution of the Board setting out such amendment, without obtaining shareholder approval in the following circumstances:

- (a) to ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange, including the Exchange;
- (b) to change the vesting and exercise provisions of the Plan or any Option in a manner which does not entail an extension beyond the originally scheduled expiry date for any applicable Option, including to provide for accelerated vesting and early exercise of any Options deemed necessary or advisable in the Board's discretion;
- (c) to change the termination provisions of the Plan or any Option which, in the case of an Option, does not entail an extension beyond such Option's originally scheduled expiry date;
- (d) to change the provisions on transferability of Options for normal estate settlement purposes;
- (e) to change the process by which a Participant who wishes to exercise his or her Option can do so, including the required form of payment for the Shares being purchased, the form of Exercise Notice and the place where such payments and notices must be delivered;

- (f) to add a conditional exercise feature which would give Participants the ability to conditionally exercise in certain circumstances determined by the Board in its discretion, at any time up to a date determined by the Board in its discretion, all or a portion of those Options granted to such Participants which are then vested and exercisable in accordance with their terms, as well as any unvested Options which the Board has determined shall be immediately vested and exercisable in such circumstances;
- (g) amendments to change the class of Participants eligible to participate in the Plan (other than an amendment that would allow the participation in the Plan by Non-employee Directors of the Corporation or its Affiliates); and
- (h) to make other changes of a "housekeeping" nature, including amendments relating to the administration of the Plan or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof.

12.2 Amendments Requiring Securityholder Approval. Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Corporation under any applicable securities laws or requirements or the rules of the Exchange shall become effective until such approval is obtained. Without limitation of the foregoing, the approval of a majority of the shareholders of the Corporation present in person or by proxy and entitled to vote at a meeting of shareholders shall be required for the following matters, to the extent required by applicable securities laws and regulatory requirements and the rules of the Exchange:

- (i) any amendment to the provisions of this Section 12.1 which is not an amendment within the nature of Section 12.1(a) or Section 12.1(h);
- (ii) any amendment to increase the Plan Limit (other than pursuant to Section 11.1);
- (iii) any amendment to remove or exceed the limitations prescribed by Section 5.6 of the Plan;
- (iv) any reduction in the Option Price of an outstanding Option (including a cancellation and re-grant of an Option, constituting a reduction of the Option Price of an Option) or extension of the period during which an Option may be exercised;
- (v) any extension of the term of an Option beyond its original expiry date, except in the case of expiry within a Blackout Period as noted in Section 5.3;
- (vi) amendments that would allow participation in the Plan by Non-employee Directors of the Corporation and its Affiliates; and
- (vii) any amendment to the provisions of this Plan that would permit Options to be transferred or assigned other than for normal estate settlement purposes,

in each case, unless the change results from the application of Section 11.

12.3 Shareholder Approval. The shareholders' approval of an amendment, if required pursuant to Section 12.2, shall be given by the approval of a majority of the shareholders of the Corporation present in person or by proxy and entitled to vote at a duly called meeting of the shareholders and shall, if and only to the extent required under applicable securities laws and regulatory requirements and the rules of the Exchange, exclude the votes cast by Insiders of the Corporation. Options may be granted under the Plan prior to the approval of the amendment, provided that no Shares may be issued pursuant to the amended terms of the Plan until the requisite shareholders' approval of the amendment has been obtained.

12.4 Discontinuance. The Board may suspend, discontinue or terminate this Plan at any time provided that such termination shall not alter the terms or conditions of an Option or impair any right of any Participant pursuant to any Option awarded prior to the date of such termination and notwithstanding such termination, such Options shall continue to be governed by the provisions of this Plan, which shall survive the termination for such purpose.

13. COMPLIANCE WITH LEGISLATION

13.1 Regulatory Compliance. This Plan, the grant and exercise of Options hereunder and the Corporation's obligation to sell and deliver Shares upon the exercise of Options shall be subject to all applicable federal, provincial and foreign laws, rules and regulations, the rules and regulations of any stock exchange on which the Shares are listed for trading and to such approvals by any regulatory or governmental agency as may, in the opinion of counsel to the Corporation, be required. The Corporation shall not be obliged by any provision of this Plan or the grant of any Option hereunder to issue or sell Shares in violation of such laws, rules and regulations or any condition of such approvals. No Option shall be granted and no Shares issued or sold hereunder where such grant, issue or sale would require registration of this Plan or of Shares under the securities laws of any foreign jurisdiction and any purported grant of any Option or issue or sale of Shares hereunder in violation of this provision shall be void. Shares issued and sold to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under applicable securities laws. In particular, if Options are granted to any resident or citizen of the United States, the Board and the Corporation will use their best efforts to ensure that all matters pertaining to such Options shall be made in compliance with applicable United States securities laws.

13.2 No Obligations to Issue Shares if Non-Compliance. The issue and sale of Shares pursuant to any Option granted under this Plan is specially conditioned on such issue and sale being made in compliance with applicable securities laws, and the Corporation shall have no obligation to issue or sell any Shares pursuant to the exercise of any Option unless the Board determines in its sole discretion that such issue and sale will be made in compliance with applicable securities laws. The Corporation will be entitled to take such action as it deems necessary to restrict the transferability in the United States of any Shares acquired on exercise of any Option.

13.3 Remittance of Employee Benefit Withholding Tax. The Corporation shall remit the Employee Benefit Withholding Tax paid or withheld in accordance with Section 8.1 of this Plan to the Receiver General or such other person as required by, and in accordance with, the provisions of the Tax Act and the Regulations thereunder, and any other federal or provincial legislation that requires the Corporation to withhold tax or other amounts in respect of the exercise of an Option, for the benefit of the Participant on behalf of whom such tax is remitted. Accordingly, the Corporation shall ensure such amounts are reported on the Participant's T4 or other tax information slips as required.

14. GENERAL

14.1 No Rights of Shareholders. A Participant shall not have any of the rights and privileges of a shareholder of the Corporation in respect of any of the Shares purchasable upon the exercise of any Option, unless and until such Option has been exercised in accordance with the terms of this Plan (including tendering payment in full of the aggregate Option Price for the Shares and any other amounts payable pursuant to Section 8 in respect of which the Option is being exercised) and the Corporation has issued such Shares to the Participant. Without in any way limiting the generality of the foregoing, no adjustment shall be made for dividends or other rights for which the record date is prior to the date such share certificate is issued.

14.2 No Additional Rights Offered. Participation in this Plan is entirely voluntary and not obligatory and shall not confer, nor shall any Option or Option Agreement be interpreted as conferring, upon any Participant any right to continue in the employ of or as director of the Corporation or any of its Affiliates or affect in any way the right of the Corporation or any such subsidiary to terminate his or her employment or directorship, as appropriate, at any time; nor shall anything in this Plan or any Option Agreement be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation

or any of its Affiliates to extend the employment or directorship of any Participant beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan of the Corporation or any of its Affiliates or any present or future retirement policy of the Corporation or any of its Affiliates, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract with the Corporation or any of its Affiliates.

14.3 Record Keeping. The Corporation shall maintain a register in which shall be record:

- (a) the name and address of each Participant; and
- (b) the number of Options granted to each Participant and the number of Options outstanding.

14.4 Governing Law. This Plan and all Option Agreements entered into pursuant to this Plan shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein.

14.5 Effective Date. This Plan is hereby established effective as of the Effective Date and is amended and restated as of March 16, 2020.

**APPENDIX A
FORM OF OPTION AGREEMENT**

STOCK OPTION AGREEMENT (the “**Agreement**”) made as of the ____ day of _____, 20_____.

B E T W E E N:

SLEEP COUNTRY CANADA HOLDINGS INC.,
a corporation existing under the laws of Canada,

(hereinafter called the “**Corporation**”),

OF THE FIRST PART,

- and -

[PARTICIPANT NAME],
of the City of _____ in the Province of **[Ontario]**,

(hereinafter called the “**Participant**”),

OF THE SECOND PART

WHEREAS the Corporation has established a Stock Option Plan, as amended, supplemented or replaced from time to time (the “**Plan**”) pursuant to which the board of directors of the Corporation may, in its discretion, grant from time to time options (the “**Options**”) to purchase common shares of the Corporation (the “**Shares**”) to Employees and Consultants (as defined in the Plan) of the Corporation and its Affiliates;

AND WHEREAS, to advance the interests of the Corporation by affording the Participant the opportunity, through Options, to acquire an increased proprietary interest in the Corporation, the Corporation has agreed to issue to the Participant, pursuant to and in accordance with the terms and conditions of the Plan, Options to purchase up to, in the aggregate, ■ Shares (the “**Optioned Shares**”) on the terms and conditions set out in this Agreement;

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants and agreements hereinafter contained and for other good and valuable consideration (the receipt and sufficiency of which is hereby acknowledged by the parties) the parties hereto covenant and agree as follows:

1. Defined Terms

Capitalized terms used but not otherwise defined herein shall have the respective meanings ascribed to them in the Plan and grammatical variations of such terms shall have corresponding meanings.

2. Grant of Options

Subject to the terms and conditions set out in this Agreement and the Plan, the Corporation hereby grants to the Participant _____ personal, non-assignable Options to purchase an aggregate of _____ Optioned Shares, each such Option being exercisable in accordance with the terms of this Agreement and the Plan to acquire one Optioned Share.

3. Option Price

Subject to any adjustment in accordance with Section 11 of the Plan, the Option Price at which each Optioned Share may be purchased upon the exercise of an Option shall be \$_____ per Optioned Share.

4. Exercise of Options and Vesting Periods

4.1 The Participant shall have the right to exercise the Options to purchase the Optioned Shares, in whole or in part, in accordance with Section 4.2 of this Agreement. The Options shall expire and terminate at the close of business in Toronto, Ontario on the 10th anniversary of the date of this Agreement, being _____, 20____, subject to any extension in accordance with Section 5.3 of the Plan, or on such earlier date as may be specified in this Agreement and the Plan, after which time the Options shall be of no further force or effect whatsoever as to those Optioned Shares in respect of which the Options have not then been exercised.

4.2 The Options shall be exercisable with respect to the Optioned Shares in accordance with the following schedule:

- (a) as to one-third of the Optioned Shares, on or after the first anniversary of the date of this Agreement;
- (b) as to a further one-third of the Optioned Shares, on or after the second anniversary of the date of this Agreement; and
- (c) as to a further one-third of the Optioned Shares, on or after the third anniversary of the date of this Agreement.

4.3 The Options shall be exercisable by the Participant by delivery of a written, duly executed exercise notice, in the form and manner specified by the Committee from time to time, to the Corporation in accordance with Section 8 of the Plan, specifying the number of Optioned Shares with respect to which all or a portion of the Options, as applicable, are being exercised and accompanied by (i) payment in full (by certified cheque, bank draft or other means of payment acceptable to the Corporation) of the aggregate Option Price payable for the applicable Optioned Shares, or, if applicable, a request set out in the Exercise Notice by the Participant to effect a Cashless Exercise (as set out in Section 8.4 of the Plan), and, (ii) where required by the Corporation in accordance with Section 8 of the Plan, payment in full of the amount of tax the Corporation or subsidiary is required to remit as a result of the exercise of the Option, subject to and in accordance with Section 8.4 of the Plan. For greater certainty and without limiting Section 8 of the Plan, the Corporation reserves the right, in its discretion, at any and all times, to decline to approve any such Cashless Exercise requested by a Participant and the Participant hereby acknowledges and agrees that the Options granted hereunder provide no right to effect a Cashless Exercise of all or any portion of the Options without the approval of the Board.

4.4 **[The Options are subject to the terms and conditions of the Clawback Policy which the Participant acknowledges having reviewed and received a copy of. The Clawback Policy is incorporated by reference into this Agreement.]**

5. Participant Not Required to Exercise Options

Nothing herein contained or done pursuant hereto shall obligate the Participant to purchase and/or pay for, or the Corporation to issue, any Optioned Shares except those Optioned Shares in respect of which the Participant shall have exercised the Options or any portion thereof to purchase hereunder in the manner provided herein.

6. Expiry of Options

The Options shall terminate and expire and be of no further force or effect whatsoever as to the Optioned Shares in respect of which any Options have not then been fully exercised in accordance with the Plan.

7. Adjustments

The number of Optioned Shares subject to the Options and/or the Option Price at which any Optioned Share may be purchased upon the exercise of each Option shall be subject to adjustment from time to time in accordance with Section 11 of the Plan.

8. Representations of Participant

The Participant hereby represents and agrees in writing that:

- (a) they are an Eligible Person and have not been induced to purchase the Shares by expectation of employment or continued employment;
- (b) they are purchasing the Shares pursuant to the exercise of such Option as principal for their own account (or if such Participant is deceased, for the account of the estate of such deceased Participant) for investment purposes, and not with a view to the distribution or resale thereof to the public;
- (c) they will, prior to and upon any sale or disposition of any of the Shares purchased pursuant to the exercise of such Option, comply with all applicable securities laws and any other federal, provincial or state laws or regulations to the extent that such laws or regulations are applicable to such sale or disposition; and
- (d) they will not offer, sell or deliver any of the Shares purchased pursuant to the exercise of such Option, directly or indirectly, in the United States or to any citizen or resident of, or any corporation, partnership or other entity created or organized in or under the laws of, the United States, or any estate or trust, the income of which is subject to United States federal income taxation regardless of its source, except in compliance with United States federal and state securities laws. The Participant acknowledges that the Corporation has the right to place any restriction or legend on any securities issued pursuant to this agreement or this Plan including, but in no way limited to placing a legend to the effect that the securities have not been registered under the Securities Act (1933) of the United States and may not be offered or sold in the United States unless registration or an exemption from registration is available.

9. Miscellaneous Provisions

9.1 Nothing in the Plan, this Agreement or any Option shall confer upon the Participant any right to continue in the employ of or to continue to provide services to the Corporation or any of its Affiliates or affect in any way the right of the Corporation or any of its Affiliates to terminate at any time his or her employment or any agreement or contract with the Participant; nor shall anything in the Plan, this Agreement or any Option be deemed to be or construed as an agreement, or an expression of intent, on the part of the Corporation or any of its Affiliates to extend the employment of or the time for the provision of services by the Participant beyond the time which he or she would normally be retired pursuant to the provisions of any present or future retirement plan or policy of the Corporation or any of its Affiliates, or beyond the time at which he or she would otherwise be retired pursuant to the provisions of any contract of employment or for services with the Corporation or any of its Affiliates.

9.2 Upon exercise of an Option, the Participant shall, upon notification of the amount due and prior to or concurrently with the delivery by the Corporation of the certificates representing the Optioned Shares issuable pursuant to the exercise of the Option, pay to the Corporation all amounts necessary to satisfy all applicable federal and provincial withholding tax requirements or shall otherwise make arrangements satisfactory to the Corporation for such requirements, in accordance with the Plan. In order to implement this provision, and without limiting the foregoing or the provisions of the Plan, the Corporation shall have the right to, among other things, retain and withhold from any payment or distribution of cash, Optioned Shares or any other amounts payable to a Participant the amount of taxes required by any government to be withheld or otherwise deducted and paid with respect thereto, in accordance with Section 8 of the Plan.

9.3 The grant of the Options and the issue of any Optioned Shares upon the exercise of any Options are subject to and conditional upon obtaining any regulatory authority approvals as may be required as a condition of, or in connection with, such grant or issue, including without limitation the satisfaction of the terms and conditions set out in Section 8.5 of the Plan.

9.4 Should any provision of this Agreement be held by a court of competent jurisdiction to be unenforceable or invalid for any reason, the remaining provisions of this Agreement shall not be affected by such holding and shall continue in full force in accordance with their terms.

9.5 This Agreement shall be interpreted and enforced in accordance with, and the respective rights and obligations of the parties shall be governed by, the laws of the Province of Ontario and the federal laws of Canada applicable therein. Each of the Corporation and the Participant hereby attorns to the exclusive jurisdiction of the courts of the Province of Ontario and all courts competent to hear appeals therefrom.

9.6 This Agreement and the Options granted to the Participant hereunder are personal to the Participant and are non-assignable and non-transferable, except in the case of the death of the Participant in the manner contemplated herein and in the Plan.

9.7 The parties hereto covenant that they shall and will from time to time and at all times hereafter do and perform all such acts and things and execute all such additional documents as may be reasonably required to give effect to the terms and intention of this Agreement.

9.8 Time shall be of the essence of this Agreement.

9.9 This Agreement is subject to the Plan as the same is in effect on the date hereof, all of the terms and conditions of which are hereby incorporated by reference and deemed to be a part hereof, and all interpretations, determinations and rules and regulations relating thereto shall be made by the Board in accordance with the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of the Plan shall prevail. The Participant hereby acknowledges receipt of a copy of the Plan and that he or she has read and understood the terms and conditions set out therein and further acknowledges and agrees that this Agreement and any Options (and the exercise thereof) are subject to and governed by the terms and conditions of the Plan.

9.10 This Agreement, together with the Plan and the Exercise Notice delivered thereunder, supersedes all other agreements, documents, writings and verbal understandings among the parties relating to the subject matter hereof and represents the entire agreement between the parties relating to the subject matter hereof.

9.11 This Agreement shall enure to the benefit of and be binding upon the Corporation, its successors and assigns, the Participant and, subject as is hereinbefore provided, the heirs, executors, administrators and permitted successors of the Participant.

9.12 This Agreement, the Plan, and any Options granted hereunder may be amended by the Corporation or its shareholders, as applicable, in accordance with Section 12 of the Plan. No amendment to this Agreement, the Plan or any Options granted hereunder by the Participant shall be valid or binding on the Corporation unless in writing and duly executed by the Corporation.

9.13 This Agreement and all documents contemplated by or delivered under or in connection with this Agreement may be executed and delivered in any number of counterparts, with the same effect as if all parties had signed and delivered the same document, and all counterparts shall be construed together to be an original and will constitute one and the same agreement.

IN WITNESS WHEREOF the parties have executed this Agreement as of the date first written above.

**SLEEP COUNTRY CANADA HOLDINGS
INC.**

by _____
Name:
Title:

SIGNED, SEALED & DELIVERED
in the presence of:

Witness



[Participant Name] (seal)

APPENDIX B

LONG-TERM INCENTIVE PLAN

SLEEP COUNTRY CANADA HOLDINGS INC.

LONG TERM INCENTIVE PLAN

as amended and restated on March 16, 2020

SLEEP COUNTRY CANADA HOLDINGS INC.

LONG TERM INCENTIVE PLAN

1. Purpose

1.1 The purposes of the Plan are:

- (a) to promote a further alignment of interests between employees of the Corporation and the shareholders of the Corporation;
- (b) to support the achievement of the Corporation's performance objectives;
- (c) to allow employees of the Corporation to participate in the success of the Corporation; and
- (d) to attract and retain employees with the knowledge, experience and expertise required by the Corporation.

2. Plan Definitions and Interpretations

2.1 In this Plan, the following terms have the following meanings:

- (a) **"Account"** has the meaning ascribed thereto in section 5.2;
- (b) **"Administrator"** means such administrator as may be appointed by the Corporation from time to time to assist in the administration of the Plan, including, without limitation, to purchase Shares on the open market on behalf of a Participant in settlement of the Participant's Vested PSUs and Vested RSUs;
- (c) **"Affiliate"** means an affiliate of the Corporation within the meaning of section 1.3 of National Instrument 45-106 – *Prospectus Exemptions*, as may be amended or replaced from time to time;
- (d) **"Board"** means the board of directors of the Corporation;
- (e) **"business day"** means any day other than a Saturday, Sunday or statutory holiday in the Province of Ontario;
- (f) **"Cause"** means, unless otherwise specified in the Participant's written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan):
 - (i) the willful failure of the Participant to properly carry out the Participant's duties or to comply with the rules and policies of the Corporation or any reasonable instruction or directive of the Board or an officer of the Corporation, that is not cured, if curable, to the reasonable satisfaction of the Board, within ten days after the Board or its designee gives written notice thereof to the Participant;
 - (ii) the Participant acting dishonestly or fraudulently, or the willful misconduct of the Participant, in the course of the Participant's employment, in each case resulting in adverse consequences to the Corporation, which in the case of willful misconduct only, is not cured, if curable to the reasonable satisfaction of the Board, within ten days after the Board or its designee gives written notice thereof to the Participant;

- (iii) the conviction of the Participant for, or a guilty plea by the Participant to, any criminal offence punishable by imprisonment that may reasonably be considered to be likely to adversely affect the Corporation or any Affiliate of the Corporation or the suitability of the Participant to perform the Participant's duties, including without limitation any offence involving fraud, theft, embezzlement, forgery, willful misappropriation of funds or property, or other fraudulent or dishonest acts;
 - (iv) the failure by the Participant to fully comply with and perform the Participant's fiduciary duties; or
 - (v) other act, event or circumstance which would constitute just cause at law for termination of the Participant's employment
- (g) **"Change of Control"** means:
- (i) any person (other than the Corporation, its Affiliates or an employee benefit plan or trust maintained by the Corporation or its affiliates, or any company owned, directly or indirectly, by the stockholders of the Corporation in substantially the same proportions as their ownership of Shares of the Corporation) becoming the beneficial owner of, or obtaining voting direction and control over, directly or indirectly, more than 50% of the combined voting power of the Corporation's then outstanding securities (excluding any person who is a beneficial owner of, or has voting direction and control over, directly or indirectly, more than 50% of the combined voting power of the Corporation's outstanding securities as of the Effective Date);
 - (ii) the consummation of a merger or consolidation of the Corporation or any direct or indirect subsidiary of the Corporation with any other corporation, other than a merger or consolidation which would result in the voting securities of the Corporation outstanding immediately prior to such merger or consolidation continuing to represent (either by remaining outstanding or being converted into voting securities of the surviving entity or any parent thereof) more than 20% of the combined voting power or the total Market Value of the securities of the Corporation or such surviving entity or any parent thereof outstanding immediately after such merger or consolidation; provided, however, that a merger or consolidation effected to implement a recapitalization of the Corporation (or similar transaction) in which no person (other than those covered by the exceptions in paragraph (i) of this definition) acquires more than 50% of the combined voting power of the Corporation's then outstanding securities shall not constitute a Change in Control of the Corporation; or
 - (iii) a complete liquidation or dissolution of the Corporation or the consummation of any sale, lease, exchange or other transfer (in one transaction or a series of transactions) of all or substantially all of the assets of the Corporation; other than such liquidation, sale or disposition to a person or persons who beneficially own, directly or indirectly, more than 20% of the combined voting power of the outstanding voting securities of the Corporation at the time of the sale.
- (h) **"Clawback Policy"** means the Clawback Policy dated March 3, 2020 in respect of the clawback of compensation of certain employees of the Corporation and its Affiliates in designated circumstances, as such policy may be amended from time to time;
- (i) **"Committee"** means the Human Resources and Compensation Committee of the Board, as constituted from time to time, or such other committee comprised of members of the Board as the Board shall from time to time appoint to administer the Plan; provided that if

the Board does not appoint a Committee to administer the Plan, all references to the Committee shall be deemed to be references to the Board;

- (j) **“Corporation”** means Sleep Country Canada Holdings Inc. and its respective successors and assigns and any reference in the Plan to action by the Corporation means action by or under the authority of the Board, the Committee or any person that has been designated by the Committee as responsible for this Plan;
- (k) **“Disability”** means, unless otherwise specified in the Participant’s written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan), the inability of the Participant to perform substantially all his or her duties as an Employee or Director by virtue of illness, accident, injury, physical or mental incapacity or any other disability (from any cause or causes whatsoever) in substantially the manner and to the extent required under the terms of his or her employment or service for a period or periods aggregating at least 180 days (whether or not consecutive) during any 12 consecutive calendar month period;
- (l) **“DSU Plan”** means the deferred share unit plan of the Corporation, as such plan may be amended or amended and restated from time to time;
- (m) **“Earnings Per Share”** means Net Income attributable to the common shareholders of the Corporation for the applicable period divided by the weighted average number of shares issued and outstanding during the period;
- (n) **“Effective Date”** means the closing date of the initial public offering of the Corporation;
- (o) **“Exchange”** means the Toronto Stock Exchange;
- (p) **“Expiry Date”** means, with respect to a PSU or RSU, the date specified in a PSU Agreement or RSU Agreement, as applicable, as the date on which the PSU or RSU, as applicable, will be terminated and cancelled; or, if no such date is specified in the applicable PSU Agreement or RSU Agreement, as applicable, December 31 of the year in which the third anniversary of the Grant Year occurs;
- (q) **“Grant Date”** means the date a PSU or RSU is granted to a Participant under the Plan;
- (r) **“Grant Year”** means the calendar year that includes the Grant Date;
- (s) **“Good Reason”** means the occurrence of any of the following events which, if capable of being cured, remains uncured by the Corporation or its applicable Affiliate within 60 days following receipt of written notice from the Participant specifying in reasonable detail the nature of such occurrence, which notice shall be provided by the Participant no later than 30 days after the occurrence of such event giving rise to the right to resign for Good Reason:
 - (i) the material reduction in the Participant’s position, duties and responsibilities or the reassignment to the Participant of any duties materially inconsistent with his or her current position, duties and responsibilities;
 - (ii) a material reduction in the Participant’s annual compensation; or
 - (iii) any reason which would be considered to amount to constructive dismissal at common law.

In order for a resignation to qualify as a resignation for “Good Reason” hereunder, the Participant must resign for such event no later than 30 days after the Corporation’s cure period has expired;

- (t) **“including”** means including without limitation;
- (u) **“Insider”** means any “insider”, as such term is defined in the Company Manual of the Exchange, as amended or varied from time to time, including such staff notices of the Exchange which may supplement the same;
- (v) **“Market Value”** means the volume weighted average trading price of the Shares calculated by dividing the total value by the total volume of Shares traded on the Exchange or, if the Shares are not listed on such exchange, on such other exchange or exchanges on which the Shares are listed, for the five trading days immediately preceding the relevant date. If the Shares are not listed for trading on any exchange, on such day, the Market Value shall be the Market Value of the Shares as determined by the Board;
- (w) **“Option Plan”** means the Sleep Country Canada Holdings Inc. Stock Option Plan, as amended and restated from time to time;
- (x) **“Participant”** means any *bona fide* full-time employee of the Corporation or an Affiliate of the Corporation who has been designated for participation in the Plan;
- (y) **“Payout”** means, with respect to each Vested PSU or Vested RSU, as applicable, the payment of cash, the issuance of Shares by the Corporation or the purchase of Shares by the Administrator on the open market, in each case, calculated in the manner set out herein;
- (z) **“person”** includes any individual, firm, partnership, syndicate, association, trust, trustee, executor, legal personal representative, government, governmental body or agency, corporation or other incorporated or unincorporated entity;
- (aa) **“Performance Adjustment Factor”** means the performance adjustment factor based on the Corporation’s achievement of certain Earnings Per Share and Revenue targets established by the Board on the Grant Date or such other targets established by the Board on the Grant Date;
- (bb) **“Performance Period”** means each period commencing on the first day of the fiscal year in which a Grant Date occurs and ending on the last day of the fiscal year ended prior to the third anniversary of the Grant Date;
- (cc) **“Plan”** means this Sleep Country Canada Holdings Inc. Long Term Incentive Plan, as amended and restated from time to time;
- (dd) **“PSU”** means a unit as evidenced by a PSU Agreement and credited by means of an entry on books of the Corporation to a Participant’s Account pursuant to the Plan, representing the right to receive, for each Vested PSU, a Share or the cash equivalent of the Market Value of a Share at the discretion of the Committee, at the time, in the manner, and subject to the terms set forth in the Plan and the applicable PSU Agreement;
- (ee) **“PSU Agreement”** means an agreement between the Corporation and a Participant under which a PSU is granted, together with such amendments, deletions or changes thereto as are permitted under the Plan, in substantially the form set out in Schedule “B” hereto;
- (ff) **“RSU”** means a unit as evidenced by a RSU Agreement and credited by means of an entry on books of the Corporation to a Participant’s Account pursuant to the Plan, representing

the right to receive, for each Vested RSU, a Share or the cash equivalent of the Market Value of a Share at the discretion of the Committee, at the time, in the manner, and subject to the terms set forth in the Plan and the applicable RSU Agreement;

- (gg) **“RSU Agreement”** means an agreement between the Corporation and a Participant under which a RSU is granted, together with such amendments, deletions or changes thereto as are permitted under the Plan, in substantially the form set out in Schedule “C” hereto
- (hh) **“Retirement”** means, unless otherwise specified in the Participant’s written employment agreement (in which case the definition set forth therein shall apply for the purposes of this Plan), (i) a resignation of a Participant from employment with the Corporation and any of its Affiliates on or after the Participant has reached at least age 60 and has at least five (5) years of continuous employment with the Corporation and/or any of its Affiliates which the Committee determines, in its sole discretion, should be treated as retirement or (ii) resignation of a Participant from employment with the Corporation and any of its Affiliates on or after the Participant has reached such combination of age and continuous employment with the Corporation and/or its Affiliates which the Committee determines, in its sole discretion, is reasonable and appropriate to be treated as retirement in the circumstances;
- (ii) **“Revenue”** means total Revenues for the applicable period as determined under IFRS and set out in the audited financial statements of the Corporation;
- (jj) **“Share”** means a common share of the Corporation;
- (kk) **“Termination”** means the cessation of a Participant’s active service as an employee of the Corporation and **“Terminate”, “Terminates”** and **“Terminated”** shall be construed accordingly. The Corporation will have sole discretion to determine whether a Participant has ceased active service and the effective date on which the Participant ceased active service (the **“Termination Date”**), provided that, unless otherwise determined by the Corporation, active service shall be deemed to cease on the later of: (i) the date on which a Participant gives or receives notice of termination of employment, and (ii) the end of the applicable statutory period of notice required under applicable minimum employment standards legislation, if any, which shall be the Participant’s Termination Date for purposes of this Plan, and for greater certainty, “Termination” and “Termination Date” shall not be extended by any period of reasonable notice;
- (ll) **“Vested PSUs”** means PSUs which have vested in accordance with the Plan and the terms of the applicable PSU Agreement;
- (mm) **“Vested RSUs”** means RSUs which have vested in accordance with the Plan and the terms of the applicable RSU Agreement; and
- (nn) **“Vesting Date”** means the third anniversary of the Grant Date or as otherwise determined by the Committee.

2.2 Headings wherever used herein are for reference purposes only and do not limit or extend the meaning of the provisions herein contained.

2.3 In the Plan, unless the context requires otherwise, words importing the singular number may be construed to extend to and include the plural number, and *vice versa*.

3. **Grant of PSUs and Terms**

3.1 Subject to the express provisions of the Plan, the Committee may grant PSUs to such Participant or Participants in such number and at such dates and times, as the Committee may in its sole discretion determine.

3.2 Unless otherwise determined by the Committee in its sole discretion and specifically set out in the PSU Agreement, and subject to the terms of this Plan and the PSU Agreement, a PSU granted to a Participant on any particular Grant Date shall become a Vested PSU on the Vesting Date applicable to such PSU.

3.3 The Board may, in its sole discretion, subsequent to the Grant Date, but prior to the Vesting Date determined at the time of grant, designate an earlier date for vesting of all or any portion of the PSUs then outstanding and granted to a Participant under the Plan.

3.4 Each grant of PSUs will be set forth in a PSU Agreement containing terms and conditions required under the Plan and such other terms and conditions not inconsistent herewith as the Committee may, in its sole discretion, deem appropriate, including whether the Clawback Policy will apply to any grant of PSUs. In the event of any inconsistency between the PSU Agreement and the Plan, the Plan shall be determinative.

4. **RSU Grant and Terms**

4.1 Subject to the express provisions of the Plan, the Committee may grant RSUs to such Participant or Participants in such number and at such dates and times, as the Committee may in its sole discretion determine.

4.2 Unless otherwise determined by the Committee in its sole discretion and specifically set out in the RSU Agreement, and subject to the terms of this Plan and the RSU Agreement, a RSU granted to a Participant on any particular Grant Date shall become a Vested RSU on the Vesting Date applicable to such RSU.

4.3 The Board may, in its sole discretion, subsequent to the Grant Date, but prior to the Vesting Date determined at the time of grant, designate an earlier date for vesting of all or any portion of the RSUs then outstanding and granted to a Participant under the Plan.

4.4 Each grant of RSUs will be set forth in a RSU Agreement containing terms and conditions required under the Plan and such other terms and conditions not inconsistent herewith as the Committee may, in its sole discretion, deem appropriate, including whether the Clawback Policy will apply to any grant of RSUs. In the event of any inconsistency between the RSU Agreement and the Plan, the Plan shall be determinative.

5. **Accounts and Recordkeeping**

5.1 The Committee shall keep or cause to be kept such records as may be necessary or appropriate in connection with the administration of the Plan and the discharge of its duties hereunder, which records shall, absent manifest error, be considered conclusively determinative of all information contained therein.

5.2 The Committee and/or the Administrator shall maintain or cause to be maintained an account for each Participant (an "**Account**") to record PSUs and RSUs granted to such Participant hereunder. A written statement confirming the balance in each Participant's Account shall be provided to the Participant upon request.

5.3 On the Grant Date, the Participant's Account will be credited with the PSUs and/or RSUs granted to the Participant on that date and set out in the Participant's PSU Agreement and/or RSU Agreement, as applicable.

5.4 A Participant's Account shall, unless otherwise determined by the Corporation, from time to time until the Vesting Date, be credited on each dividend payment date in respect of Shares with additional PSUs and RSUs (including where applicable fractions thereof), the number of which shall be equal to the quotient (determined to three decimal places) determined by dividing: (a) the product determined by multiplying (i) a dollar amount equal to the dividend declared and paid by the Corporation on its Shares on a per Share basis (excluding stock dividends payable in Shares, but including dividends which may be paid in cash or in Shares at the option of the shareholder), by (ii) the number of PSUs and RSUs recorded in the Participant's Account on the record date for the payment of any such dividend, by (b) the Market Value of a Share on such dividend payment date. Any additional PSUs and RSUs credited to the Participant's Account pursuant to this section 5.3 shall have the same Vesting Dates and Expiry Date as the PSUs and RSUs in respect of which such additional PSUs and RSUs are credited.

6. **Settlement of PSUs**

6.1 As soon as reasonably practicable following the last day of a Performance Period, the Committee shall determine the Performance Adjustment Factor for such Performance Period in accordance with Schedule "A", the specific performance metrics established at the time of grant of a PSU and any adjustments considered reasonable by the Committee as a result of any one-time or extraordinary events that occurred during the Performance Period. The determination of the Performance Adjustment Factor by the Committee shall be conclusive and binding on the Participants.

6.2 Following the determination of the Performance Adjustment Factor for a Performance Period in accordance with section 6.1 and Schedule "A", on the Vesting Date, the Committee shall, in its sole discretion:

- (a) provide the Participant with a number of whole Shares issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, calculated by multiplying $A \times B$ where A is the number of Vested PSUs in the Participant's Account on the Vesting Date relating to the relevant Performance Period and B is the Performance Adjustment Factor for the Performance Period; or
- (b) pay the Participant a Payout calculated by multiplying $A \times B \times C$ where A is the number of Vested PSUs in the Participant's Account on the Vesting Date relating to the relevant Performance Period, B is the Performance Adjustment Factor for the Performance Period and C is the Market Value of a Share on the Vesting Date.

6.3 Subject to Section 8, the Payout in respect of each Vested PSU calculated by the Committee in accordance with section 6.2 shall be paid, issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, as the case may be, as soon as reasonably practicable (in any event, prior to December 31 of the calendar year of the Vesting Date applicable to the Vested PSUs), subject to withholding tax and other required source deductions.

6.4 Absent exceptional circumstances, the Committee expects that all PSUs granted under the Plan will be settled in Shares issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf.

7. **Settlement of RSUs**

7.1 Subject to Section 8, as soon as practicable following the Vesting Date, the Committee shall, in its sole discretion:

- (a) provide the Participant with a number of whole Shares issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, equal to the number of Vested RSUs in the Participant's Account on the Vesting Date; or

- (b) pay the Participant a Payout calculated by multiplying A x B where A is the number of Vested RSUs in the Participant's Account on the Vesting Date and B is the Market Value of a Share on the Vesting Date.

7.2 Subject to Section 8, the Payout in respect of each Vested RSU calculated by the Committee in accordance with section 7.1 shall be paid, issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, as the case may be, as soon as reasonably practicable (in any event, prior to December 31 of the calendar year of the Vesting Date applicable to the Vested RSUs), subject to withholding tax and other required source deductions.

7.3 Absent exceptional circumstances, the Committee expects that all RSUs granted under the Plan will be settled in Shares issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf.

8. Termination of Employment

8.1 **General.** Subject to Section 10, unless otherwise determined by the Committee, if a Participant Terminates for any reason other than death, Disability or Retirement (including, for purposes of this section 8.1, if the Participant is Terminated with or without Cause or Terminates due to voluntary resignation that is not a Retirement), the Participant shall cease to be a Participant effective on the Participant's Termination Date and will not be entitled to any Payout in respect of PSUs and RSUs which are not Vested PSUs and Vested RSUs on such Termination Date. All PSUs and RSUs recorded in a Participant's Account that are not Vested PSUs or Vested RSUs shall be forfeited and shall terminate immediately effective as of the Participant's Termination Date.

8.2 **Termination of Employment due to Disability or Retirement.** Subject to Section 10, unless otherwise determined by the Committee, if the employment of a Participant is Terminated prior to a Vesting Date due to (i) Retirement, or (ii) the Disability of the Participant:

- (a) a pro-rata portion of the Participant's unvested PSUs, based on the Participant's completed months of active employment up to the Termination Date relative to the number of months in the vesting period, will continue to vest and be paid out in accordance with their terms. Any remaining PSUs recorded in a Participant's Account that are not Vested PSUs shall be forfeited and shall terminate immediately effective as of the Participant's Termination Date; and
- (b) a pro-rata portion of the Participant's unvested RSUs, based on the Participant's completed months of active employment up to the Termination Date relative to the number of months in the vesting period, will continue to vest and be paid out in accordance with their terms. Any remaining RSUs recorded in a Participant's Account that are not Vested RSUs shall be forfeited and shall terminate immediately effective as of the Participant's Termination Date.

8.3 **Termination Due to Death.** Subject to Section 10, unless otherwise determined by the Committee, if a Participant Terminates prior to a Vesting Date due to death, the Participant shall cease to be a Participant effective on the Participant's Termination Date and a pro-rata portion of the Participant's unvested PSUs and RSUs, based on the Participant's completed months of active employment up to the Termination Date relative to the number of months in the vesting period, will immediately vest and become Vested RSUs and Vested PSUs. As soon as practicable thereafter, the Corporation will (i) make a Payout to the legal representative of the Participant in respect of all Vested RSUs as of the Termination Date, and (ii) make a Payout to the legal representative of the Participant in respect of all Vested PSUs as of the Termination Date assuming a Performance Adjustment Factor of 1.0.

9. Forfeitures

9.1 No cash or other compensation shall at any time be paid in respect of any PSUs or RSUs which have been forfeited or terminated under this Plan or on account of damages relating to any PSUs or RSUs which have been forfeited or terminated under this Plan.

9.2 Notwithstanding any other provision of the Plan, a PSU Agreement, a RSU Agreement, PSUs and RSUs granted hereunder shall terminate, if not redeemed or previously terminated and forfeited in accordance with the Plan, and be of no further force and effect after the Expiry Date.

10. **Change of Control**

10.1 **Treatment of PSUs and RSUs Upon Change of Control.** Notwithstanding anything else contained in this Plan, in connection with a Change of Control, the Board will provide Participants with written notice of any proposed Change of Control (the “**Change of Control Notice**”) and will take such action as is required to ensure that, following the Change of Control, the PSUs and RSUs are substituted for performance share units and restricted share units, as applicable, of the acquiring or surviving entity and that such adjustments are made to the PSUs and RSUs as required to prevent substantial dilution or enlargement of the rights granted to or available for the Participant hereunder.

10.2 **Accelerated Vesting on Change of Control.** If, in connection with a Change of Control, in the reasonable opinion of the Board, the surviving or acquiring entity cannot or it is not commercially reasonable (including due to adverse tax consequences to the Participants) to continue the Plan and to continue the PSUs and RSUs or to substitute and replace similar units for the PSUs and RSUs on substantially the same terms and conditions as the Plan, then the Board may, in its discretion, permit and authorize the accelerated vesting and early Payout of all or any portion of the then outstanding PSUs and RSUs effective as of the completion of such Change of Control. For purposes of such Payout, the Board will determine the Performance Adjustment Factor in respect of the PSUs and for purposes of any cash payment to be made in respect of such PSUs and RSUs, the Market Price of a Share will be deemed to be the price per Share paid in the Change of Control transaction. All PSUs and RSUs which do not become Vested PSUs or Vested RSUs in accordance with the foregoing will terminate as of the completion of the Change of Control.

10.3 If the PSUs and RSUs are continued or replaced following the Change of Control and a Participant is terminated by the Corporation or its Affiliates, as applicable, without Cause or the Participant resigns for Good Reason within 12 months following the occurrence of a Change of Control:

- (a) all PSUs credited to each Participant’s Account shall immediately vest and become Vested PSUs on the Termination Date. As soon as practicable following the Termination Date, the Committee shall:
 - (i) provide the Participant with a number of whole Shares, issued by the Corporation or purchased by the Administrator on the open market on the Participant’s behalf, calculated by multiplying $A \times B$ where A is the number of Vested PSUs in the Participant’s Account on the Termination Date and B is the Performance Adjustment Factor determined by the Board as of the Termination Date; or
 - (ii) pay the Participant a Payout calculated by multiplying $A \times B \times C$ where A is the number of Vested PSUs in the Participant’s Account on the Termination Date, B is the Performance Adjustment Factor determined by the Board as of the Termination Date and C is the Market Value of a Share; and
- (b) all RSUs credited to each Participant’s Account shall immediately vest and become Vested RSUs on the Termination Date. As soon as practicable following the Termination Date, the Committee shall:

- (i) provide the Participant with a number of whole Shares, issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, equal to the number of Vested RSUs in the Participant's Account on the Termination Date; or
- (ii) pay the Participant a Payout calculated by multiplying A x B where A is the number of Vested RSUs in the Participant's Account on the Termination Date and B is the Market Value of a Share.

10.4 The Payout to the Participant in accordance with section 10.3 shall be paid, issued by the Corporation or purchased by the Administrator on the open market on the Participant's behalf, as the case may be, as soon as reasonably practicable following the Termination Date subject to withholding tax and other required source deductions.

11. **Changes in Share Capital**

11.1 If:

- (a) a dividend shall be declared upon the Shares or other securities of the Corporation payable in Shares or other securities of the Corporation (other than a dividend that may be paid in cash or in Shares at the option of the shareholder);
- (b) the outstanding Shares shall be changed into or exchanged for a different number or kind of shares or other securities of the Corporation or of another corporation, whether through an arrangement, plan of arrangement, merger, amalgamation or other similar statutory procedure, or a share recapitalization, subdivision or consolidation or otherwise;
- (c) there shall be any change, other than those specified in paragraphs (a) and (b) of this section 11.1 in the number of kind of outstanding Shares or any shares or other securities into which such Shares shall have been changed or for which they shall have been exchanged; or
- (d) there shall be a distribution of assets or shares to shareholders of the Corporation out of the ordinary course of business,

the Committee may make appropriate adjustments to the number of PSUs and RSUs outstanding under the Plan provided that the dollar value of PSUs and RSUs credited to a Participant's Account immediately after such an adjustment shall be approximately equal to the dollar value of the PSUs and RSUs credited to such Participant's Account immediately prior thereto. Subject to the rules of the Exchange, any determinations by the Committee as to the adjustments shall be made in its sole discretion and all such adjustments shall be conclusive and binding for all purposes under the Plan.

12. **Administration and Amendment**

12.1 Except for matters that are under the jurisdiction of the Board as specified under the Plan or as required by law and the rules of the Exchange and subject to section 12.2, this Plan shall be administered by the Committee and the Committee has the sole and complete authority, in its discretion, to:

- (a) grant PSUs and RSUs to Participants under the Plan;
- (b) set, waive and amend the Performance Adjustment Factor and the Performance Period;
- (c) interpret the Plan and prescribe, modify and rescind rules and regulations relating to the Plan;

- (d) correct any defect or supply any omission or reconcile any inconsistency in the Plan in the manner and to the extent it considers necessary or advisable for the implementation and administration of the Plan;
- (e) exercise rights reserved to the Corporation under the Plan;
- (f) prescribe forms for notices to be prescribed by the Corporation under the Plan; and
- (g) make all other determinations and take all other actions as it considers necessary or advisable for the implementation and administration of the Plan.

The Committee's determinations and actions under this Plan are final, conclusive and binding on the Corporation and the Participants.

12.2 To the extent permitted by applicable law, the Committee and the Board may, from time to time, delegate to any specified officer or employee of the Corporation or third parties, including an Administrator, if any, the whole or any part of the administration of the Plan and shall determine the scope and terms and conditions of such delegation, including the authority to prescribe rules and regulations. In such event, the specified officer, employee or Administrator, if any, will exercise the powers delegated to him, her or it by the Committee in the manner and on the terms authorized by the Committee or the Board, as applicable. Any interpretation, rule, regulation or determination made by, or act of, the Committee shall be final and binding on the Participants, their beneficiaries and legal representatives and on the Corporation.

12.3 All expenses of administration of the Plan shall be borne by the Corporation.

12.4 No member of the Committee or the Board shall be liable for any action or determination made in good faith pursuant to the Plan. To the full extent permitted by law, the Corporation shall indemnify and save harmless each person made, or threatened to be made, a party to any action or proceeding by reason of the fact that such person is or was a member of the Committee or the Board and, as such, is or was required or entitled to take action pursuant to the terms of the Plan.

12.5 The Board reserves the right to amend, modify, suspend or terminate the Plan at any time if and when it is advisable in the absolute discretion of the Board without notice to or approval by the shareholders of the Corporation, provided that all material amendments to the Plan shall require the prior approval of the shareholders of the Corporation. Examples of the specific types of amendments that are not material and that the Board is entitled to make without shareholder approval include, without limitation, the following:

- (i) amendments to the Plan to ensure continuing compliance with applicable laws, regulations, requirements, rules or policies of any governmental or regulatory authority or stock exchange;
- (ii) amendments of a "housekeeping" nature, which include amendments relating to the administration of the Plan or to eliminate any ambiguity or correct or supplement any provision herein which may be incorrect or incompatible with any other provision hereof;
- (iii) amendments to change the class of Participants eligible to participate in the Plan (other than an amendment that would allow the participation in the Plan by non-employee directors of the Corporation or its Affiliates); and
- (iv) amendments to impose restrictions on the sale, transfer or other disposal of Shares by Participants under the Plan.

12.6 Notwithstanding anything contained herein to the contrary, no amendment to the Plan requiring the approval of the shareholders of the Corporation under any applicable securities laws or requirements or the rules of the Exchange shall become effective until such approval is obtained. Without limitation of the foregoing, the approval of a majority of the shareholders of the Corporation present in person or by proxy and entitled to vote at a meeting of shareholders shall be required for the following matters, to the extent required by applicable securities laws and regulatory requirements and the rules of the Exchange:

- (i) any amendment to the provisions of section 12.5 or section 12.6 other than an amendment within the nature of paragraphs (i) and (ii) of section 12.5;
- (ii) amendments that would allow participation in the Plan by non-employee directors of the Corporation and its Affiliates; and
- (iii) any amendment to increase the maximum number of Shares reserved for issuance under the Plan pursuant to section 13.1 (other than pursuant to section 11.1).

12.7 Subject to Section 10, upon any termination of the Plan, in whole or in part, the Board may, in its discretion, determine whether any PSUs and RSUs then credited to a Participant's Account and affected by the termination shall be vested on the date of the termination of the Plan or held for the credit of such Participant and vested and settled at a later date in accordance with the terms of the Plan in effect immediately prior to the termination of the Plan. The Plan will finally cease to operate for all purposes when the last remaining Participant receives a payment in satisfaction of all PSUs and RSUs recorded in the Account of such Participant, or all PSUs and RSUs recorded in the Account of such Participant are cancelled, terminated or forfeited pursuant to the terms of the Plan.

13. Shares Subject to Plan

13.1 Subject to adjustment as provided in Section 11, the maximum number of Shares available for issuance under the Plan and the DSU Plan shall not exceed 2.6% of the issued and outstanding Shares. Every three years after the Effective Date of the Plan, all unallocated Shares under the Plan shall be submitted for approval to the Board and the shareholders of the Corporation.

13.2 No fractional Shares shall be issued or purchased upon the settlement of Vested PSUs or Vested RSUs under this Plan and, accordingly, if a Participant would become entitled to a fractional Share upon the settlement of a Vested PSU or a Vested RSU, such Participant shall only have the right to receive the next lowest whole number of Shares and no payment or other adjustment will be made with respect to the fractional interest so disregarded.

13.3 Any Shares related to a PSU or RSU which terminates by expiration, forfeiture, cancellation or otherwise without the issuance of such Shares shall again be available for issuance under this Plan.

13.4 In lieu of issuing Shares from treasury, the Corporation may elect, in its sole discretion, to (i) settle the Vested PSUs and Vested RSUs in cash by paying a Payout to the Participant in respect of the Participant's Vested PSUs and Vested RSUs; or (ii) settle the Vested PSUs and Vested RSUs by directing the Administrator to purchase Shares on the open market on the Participant's behalf.

13.5 Notwithstanding any other provision of this Plan, any PSU Agreement, RSU Agreement or other agreement relating to PSU or RSU:

- (a) the maximum number of Shares issuable to Insiders at any time under the Plan, the Option Plan and all other security based compensation arrangements of the Corporation shall not exceed 6.5% of the issued and outstanding Shares and the number of Shares issued to Insiders within any one-year period under the Plan, the Option Plan and all other security

based compensation arrangements of the Corporation may not exceed 1.5% of the then issued and outstanding Shares; and

- (b) the aggregate number of Shares reserved for issuance to any one Participant under the Plan, together with the Option Plan and all other security based compensation arrangements of the Corporation, shall not exceed 5% of the then issued and outstanding Shares (on a non-diluted basis).

14. **General**

14.1 The administration of the Plan shall be subject to and made in conformity with all applicable laws.

14.2 Any payment, notice, statement, certificate or other instrument required or permitted to be given to a Participant (or, where the Participant has died, the Participant's beneficiary or estate, as the case may be) shall be given by:

- (a) personal delivery;
- (b) registered mail to the address of the Participant in the Corporation's records; or
- (c) other than in the case of a payment, email or other means of electronic transmission receivable by the Participant (or, where the Participant has died, the Participant's beneficiary or estate, as the case may be).

Any notice, statement, certificate or other instrument required or permitted to be given to the Corporation shall be given to the Corporation at its principal address by personal delivery, registered mail or facsimile or other means of electronic transmission receivable by the Corporation, to the attention of the Chief Financial Officer of the Corporation. Any payment, notice, statement, certificate or other instrument referred to in this section 14.2, if by personal delivery, shall be deemed to have been given or delivered on the date on which it was delivered, if by registered mail, shall be deemed to have been given or delivered on the second business day following the date on which it was mailed, and if by email or other means of electronic transmission, on the next business day following transmission.

14.3 The existence of any PSUs or RSUs shall not affect in any way the right or power of the Corporation or its respective shareholders to make or authorize any adjustment, recapitalization, reorganization or other change in the Corporation's capital structure or its business, or to create or issue any bonds, debentures, shares or other securities of the Corporation or to amend or modify the rights and conditions attaching thereto or to effect the dissolution or liquidation of the Corporation or any amalgamation, combination, merger or consolidation involving the Corporation or any sale or transfer of all or any part of the assets or business of the Corporation or any other corporate act or proceeding whether of a similar nature or otherwise involving the Corporation.

14.4 The rights or interests of a Participant under the Plan, including, without limitation, the PSUs and RSUs, shall not be assignable or transferable, otherwise than in case of death as set out in the Plan, and such rights or interests shall not be encumbered by any means. Any attempt to so assign, transfer, or encumber any such amount, whether presently or thereafter payable, shall be void and of no force or effect. Certificates representing PSUs and RSUs will not be issued by the Corporation.

14.5 A PSU and/or RSU is personal to the Participant and is non-assignable and non-transferable. No PSU or RSU granted hereunder shall be pledged, hypothecated, charged, transferred, assigned or otherwise encumbered or disposed of by the Participant, whether voluntarily or by operation of law, otherwise than by testate succession, will or the laws of descent and distribution, and any attempt to do so will cause such PSU or RSU to terminate and be null and void.

14.6 Under no circumstances shall PSUs or RSUs be considered Shares, nor shall PSUs or RSUs entitle any Participant to exercise voting rights or any other rights attaching to the ownership or control of Shares, including, without limitation, rights on liquidation.

14.7 The Plan shall be unfunded and the Corporation will not secure its obligations under the Plan. To the extent any Participant holds any rights by virtue of a grant of PSUs or RSUs under the Plan, such rights (unless otherwise determined by the Board) shall be no greater than the rights of an unsecured creditor of the Corporation.

14.8 The Corporation may withhold from any amount payable to a Participant, either under this Plan, or otherwise, such amount as may be necessary so as to ensure that the Corporation will be able to comply with the applicable provisions of any federal, provincial, state or local law relating to the withholding of tax or other source deductions, including on the amount, if any, includable in the income of a Participant.

14.9 Neither designation of an employee as a Participant nor the grant of any PSUs or RSUs entitles any Participant to the grant, or any additional grant, as the case may be, of any PSUs or RSUs under the Plan. Neither the Plan nor any action taken thereunder shall give or be deemed to give a Participant a right to continued employment with the Corporation nor interfere with the right of the Corporation to terminate the Participant's employment at any time. Upon termination of the employment of a Participant, the period of notice, if any, or payment in lieu thereof, shall not extend the period of employment for the purposes of the Plan.

14.10 The Plan offers no guarantee against the losses that may result from the market fluctuations of the Market Value of a Share. For greater certainty, no additional PSUs or RSUs shall be granted to a Participant to compensate for a downward fluctuation in the Market Value of a Share, nor will any other form of benefit be conferred upon, or in respect of, a Participant for such purpose. A Participant in the Plan agrees to accept all risks associated with a decline in the Market Value of a Share.

14.11 The Plan and the PSUs and RSUs are intended to be excluded from the definitions of "salary deferral arrangement", "retirement compensation arrangement" and "employee benefit plan" in subsection 248(1) of the *Income Tax Act* (Canada) and the Committee shall interpret and administer the Plan in accordance with this intention.

14.12 Whenever any payment is required to be made, action is required to be taken or period of time is to expire on a day other than a business day, such payment shall be made, action shall be taken or period shall expire on the next following business day, provided that no Payout may be made to a Participant in respect of a PSU or RSU following the Expiry Date for such PSU or RSU, as applicable.

14.13 All payments and benefits under the Plan shall be paid in the lawful currency of Canada.

14.14 If any provision of the Plan or part thereof is determined to be void or unenforceable in whole or in part, such determination shall not affect the validity or enforcement of any other provision or part thereof.

14.15 The Plan shall be governed by, and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable therein.

14.16 This Plan is hereby established effective as of the Effective Date and is amended and restated as of March 16, 2020.

SCHEDULE "A"

DETERMINATION OF PERFORMANCE ADJUSTMENT FACTOR

The "Performance Adjustment Factor" for each Performance Period is determined by the Committee based on the weighted sum of the achievement of the average Earnings Per Share and Revenue Targets for the Corporation over the applicable Performance Period. Achievement will be based 75% on achievement of the Earnings Per Share Target and 25% on achievement of the Revenue Target. The performance range for each metric will be established by the Committee based on the percentages below (with variations as appropriate) and communicated to the Participants on the Grant Date.

Subject to the discretion of the Committee, for the Earnings Per Share performance metric, if:

- the Corporation achieves less than 90% of the Target, the Performance Adjustment Factor will be 0;
- the Corporation achieves 90% of the Target, the Performance Adjustment Factor will be 0.25;
- the Corporation achieves more than 90% and less than 100% of Target, the Performance Adjustment Factor will be interpolated on a linear basis between 0.25 and 1.0, based on the Earnings Per Share achieved during the Performance Period;
- the Corporation achieves the Target, the Performance Adjustment Factor will be 1.0;
- the Corporation achieves more than 100% and less than 105% of Target, the Performance Adjustment Factor will be interpolated on a linear basis between 1.0 and 2.0, based on the Earnings Per Share achieved during the Performance Period; and
- the Corporation achieves 105% of Target, the Performance Adjustment Factor will be 2.0.

Subject to the discretion of the Committee, for the Revenue performance metric, if:

- the Corporation achieves less than 95% of the Target, the Performance Adjustment Factor will be 0;
- the Corporation achieves 95% of the Target, the Performance Adjustment Factor will be 0.25;
- the Corporation achieves more than 95% of the Target and less than 100% of the Target, the Performance Adjustment Factor will be interpolated on a linear basis between 0.25 and 1.0, based on the Revenue achieved during the Performance Period;
- the Corporation achieves 100% of the Target, the Performance Adjustment Factor will be 1.0;
- the Corporation achieves more than 100% of Target and less than 105% of Target, the Performance Adjustment Factor will be interpolated on a linear basis between 1.0 and 2.0, based on the Revenue achieved during the Performance Period; and
- the Corporation achieves 105% of Target, the Performance Adjustment Factor will be 2.0.

SCHEDULE "B"

**SLEEP COUNTRY CANADA HOLDINGS INC.
LONG TERM INCENTIVE PLAN**

PSU Agreement

Sleep Country Canada Holdings Inc. (the "**Corporation**") hereby grants the following award to the Participant named below in accordance with and subject to the terms, conditions and restrictions of this PSU Agreement, together with the provisions of the Plan:

Name of Participant: _____

Address of Participant: _____

Number of PSUs: _____

Grant Date: ■, 20■

Performance Period: ■, 20■ to ■, 20■

Vesting Date: ■, 20■

Expiry Date: ■, 20■

Performance Metrics: See Exhibit A [**NTD: Exhibit A to the PSU award agreement should set out the specific performance metrics for the grant and the different achievement levels.**]

The terms and conditions of the Plan (including the Schedules thereto) are hereby incorporated by reference as terms and conditions of this PSU Agreement and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.

Participation in the Plan is voluntary and is not a condition of employment. No Participant or employee of the Corporation shall have any claim or right to be granted PSUs pursuant to the Plan.

The Corporation (which for the purposes of this PSU Agreement includes the Corporation's directors, officers and employees) shall not have any liability for (i) the income or other tax consequences to Participants arising from participation in the Plan; (ii) any change in the Market Value of the Shares; or (iii) any delays or errors in the administration of the Plan, except where such person has acted with willful misconduct.

Participants should consult their own financial, legal and tax advisors as the Corporation is not providing any such advice to any Participant.

[The PSUs are subject to the terms and conditions of the Clawback Policy which the Participant acknowledges having reviewed and received a copy of. The Clawback Policy is incorporated by reference into this PSU Agreement.]

Please acknowledge receipt of this PSU Agreement and your agreement to be bound by its terms (and the terms and conditions set out in the Plan) by signing the acknowledgement below. Please make a copy of this PSU Agreement for your records and return your original signed award notice to the attention of the Chief Financial Officer.

If you fail to complete and return this PSU Agreement to the Chief Financial Officer, the Corporation reserves the right to revoke the crediting of PSUs to you.

Thank you for your contribution to the Corporation.

**SLEEP COUNTRY CANADA HOLDINGS
INC.**

By:

Name:

Title:

acknowledgement

The undersigned Participant acknowledges that:

1. I have received and reviewed a copy of the Plan and agree to be bound by it and the terms of this PSU Agreement.
2. Upon receipt of this PSU Agreement by ■ on or before ■, 20■, PSUs will be allocated to my account in the Plan as of ■, 20■.
3. I have not been induced to enter into this PSU Agreement by expectation of employment or continued employment with the Corporation.
4. I will be liable for income tax and other applicable taxes or withholdings when payment is made to me under the Plan in respect of PSUs credited to my Account, in accordance with the terms of the Plan. I should confirm the tax treatment with my own tax advisor.
5. The value of a PSU is based on the Market Value of a Share and is thus not guaranteed. The eventual cash value of a PSU on the applicable payment date may be higher or lower than the value of the PSU at the time it was allocated to my Account in the Plan.
6. I shall have no entitlement to receive payment in respect of any PSUs that are forfeited pursuant to the terms of the Plan whether by way of damages or otherwise and I confirm that I have read and understood the circumstances in which Vested PSUs and unvested PSUs can be forfeited in accordance with sections 8 and 10.

[The PSUs are subject to the terms and conditions of the Clawback Policy which I acknowledge having reviewed and received a copy of. The Clawback Policy is incorporated by reference into this PSU Agreement.]

7. I am required to provide the Corporation with all information (including personal information) the Committee requires to administer the Plan and I hereby consent to the collection of all such information by the Corporation. I understand that the Corporation may from time to time transfer or provide access to such information to third party service providers for purposes of the administration of the Plan and that such service providers will be provided with such information for the sole purpose of providing such services to

the Corporation. I acknowledge that withdrawal of my consent at any time may result in a delay in the administration of the Plan or the inability of the Corporation to deliver a lump-sum cash payment to me corresponding to the number of my Vested PSUs on the applicable payment date.

Date: _____
Signature of Participant

Name of Participant
(Please Print)

SCHEDULE "C"

**SLEEP COUNTRY CANADA HOLDINGS INC.
LONG TERM INCENTIVE PLAN**

RSU Agreement

Sleep Country Canada Holdings Inc. (the "**Corporation**") hereby grants the following award to the Participant named below in accordance with and subject to the terms, conditions and restrictions of this RSU Agreement, together with the provisions of the Plan:

Name of Participant: _____

Address of Participant: _____

Number of RSUs: _____

Grant Date: ■, 20■

Vesting Date: ■, 20■

Expiry Date: ■, 20■

The terms and conditions of the Plan (including the Schedules thereto) are hereby incorporated by reference as terms and conditions of this RSU Agreement and all capitalized terms used herein, unless expressly defined in a different manner, have the meanings ascribed thereto in the Plan.

Participation in the Plan is voluntary and is not a condition of employment. No Participant or employee of the Corporation shall have any claim or right to be granted RSUs pursuant to the Plan.

The Corporation (which for the purposes of this RSU Agreement includes the Corporation's directors, officers and employees) shall not have any liability for (i) the income or other tax consequences to Participants arising from participation in the Plan; (ii) any change in the Market Value of the Shares; or (iii) any delays or errors in the administration of the Plan, except where such person has acted with willful misconduct.

Participants should consult their own financial, legal and tax advisors as the Corporation is not providing any such advice to any Participant.

[The RSUs are subject to the terms and conditions of the Clawback Policy which the Participant acknowledges having reviewed and received a copy of. The Clawback Policy is incorporated by reference into this RSU Agreement.]

Please acknowledge receipt of this RSU Agreement and your agreement to be bound by its terms (and the terms and conditions set out in the Plan) by signing the acknowledgement below. Please make a copy of this RSU Agreement for your records and return your original signed award notice to the attention of the Chief Financial Officer.

If you fail to complete and return this RSU Agreement to the Chief Financial Officer, the Corporation reserves the right to revoke the crediting of RSUs to you.

Thank you for your contribution to the Corporation.

**SLEEP COUNTRY CANADA HOLDINGS
INC.**

By:

Name:

Title:

Acknowledgement

The undersigned Participant acknowledges that:

1. I have received and reviewed a copy of the Plan and agree to be bound by it and the terms of this RSU Agreement.
2. Upon receipt of this RSU Agreement by ■ on or before ■, 20■, RSUs will be allocated to my account in the Plan as of ■, 20■.
3. I have not been induced to enter into this RSU Agreement by expectation of employment or continued employment with the Corporation.
4. I will be liable for income tax and other applicable taxes or withholdings when payment is made to me under the Plan in respect of RSUs credited to my Account, in accordance with the terms of the Plan. I should confirm the tax treatment with my own tax advisor.
5. The value of a RSU is based on the Market Value of a Share and is thus not guaranteed. The eventual cash value of a RSU on the applicable payment date may be higher or lower than the value of the RSU at the time it was allocated to my Account in the Plan.
6. I shall have no entitlement to receive payment in respect of any RSUs that are forfeited pursuant to the terms of the Plan whether by way of damages or otherwise and I confirm that I have read and understood the circumstances in which Vested RSUs and unvested RSUs can be forfeited in accordance with sections 8 and 10.

[The RSUs are subject to the terms and conditions of the Clawback Policy which I acknowledge having reviewed and received a copy of. The Clawback Policy is incorporated by reference into this RSU Agreement.]

7. I am required to provide the Corporation with all information (including personal information) the Committee requires to administer the Plan and I hereby consent to the collection of all such information by the Corporation. I understand that the Corporation may from time to time transfer or provide access to such information to third party service providers for purposes of the administration of the Plan and that such service providers will be provided with such information for the sole purpose of providing such services to the Corporation. I acknowledge that withdrawal of my consent at any time may result in a delay in the administration of the Plan or the inability of the Corporation to deliver a lump-sum cash payment to me corresponding to the number of my Vested RSUs on the applicable payment date.

Date: _____
Signature of Participant

Name of Participant
(Please Print)

APPENDIX C**NON-IFRS MEASURES**

The Company prepares its financial statements in accordance with IFRS. In order to provide additional insight into the business, to provide investors with supplemental measures of its operating performance and to highlight trends in its business that may not otherwise be apparent when relying solely on IFRS financial measures, the Company has also provided in this MD&A certain non-IFRS measures, including “Same Store Sales” or “SSS”, “EBITDA”, “Operating EBITDA”, “Operating EBITDA Margin”, “Adjusted Net Income” and “Basic and Diluted Adjusted EPS” each as defined below. These measures are provided as additional information to complement IFRS measures by providing further understanding of the Company’s results of operations from management’s perspective. Management also uses non-IFRS measures in order to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of management compensation. The Company also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of issuers.

Readers are cautioned that these non-IFRS measures are not recognized under IFRS and do not have a standardized meaning prescribed by IFRS. They are therefore unlikely to be comparable to similarly titled measures presented by other publicly traded companies. Accordingly, they should not be considered in isolation nor as a substitute for analysis of the Company’s financial information reported under IFRS. See below for further details concerning how the Company calculates these non-IFRS measures and for reconciliations to the most comparable IFRS measures.

Same Store Sales (SSS)

SSS is a non-IFRS measure used in the retail industry to compare sales derived from established stores over a certain period compared to the same period in the prior year. The Company has embarked on an omnichannel approach to engaging with customers. This approach allows customers to shop online for home delivery or purchase in any store locations. Due to the customer cross channel behavior, the Company reports a single comparable sales metrics, inclusive of store and eCommerce channels. SSS calculation excludes sales of excess inventory to third parties. SSS helps to explain what portion of revenue growth can be attributed to growth in established stores and what portion can be attributed to the opening of new stores. SCC calculates SSS as the percentage increase or decrease in sales of stores opened for at least 12 complete months relative to the same period in the prior year. Endy was acquired in December 2018, and the revenue of Endy is not included in SSS. The revenue of Endy will be included in the SSS calculation starting January 2020.

EBITDA and Operating EBITDA

EBITDA and Operating EBITDA are used by SCC to assess its operating performance.

EBITDA is defined as income (loss) adjusted for:

- finance related expenses;
- income taxes;
- depreciation and amortization; and
- interest and other expenses (income) - net.

Operating EBITDA is defined as EBITDA adjusted for:

- share-based compensation;

- ERP implementation costs; and
- acquisition costs

Adjusted Operating EBITDA is defined as Operating EBITDA less:

- straight line rent

Adjusted Net Income

Adjusted Net Income is used by SCC to assess its operating performance. Adjusted Net Income is defined as net income (loss) adjusted for:

- share-based compensation;
- ERP implementation costs; and
- acquisition costs.

Adjusted EPS – Basic

Adjusted EPS - Basic is defined as Adjusted Net Income attributable to the common shareholders of the Company divided by weighted average number of shares issued and outstanding during the period.

Adjusted EPS – Diluted

Adjusted EPS - Diluted is defined as Adjusted Net Income attributable to the common shareholders of the Company divided by weighted average number of shares issued and outstanding during the period adjusted for the effects of dilutive stock options, Performance share units and Deferred share units.

Pro-forma – Q4 2018 and Pro-forma – 2018

Pro-forma – Q4 2018 and Pro-forma - 2018 is defined as the results of the respective 2018 periods as presented in condensed interim consolidated statement of income and comprehensive Income, adjusted for the estimated impact of IFRS 16 as follows:

- base rent expense, which mainly related to stores and distributions center occupancy leases;
- estimated depreciation on the ROU assets;
- estimated interest on lease liabilities; and
- income tax impact of the above adjustments.

The estimated impact of IFRS 16 has been calculated based on the lease information available as of January 1, 2019, and using similar accounting policy on leases, assumptions and practical expedients as in place upon the formal adoption of the standard on January 1, 2019.

APPENDIX D
CHARTER OF THE BOARD OF DIRECTORS
OF
SLEEP COUNTRY CANADA HOLDINGS INC.
GENERAL

1. PURPOSE AND RESPONSIBILITY OF THE BOARD

By approving this Charter, the Board explicitly assumes responsibility for the stewardship of Sleep Country Canada Holdings Inc. (the “**Corporation**”) and its business. This stewardship function includes responsibility for the matters set out in this Charter, which form part of the Board’s statutory responsibility to manage or supervise the management of the Corporation and its business and affairs.

2. REVIEW OF CHARTER

The Board shall review and assess the adequacy of this Charter annually and at such other times as it considers appropriate, and shall make such changes to this Charter as it considers necessary or appropriate.

3. DEFINITIONS AND INTERPRETATION

3.1 Definitions

In this Charter:

- (a) “**Audit Committee**” means the audit committee of the Board;
- (b) “**Board**” means the board of directors of the Corporation;
- (c) “**CEO**” means the chief executive officer of the Corporation;
- (d) “**CFO**” means the chief financial officer of the Corporation;
- (e) “**Chair**” means the chair of the Board and shall include the co-chairs of the Board, as the case may be;
- (f) “**Charter**” means this charter, as amended from time to time;
- (g) “Human Resources and **Compensation Committee**” means the Human Resources and Compensation Committee of the Board;
- (h) “**Corporation**” means Sleep Country Canada Holdings Inc.;
- (i) “**Director**” means a member of the Board;
- (j) “**NI 58-101**” means National Instrument 58-101 – *Disclosure of Corporate Governance Practices*;
- (k) “**Nominating and Corporate Governance Committee**” means the Nominating and Corporate Governance Committee of the Board;

- (l) **“Shareholders”** means the shareholders of the Corporation; and
- (m) **“Stock Exchanges”** means, at any time, the Toronto Stock Exchange and any other stock exchange on which any securities of the Corporation are listed for trading.

3.2 Interpretation

This Charter is subject to and shall be interpreted in a manner consistent with the articles and by-laws of the Corporation, the *Canada Business Corporations Act* (the “**CBCA**”) and any other applicable legislation.

CONSTITUTION OF THE BOARD

4. ELECTION AND REMOVAL OF DIRECTORS

4.1 Number of Directors

The Board shall consist of such number of Directors as the Board may determine from time to time, within the range set out in the Corporation’s articles.

4.2 Election of Directors

Directors shall be elected by the Shareholders annually for a one-year term, but if Directors are not elected at any annual meeting of the Corporation, the incumbent directors shall continue in office until their successors are elected.

4.3 Vacancies

The Board may appoint an individual to fill a vacancy which occurs on the Board between annual elections of Directors, to the extent permitted by the CBCA.

4.4 Ceasing to Be a Director

A Director will cease to hold office upon:

- (i) delivering a resignation in writing to the Corporation (or at such later date as may be specified in the resignation);
- (ii) being removed from office by an ordinary resolution of the Shareholders at an annual or special meeting of the Corporation;
- (iii) his or her death; or
- (iv) becoming disqualified from acting as a Director.

5. CRITERIA FOR DIRECTORS

5.1 Qualifications of Directors

Every Director shall be an individual who is at least 18 years of age, has not been found by a court to be of unsound mind and does not have the status of bankrupt.

5.2 Residency

At least 25% of the Directors shall be resident Canadians.

5.3 Independence of Directors

At least a majority of the Directors shall be independent for the purposes of NI 58-101 and Stock Exchange requirements.

5.4 Other Criteria

The Board may establish other criteria for Directors as contemplated in this Charter.

6. CHAIR OF THE BOARD

6.1 Chair to Be Appointed Annually

The Board shall appoint the Chair annually at the first meeting of the Board after a meeting of the Shareholders at which Directors are elected; provided, however, that if the appointment of a Chair is not so made, the Director who is then serving as Chair shall continue as Chair until his or her successor is appointed.

6.2 Position Description

Having regard to the recommendations of the Nominating and Corporate Governance Committee, the Board shall adopt a position description its Chair and the Chair of each committee of the Board.

7. REMUNERATION OF DIRECTORS AND RETAINING ADVISORS

7.1 Remuneration

Directors shall receive such remuneration for their service as the Board may determine from time to time, in consultation with the Nominating and Corporate Governance Committee.

7.2 Retaining and Compensating Advisors

Each Director shall have the authority to retain outside counsel and any other external advisors from time to time as appropriate with the approval of the chair of the Nominating and Corporate Governance Committee.

MEETINGS OF THE BOARD

8. MEETINGS OF THE BOARD

8.1 Time and Place of Meetings

Meetings of the Board shall be called and held in the manner consistent with and at any location contemplated in the Corporation's by-laws.

8.2 Frequency of Board Meetings

Subject to the Corporation's by-laws, the Board shall meet at least four times per year on a quarterly basis.

8.3 Quorum

In order to transact business at a meeting of the Board:

- (a) at least a majority of Directors then in office shall be present; and
- (b) at least 25% of the Directors present must be resident Canadians (or, if this is not the case, a resident Canadian Director who is unable to be present and whose presence at the meeting would have resulted in the required number of resident Canadian Directors being present, must approve the business transacted at the meeting, whether in writing, by phone or other communication facility).

8.4 Secretary of the Meeting

The Chair shall designate from time to time a person who may, but need not, be a Director, to act as secretary of any meeting of the Board.

8.5 Right to Vote

Each member of the Board shall have the right to vote on matters that come before the Board.

8.6 Voting

Any matters to be determined by the Board shall be decided by a majority of votes cast at a meeting of the Board called for such purpose. Actions of the Board may be taken by an instrument or instruments in writing signed by all of the members of the Board, and such actions shall be effective as though they had been decided by a majority of votes cast at a meeting of the Board called for such purpose.

8.7 Invitees

The Board may invite any of the Corporation's officers, employees, advisors or consultants or any other person to attend meetings of the Board to assist in the discussion and examination of the matters under consideration by the Board.

8.8 Confidentiality

The proceedings and deliberations of the Board and its committees are confidential. Each Director shall maintain the confidentiality of information received in connection with his or her services.

9. IN CAMERA SESSIONS

9.1 In Camera Sessions of Non-Management Directors

In connection with each meeting of the Board, the non-management Directors shall meet without any member of management being present (including any Director who is a member of management).

9.2 In Camera Sessions of Independent Directors

To the extent that non-management Directors include Directors who are not independent Directors as contemplated in this Charter, the independent Directors shall meet at the conclusion of each meeting of the Board with only independent Directors present.

DELEGATION OF DUTIES AND RESPONSIBILITIES OF THE BOARD

10. DELEGATION AND RELIANCE

10.1 Delegation to Committees

The Board may establish and delegate to committees of the Board any duties and responsibilities of the Board which the Board is not prohibited by law from delegating. However, no committee of the Board shall have the authority to make decisions which bind the Corporation, except to the extent that such authority has been specifically delegated to such committee by the Board.

10.2 Requirement for Certain Committees

The Board shall establish and maintain the following committees of the Board, each having mandates that incorporate all applicable laws and Stock Exchange listing requirements:

- (a) Audit Committee;
- (b) Human Resources and Compensation Committee; and
- (c) Nominating and Corporate Governance Committee.

10.3 Composition of Committees

The Board will appoint and maintain in office members of each of its committees such that the composition of each such committee is in compliance with all applicable laws and Stock Exchange listing requirements, and with such recommendations of relevant securities regulatory authorities and Stock Exchanges as the Board may consider appropriate, and having regard to the recommendations of the Nominating and Corporate Governance Committee with respect to such matters.

10.4 Review of Charters

On an annual basis, the Board will review the recommendations of the Nominating and Corporate Governance Committee with respect to the charters of each committee of the Board. The Board will approve those changes to the charters that it determines are appropriate.

10.5 Delegation to Management

General. The Board may designate the offices of the Corporation, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of the Corporation, except to the extent that such delegation is prohibited under the CBCA or limited by the articles or by-laws of the Corporation or by any resolution of the Board or policy of the Corporation.

CEO Position Description. Having regard to recommendations of the Human Resources and Compensation Committee, and in consultation with the CEO, the Board shall adopt a position description for the CEO which:

- (a) defines the limits of management's responsibilities; and
- (b) sets out the overall corporate goals and objectives that the CEO is responsible for meeting, taking into consideration goals and obligations relevant to CEO compensation approved by the Human Resources and Compensation Committee.

10.6 **Reliance on Management**

The Board is entitled to rely in good faith on the information and advice provided to it by the Corporation's management.

10.7 **Reliance on Others**

The Board is entitled to rely in good faith on the information and advice provided to it by advisors, consultants and such other persons as the Board considers appropriate.

10.8 **Oversight**

The Board retains responsibility for oversight of any matters delegated to any committee of the Board or to management.

DUTIES AND RESPONSIBILITIES

11. **DUTIES OF INDIVIDUAL DIRECTORS**

11.1 **Fiduciary Duty and Duty of Care**

In exercising his or her powers and discharging his or her responsibilities, a Director shall:

- (a) act honestly and in good faith with a view to the best interests of the Corporation; and
- (b) exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

11.2 **Compliance with CBCA and Constating Documents**

A Director shall comply with the CBCA and the regulations to the CBCA, as well as with the Corporation's articles and by-laws.

11.3 **Compliance with the Corporation's Policies**

A Director shall comply with all policies of the Corporation applicable to members of the Board, as approved by the Board.

12. **RESPONSIBILITIES OF DIRECTORS**

12.1 **Responsibilities Set out in Charter**

A Director shall review and participate in the work of the Board necessary in order for the Board to discharge its duties and responsibilities as set out in the Charter.

12.2 **Orientation and Education**

A Director shall participate in any orientation and continuing education programs developed by the Corporation for the Directors.

12.3 **Meeting Preparation and Attendance**

In connection with each meeting of the Board and each meeting of a committee of the Board of which the Director is a member, a Director shall:

- (a) review thoroughly the materials provided to the Director by management in connection with the meeting, provided that such review is practicable in view of the time at which such material was delivered to the Director; and
- (b) attend each meeting in person to the extent practicable (unless the meeting is scheduled to be held by phone or video-conference).

12.4 Assessment

A Director shall participate in such processes as may be established by the Board for assessing the Board, its committees and individual Directors.

12.5 Other Responsibilities

A Director shall perform such other functions as may be delegated to that Director by the Board or any committee of the Board from time to time.

13. BOARD RESPONSIBILITY FOR SPECIFIC MATTERS

13.1 Responsibility for Specific Matters

The Board explicitly assumes responsibility for the matters set out below, recognizing that these matters represent in part responsibilities reflected in requirements and recommendations adopted by applicable securities regulators and the Stock Exchanges and do not limit the Board's overall stewardship responsibility or its responsibility to manage or supervise the management of the Corporation and its business and affairs.

13.2 Delegation to Committees

Whether or not specific reference is made to committees of the Board in connection with any of the matters referred to below, the Board may direct any committee of the Board to consider such matters and to report and make recommendations to the Board with respect to these matters.

14. CORPORATE GOVERNANCE GENERALLY

14.1 Governance Practices and Principles

The Board shall be responsible for developing the Corporation's approach to corporate governance.

14.2 Governance Principles

- (a) *Governance Principles.* The Board shall review and approve, if appropriate, a set of governance principles and guidelines appropriate for the Corporation (the "**Governance Principles**") having regard to the recommendations of the Nominating and Corporate Governance Committee.
- (b) *Amendments.* The Board shall review the Governance Principles at least annually and shall adopt such changes to the Governance Principles as it considers necessary or desirable from time to time having regard to the recommendations of the Nominating and Corporate Governance Committee.

14.3 Governance Disclosure

- (a) *Approval of Disclosure.* The Board shall approve disclosure about the Corporation's corporate governance practices in any document before it is delivered to the Corporation's shareholders or filed with securities regulators or with the Stock Exchanges having regard to the recommendations of the Nominating and Corporate Governance Committee.
- (b) *Determination that Differences Are Appropriate.* If the Corporation's governance practices differ from those recommended by applicable securities regulators or the Stock Exchanges, the Board shall consider these differences and why the Board considers them to be appropriate having regard to the recommendations of the Nominating and Corporate Governance Committee.

14.4 Certification

The Board shall review and approve before it is filed each certification required to be delivered by the Corporation's CEO and/or CFO to any Stock Exchange with respect to the Corporation's compliance with the corporate governance provisions of its listing agreement.

14.5 Delegation to Nominating and Corporate Governance Committee

The Board may direct the Nominating and Corporate Governance Committee to consider the matters contemplated in this Section 14 and to report and make recommendations to the Board with respect to these matters.

15. RESPONSIBILITIES RELATING TO MANAGEMENT

15.1 Integrity of Management

The Board shall, to the extent feasible, satisfy itself:

- (a) as to the integrity of the CEO and other executive officers of the Corporation; and
- (b) that the CEO and other executive officers of the Corporation create a culture of integrity throughout the organization.

15.2 Succession Planning

- (a) General. The Board shall be responsible for succession planning, including appointing, training and monitoring senior management.
- (b) CEO Succession. Having regard to the recommendations of the Human Resources and Compensation Committee, the Board shall adopt:
 - (i) policies and principles regarding identifying and evaluating candidates as potential successors to the CEO; and
 - (ii) policies regarding succession in the event of an emergency or the retirement of the CEO.

15.3 Goals and Objectives of CEO

The Board shall receive recommendations of the Human Resources and Compensation Committee with respect to the corporate goals and objectives that the CEO is responsible for meeting and shall approve those goals and objectives as appropriate.

15.4 Executive Compensation Policy

The Board shall receive recommendations of the Human Resources and Compensation Committee and make such determinations as it considers appropriate with respect to:

- (a) the CEO's compensation level;
- (b) non-CEO officer compensation;
- (c) incentive-compensation plans;
- (d) equity-based compensation plans; and
- (e) policies relating to the determination and payment of bonuses.

The Board shall receive recommendations of the Nominating and Corporate Governance Committee and make such determinations as it considers appropriate with respect to:

- (a) Director compensation;

16. OVERSIGHT OF THE OPERATION OF THE BUSINESS

16.1 Risk Management

Taking into account the reports of management and such other persons as the Board may consider appropriate, the Board shall identify the principal risks of the Corporation's business and satisfy itself as to the implementation of appropriate systems to manage these risks.

16.2 Strategic Planning Process

The Board shall adopt a strategic planning process and shall approve, on at least an annual basis, a strategic plan which takes into account, among other things, the opportunities and risks of the Corporation's business.

16.3 Internal Control and Management Information Systems

The Board shall review the reports of management and the Audit Committee concerning the integrity of the Corporation's internal control and management information systems. Where appropriate, the Board shall require management (overseen by the Audit Committee as appropriate) to implement changes to such systems to ensure the integrity of such systems.

16.4 Disclosure Policy and Feedback Process

The Board shall adopt a disclosure policy for communicating with Shareholders, the investment community, the media, governments and their agencies, employees and the general public, having regard to the recommendations of the Nominating and Corporate Governance Committee. Such policy shall be developed with reference to the requirements and recommendations of applicable securities laws and the Stock Exchanges. The Board shall consider, among other things, the recommendations of management and the Nominating and Corporate Governance Committee with respect to this policy.

The Board shall establish a process pursuant to which the Board can receive feedback from security holders and other stakeholders.

16.5 Financial Statements

- (a) The Board shall receive regular reports from the Audit Committee with respect to the integrity of the Corporation's financial reporting system and its compliance with all regulatory requirements relating to financial reporting.
- (b) The Board shall review the recommendation of the Audit Committee with respect to the annual financial statements of the Corporation to be delivered to shareholders. If appropriate, the Board shall approve such financial statements.

16.6 Capital Management

The Board shall receive regular reports from management on the structure and management of the Corporation's capital.

16.7 Pension Plan Matters

If applicable, the Board shall receive and review reports from management and from the Human Resources and Compensation Committee covering administration, investment performance, funding, financial impact, actuarial reports and other pension plan related matters.

16.8 Code of Ethics and Business Practices

- (a) *Adoption of Code of Ethics and Business Practices.* The Board will adopt a code of ethics and business practices (the "**Code of Conduct**") for the Corporation having regard to the recommendations of the Nominating and Corporate Governance Committee. In adopting the Code of Conduct, the Board will consider the recommendations of the Nominating and Corporate Governance Committee concerning its compliance with applicable laws and the Stock Exchange listing requirements.
- (b) *Compliance and Disclosure.* The Board will direct the Nominating and Corporate Governance Committee to monitor compliance with the Code of Conduct and recommend disclosures with respect thereto. The Board will consider any report of the Nominating and Corporate Governance Committee concerning these matters, and will approve, if determined appropriate, the disclosure of the Code of Conduct.
- (c) *Waivers.* The Board shall consider any report of the Nominating and Corporate Governance Committee with respect to any waiver granted to a director or senior officer of the Corporation from complying with the Code of Conduct and shall approve or reject such request as it deems appropriate.

17. NOMINATION OF DIRECTORS

17.1 Nomination and Appointment of Directors

The Board shall nominate individuals for election as Directors by the Shareholders, having regard to the recommendations of the Nominating and Corporate Governance Committee.

The Board shall adopt a process (having regard to the recommendations of the Nominating and Corporate Governance Committee) pursuant to which the Board shall consider:

- (a) what competencies and skills the Board, as a whole, should possess;
- (b) what competencies and skills each existing Director possesses and which the Board, as a whole, possesses;

- (c) the representation of women on the Board;
- (d) the desirability of maintaining diversity of personal characteristics such as experience, perspective, education, race, gender and national origin among the Directors;
- (e) the mechanisms that should be adopted to ensure periodic Board renewal;
- (f) the personality and other qualities of each Director ; and
- (g) the appropriate size of the Board, with a view to facilitating effective decision-making.

17.2 Diversity

The Board shall nominate individuals for election as Directors that represent both diversity of personal characteristics, such as experience, perspective, education, race, gender and national origin, and business understanding and experience. The Board also supports the Company's commitment to the representation of women on the Board and establishes a target representation level for women on the Board of 30%.

18. BOARD EFFECTIVENESS

18.1 Position Descriptions

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Corporate Governance Committee concerning formal position descriptions for:

- (a) the Chair;
- (b) the Chair of each committee of the Board; and
- (c) the CEO.

18.2 Director Orientation and Continuing Education

The Board shall review and, if determined appropriate, approve the recommendations of the Nominating and Corporate Governance Committee concerning:

- (a) a comprehensive orientation program for new Directors; and
- (b) a continuing education program for all Directors.

18.3 Board, Committee and Director Assessments

The Board shall adopt a process having regard to the recommendation of the Nominating and Corporate Governance Committee for assessing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual Directors on an annual basis.

18.4 No Term Limit

The Corporation does not impose fixed term limits on Directors. The Board's assessment of the contributions of individual Directors in accordance with the process established by this Section 18 is a more meaningful way to make determinations about whether a director should be removed due to underperformance.

18.5 Annual Assessment of the Board

Each year, the Board shall assess its performance and effectiveness and review this Charter in accordance with the process established by the Nominating and Corporate Governance Committee.

Reviewed and approved by the Board of Directors of Sleep Country Canada Holdings Inc. as of February 4, 2020.

