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PRELIMINARY NOTES

Date of Information

Except where otherwise indicated, all information in this AIF is given as of December 31, 2017.

Currency and Exchange Rate

Except where otherwise indicated, all references to currency in this AIF are to US dollars.

On April 28, 2017, the Bank of Canada stopped publishing Noon and Closing Rates, and began publishing rates once each business day by 16:30 EST. As such, the following table sets forth, for each period indicated, the exchange rates of the US dollar to the Canadian dollar at the end of such period and the high, low, and average exchange rates for such period, calculated as an average of the daily rates for fiscal year 2017 and an average of the daily noon rates for fiscal years 2015 and 2016. Such rates, which are expressed in US dollars, as reported by the Bank of Canada, are based on the daily buying rate for one Canadian dollar for fiscal year 2017 and are based on the noon buying rate for one Canadian dollar for fiscal years 2015 and 2016.

<table>
<thead>
<tr>
<th>Year</th>
<th>High</th>
<th>Low</th>
<th>Average</th>
<th>End of Period</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$0.8245</td>
<td>$0.7276</td>
<td>$0.7708</td>
<td>$0.7971</td>
</tr>
<tr>
<td>2016</td>
<td>$0.7972</td>
<td>$0.6854</td>
<td>$0.7548</td>
<td>$0.7448</td>
</tr>
<tr>
<td>2015</td>
<td>$0.8527</td>
<td>$0.7148</td>
<td>$0.7820</td>
<td>$0.7225</td>
</tr>
</tbody>
</table>

Forward-Looking Statements

Certain information and statements contained in this AIF, including significant portions of the “Avigilon’s Business” and “Risk Factors” sections of this AIF, contain and constitute ‘forward-looking information’ and ‘forward-looking statements’, as defined under applicable securities laws (collectively, “forward-looking statements”). Forward-looking statements normally contain words like ‘believe’, ‘expect’, ‘anticipate’, ‘plan’, ‘intend’, ‘continue’, ‘estimate’, ‘may’, ‘will’, ‘would’, ‘should’, ‘ongoing’, and similar expressions, and, within this AIF, include, without limitation, any statements (express or implied) respecting: Avigilon’s future plans, strategies, and objectives; projected revenues; future trends, opportunities, and growth in Avigilon’s industry; Avigilon’s ability to maintain and enhance its competitive advantages within its industry and in certain markets; Avigilon’s product and R&D plans; new product functionality and suitability; the addition and retention of personnel; the expansion and improvement of Avigilon’s Reseller network; increases to brand awareness and market penetration; the ongoing ability of Avigilon to access funds under the Credit Facility; projected uses of the funds available under the Credit Facility; strategies respecting intellectual property protection and licensing; the expansion, development, and adequacy of Avigilon’s real property facilities; any planned or expected changes to Avigilon’s senior leadership team and matters related thereto; the ability of the Shareholder Rights Plan Agreement to maximize Shareholder value in the event of an unsolicited takeover offer; Avigilon’s ability to enter into new patent licenses in connection with the Patent License Program or generate revenues; the expected benefits of the Pricing Adjustment; the anticipated benefits of the Arrangement to Avigilon and the Shareholders; and the ability of Avigilon to satisfy the conditions to, and to complete, the Arrangement; and the expected timing for closing the Arrangement.

Forward-looking statements are not guarantees of future performance, actions, or developments and are based on expectations, assumptions, and other factors that Management currently believes are relevant, reasonable, and appropriate in the circumstances, including, without limitation, assumptions that: Avigilon will be able to successfully execute its plans, strategies, and objectives; Avigilon will be able to successfully manage cash flow and working capital; future financing will be available to Avigilon on favourable terms when and if required; Avigilon will keep pace with or outpace the growth, direction, and technological advancement in its industry; industry data and projections obtained from sources are accurate and reliable; Avigilon will be able to design, manufacture, and market new products and enhance its existing product lines; Avigilon will be able to maintain, improve, and grow its Reseller network; Avigilon will be able to attract and retain qualified personnel; foreign jurisdictions will not impose unexpected risks; products and parts will be available from suppliers on a timely basis and on favourable terms; Avigilon will, on an ongoing basis, remain in good standing under the terms of the Credit Facility; Avigilon will be able to successfully integrate businesses, intellectual property, products, and technologies that it may acquire, if any; Avigilon will be able to expand, manage, and develop its real property facilities; Avigilon will not face any material unexpected costs related to product liability or warranties; Avigilon’s protection of its intellectual property is
sufficient and its technology does not and will not materially infringe third party intellectual property rights; Avigilon will be able to obtain necessary third party licenses on favourable terms; Avigilon will not become involved in material litigation; the Shareholder Rights Plan Agreement is and will be a prudent and enforceable measure to help maximize Shareholder value in connection with any unsolicited take-over offer; Avigilon will be able to operate its patent licensing program on an economically viable basis; the lower prices of Avigilon’s products under the Pricing Adjustment will drive unit sales and revenues, expand addressable market and capture additional market share; Avigilon’s executive succession plan will proceed as planned; the ability of the parties to the Arrangement Agreement to receive, in a timely manner and on satisfactory terms, the necessary regulatory, court, shareholder and other third party approvals; and the ability of the parties to satisfy, in a timely manner, the other conditions to the closing of the Arrangement. Avigilon has also assumed that no significant events will occur outside of Avigilon’s normal course of business.

Although Management believes that the forward-looking statements contained in this AIF are reasonable, actual results could be substantially different due to the risks and uncertainties associated with and inherent to Avigilon’s business, as more particularly described in the “Risk Factors” section of this AIF. Although Avigilon has attempted to identify factors that may cause actual actions, events, or results to differ materially from those disclosed in the forward-looking statements, there may be other factors that cause actions, events, or results not to be as anticipated, predicted, estimated, or intended. Also, many of the factors are beyond the control of Avigilon. Accordingly, readers should not place undue reliance on forward-looking statements.

Avigilon undertakes no obligation to reissue or update any forward-looking statements as a result of new information or events after the date hereof except as may be required by law. All forward-looking statements contained in this AIF are qualified by this cautionary statement.

Industry and Market Data

Information contained in this AIF concerning the industry and the markets in which Avigilon operates, including Avigilon’s perceived trends, market position, market opportunity, market share, and competitive advantages within the video surveillance and electronic access control markets, is based on information from independent industry analysts and third party sources (including industry publications, surveys, and forecasts), Avigilon’s internal research, and Management estimates. Management estimates are derived from publicly available information released by independent industry analysts and other third party sources, as well as data from Avigilon’s internal research, and are based on assumptions made by Avigilon based on such data and its knowledge of its industry and markets, which Management believes to be reasonable. Certain of the sources utilized in this AIF have not consented to the inclusion of any data from their reports, nor has Avigilon sought their consent. Avigilon’s internal research has not been verified by any independent source, and Avigilon has not independently verified any third-party information. While Avigilon believes the market opportunity and market share information included in this AIF is generally reliable, such information is inherently imprecise. In addition, projections, assumptions, and estimates of Avigilon’s future performance and the future performance of the industry and the markets in which Avigilon operates constitute forward-looking statements herein and are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in the “Risk Factors” and other sections of this AIF.

Trademarks

AVIGILON, the AVIGILON logo, AVIGILON BLUE, AVIGILON CONTROL CENTER, ACC, ACCESS CONTROL MANAGER, ACM, ACM EMBEDDED CONTROLLER, AVIGILON PRESENCE DETECTOR, HDSM, HIGH DEFINITION STREAM MANAGEMENT, HDSM SmartCodec, LIGHTCATCHER, AVIGILON APPEARANCE SEARCH, and TRUSTED SECURITY SOLUTIONS are trademarks of Avigilon. Other names or logos mentioned herein may be the trademarks of their respective owners. The absence of the symbols ™ and ® in proximity to each trademark in this AIF is not a disclaimer of ownership of the related trademark.

GLOSSARY OF TERMS

The following is a glossary of certain terms used in this AIF:

“555 Robson” means the building and lands located at 555 Robson Street in Vancouver, British Columbia, Canada;

“ACC” means Avigilon Control Center software;

“ACC Mobile” is the version of ACC that is available as a smartphone application;
“ACM” means Avigilon’s Access Control Manager software;

“Agreement of Purchase and Sale” means the agreement of purchase and sale dated May 5, 2017 providing for the sale of 555 Robson by affiliates of Avigilon to a group of arm’s length purchasers;

“AIF” means this Annual Information Form;


“Arrangement” means the plan of arrangement under the CBCA contemplated by the Arrangement Agreement;

“Arrangement Agreement” means the arrangement agreement dated February 1, 2018 between Avigilon and Motorola Solutions;

“Articles” means the articles of incorporation of the Corporation;

“Avigilon” or the “Corporation” means Avigilon Corporation;

“Avigilon Appearance Search” means Avigilon’s object search capability, which is available on ACC, and is driven by deep learning artificial intelligence technology embedded in ACC;

“Avigilon Blue” means the cloud-based security and surveillance platform developed by Avigilon;

“Board” means Avigilon’s Board of Directors;

“CAD” means Canadian dollars;

“CBCA” means the Canada Business Corporations Act;

“Common Share” means a common share in the capital of Avigilon;

“Computershare” means Computershare Investor Services Inc.;

“Credit Agreement” means the credit agreement made as of April 7, 2015 between Avigilon, certain of its subsidiaries, HSBC as administrative agent, and the Lenders, as amended from time to time, as more particularly described under the heading “Material Contracts - Credit Facility”;

“Credit Facility” means Avigilon’s multi-tranche syndicated credit facility, as more particularly described under the heading “Material Contracts - Credit Facility”;

“Director” means a director of the Corporation and member of the Board;

“EMEA” means Europe, the Middle East, and Africa;

“ERP” means enterprise resource planning;

“EY” means Ernst & Young LLP (Canada);

“First Amending Agreement” means the first amending agreement to the Credit Agreement, among the parties thereto, dated November 13, 2015;

“forward-looking statements” is defined under “Preliminary Notes - Forward-Looking Statements” above;

“GPU” means graphics processing unit;

“H.264” refers to a standard for video compression that is one of the most commonly used formats for compressing, transmitting, and recording HD video;
“HD” means high definition;

“HDSM” means High Definition Stream Management;

“HSBC” means HSBC Bank Canada;

“Includes” and all grammatical variants thereof, means to be inclusive without limitation;

“IP” means internet protocol;

“IT” means information technology;

“Lenders” means the financial institutions named on the signature pages to the Credit Agreement, together with such persons as become parties to the Credit Agreement as lenders;

“Management” means the management of the Corporation;

“Motorola Solutions” means Motorola Solutions, Inc. and Motorola Solutions Canada Holdings Inc.;

“MP” means megapixel;

“NCIB” means the Corporation’s normal course issuer bid which was accepted by the TSX on May 8, 2015;

“NI 52-110” means National Instrument 52-110 – Audit Committees;

“NVR” means network video recorder;

“OEM” means original equipment manufacturer;

“Patent” means patent or design right;

“Patent License Program” means the program under which Avigilon licenses, on non-exclusive terms, certain of its Patent assets;

“plug-and-play” is a reference to the convenience of little or no setup being required in order to use a device;

“PoE” means power-over-Ethernet;

“Pricing Adjustment” means Avigilon’s strategic price reduction in respect of Avigilon’s H3 camera line and select NVRs, implemented in the second quarter of 2016 with the goal of driving unit sales and revenues, expanding addressable market and capturing additional market share;

“PTZ” means pan tilt zoom and refers to a type of camera that can be controlled via joystick or digital video recorder and moved up, down, left, and right, and also zoomed in and out;

“PWC” means PricewaterhouseCoopers LLP;

“R&D” means research and development;

“Raymond James” means Raymond James Ltd.;

“Reseller” means a dealer or integrator to whom Avigilon’s products are sold, as more fully described under “Avigilon’s Business – Sales and Distribution” below;

“SDK” means software development kit;

“Second Amending Agreement” means the second amending agreement to the Credit Agreement, among the parties thereto, dated July 18, 2016;
“Security Solutions” means end-to-end security product solutions that include HD IP cameras, VMS, electronic access control, self-learning video analytics, and related accessories;

“SEDAR” means the System for Electronic Document Analysis and Retrieval in Canada, which can be accessed online at www.sedar.com;

“Shareholder” means a holder of Common Shares;

“Shareholder Rights Plan Agreement” means the shareholder rights plan agreement dated May 25, 2016 between Avigilon and Computershare;

“Support and Voting Agreements” means the support and voting agreements dated February 1, 2018 among Motorola Solutions and each of the Supporting Shareholders;

“Supporting Shareholders” means the Shareholders who have entered into the Support and Voting Agreements, being Alexander Fernandes, Wan Jung, Murray Tevlin, Fred Withers, Mike McKnight, James Henderson, Joel Schuster, Mahesh Saptharishi, Ryan Nolan, Samuel Cochrane, and Manny Gill;

“TSX” means the Toronto Stock Exchange;

“US” means the United States of America;

“USD” means US dollars; and

“VMS” means video management software.

CORPORATE STRUCTURE

Name, Address and Incorporation

Avigilon Corporation was incorporated under the CBCA on October 22, 2004.

On June 17, 2008, the Articles were amended to: (i) create Class A preferred shares; (ii) amend the rights, privileges, restrictions, and conditions attached to the Common Shares; and (iii) attach certain rights, privileges, restrictions, and conditions to the Class A preferred shares.

On November 2, 2011, the Articles were amended to: (i) attach certain rights, privileges, restrictions, and conditions to the Common Shares; (ii) amend the rights, privileges, restrictions, and conditions attached to the Common Shares and the Class A preferred shares to remove a drag-along provision for a forced sale of shares in certain circumstances; and (iii) amend the provision restricting the transfers of shares.

On November 9, 2011, the Articles were amended to (i) eliminate the Class A preferred shares; and (ii) to remove the rights, privileges, restrictions, and conditions attached to the same.

Avigilon completed its initial public offering in November 2011, pursuant to which the Common Shares were listed and posted for trading on the TSX under the symbol ‘AVO’.

On May 25, 2014, By-Law No. 1 of the Corporation was amended to provide for the indemnification by the Corporation of its Directors and executive officers against costs, charges, and expenses reasonably incurred in respect of any civil, criminal, administrative, investigative, or other proceedings in which one or more of them may become involved due to their association with the Corporation.

On May 21, 2015 the Corporation adopted By-Law No. 2 containing advance notice requirements for nominations, by Shareholders, of individuals for election to the Board.

Avigilon’s head office is located at 3rd Floor – 555 Robson Street, Vancouver, British Columbia, Canada, and its registered office is located at 2900 – 550 Burrard Street, Vancouver, British Columbia, Canada V6C 0A3.
**Intercorporate Relationships**

As of the date of this AIF, Avigilon has the following material directly or indirectly wholly-owned subsidiaries:

1. Avigilon USA Corporation, which was incorporated under the laws of Delaware on October 22, 2012;
2. AVO USA Holding 1 Corporation, which was incorporated under the laws of Delaware on July 8, 2014;
3. Avigilon Technologies Corporation, formerly Avigilon Patent Licensing Corporation, and formerly “9051112 Canada Inc.”, which was incorporated under the CBCA on October 14, 2014; and
4. Avigilon Fortress Corporation, formerly “9099590 Canada Inc.”, which was incorporated under the CBCA on November 25, 2014.

**GENERAL DEVELOPMENT OF THE BUSINESS**

**Three Year History**

Over the last three financial years (covering January 1, 2015 to December 31, 2017), Avigilon continued to grow its revenues from the sale of Avigilon’s Security Solutions, expanded and enhanced its innovative product portfolio, made investments in its corporate and manufacturing facilities, and successfully completed a number of significant corporate events.

**2015 Financial Year**

In 2015, Avigilon completed a number of corporate and operational projects, including the establishment of the Credit Facility, the implementation of a new management structure, and the continued expansion of its corporate and manufacturing facilities. The Corporation also continued to grow revenue, develop new product lines, and expand its intellectual property portfolio. Key product launches in 2015 included the 4K and 5K HD Pro camera series with self-learning video analytics, the 6K and 7K pro camera series, ACM 5.4, ACC 5.6, the ACC Embedded Server HD Recorder, the ACM Embedded Controller, and the new HD Multisensor camera series.

On January 21, 2015, Avigilon announced the acquisition of 96 US and international patents and 25 US and international patent applications from four unrelated vendors for aggregate cash consideration of approximately $13.4 million.

On March 19, 2015, Joel Schuster was appointed as Avigilon’s Chief Legal Officer, Senior Vice President, and Corporate Secretary. Mr. Schuster previously served as Avigilon’s Vice President of Legal and Corporate Secretary.

On April 7, 2015, the Corporation entered into the Credit Facility. See “Material Contracts - Credit Facility”.

On April 9, 2015, Mike McKnight, former Senior Vice President and Investment Advisor for Raymond James, was appointed to the Board.

On May 8, 2015, the Corporation announced the NCIB, under which the Corporation was authorized to purchase up to 3,789,740 outstanding Common Shares on the open market, representing approximately 10% of the Corporation’s public float as of May 5, 2015. Purchases of Common Shares under the NCIB commenced on May 12, 2015 and concluded on November 2, 2015, at which time the Corporation had completed the purchase of 3,789,700 Common Shares. All Common Shares purchased by the Corporation under the NCIB were returned to treasury and cancelled.

On July 1, 2015, Ric Leong was appointed as Avigilon’s Chief Financial Officer and Senior Vice President. Mr. Leong previously served as Avigilon’s Chief Accounting Officer and Senior Vice President. Mr. Leong succeeded Wan Jung, who continues to serve on the Board.

On August 5, 2015, James Henderson was appointed as Avigilon’s Senior Vice President of Global Sales. Mr. Henderson previously served as Avigilon’s Vice President, North America Sales.

On September 2, 2015, Avigilon announced a reorganization of its senior management team in order to streamline its reporting structure and increase operational efficiency. Avigilon’s seven major departments, being product
development, sales, marketing, operations, finance, legal, and human resources, began reporting directly to Alexander Fernandes, then Avigilon’s Founder, President, Chief Executive Officer, and Chairman of the Board.

On October 29, 2015, Avigilon announced the early completion of its US manufacturing facility in Plano, Texas, US. See “Avigilon’s Business - Production”.

On November 16, 2015, Avigilon announced that it had increased the Credit Facility from $200 million to $240 million. See “Material Contracts - Credit Facility”.

On November 30, 2015, Avigilon announced that it had completed the purchase of 555 Robson from TELUS Communications Inc. and TELUS Communications Company for CAD$42 million. See “Avigilon’s Business - Facilities”.

2016 Financial Year

In 2016, Avigilon advanced and completed a number of corporate and operational projects, including the implementation of a new ERP system, the change in reporting and functional currency from Canadian dollars to US dollars, the opening of a new office near Boston, Massachusetts to house segments of its product development and product management teams, the continued renovation of 555 Robson to serve as its new global headquarters, an extension to the term of the Credit Facility, and the adoption of the Shareholder Rights Plan Agreement. The Corporation also continued to grow revenue, develop new product lines, and expand its intellectual property portfolio. Key product launches in 2016 included: the H4 camera family consisting of the H4A, H4 ES, H4 Fisheye, H4 PTZ, and H4 SL camera series; ACC versions 5.8 and 5.10, featuring video search capabilities and integration with central monitoring station software; the third generation of NVRs and workstations; and ACM 5.8, featuring new integrations with biometric devices, intrusion panels and a host of wired and wireless locks and door controllers.

On January 12, 2016, Avigilon entered a shareholder rights plan agreement with Computershare, which was subsequently replaced by the Shareholder Rights Plan Agreement. See “Material Contracts – Shareholder Rights Plan Agreement”.

On January 21, 2016, Pradeep Khosla, Chancellor of the University of California, San Diego, was appointed to the Board, increasing the number of Directors on the Board to eight.

On February 11, 2016, Avigilon announced the official opening of its new office in Assembly Row, located outside of Boston in Somerville, Massachusetts. This office covers approximately 33,000 square feet and houses segments of Avigilon’s product development and project management teams.

On February 16, 2016, Avigilon announced the launch of the “Early Adopter Plan” for the Patent License Program, which offered preferred license rates and terms to companies that entered into a Patent License Agreement with Avigilon prior to April 30, 2016.

In the second quarter of 2016, Avigilon implemented the Pricing Adjustment.

On May 25, 2016, Avigilon entered into the Shareholder Rights Plan Agreement. See “Material Contracts – Shareholder Rights Plan Agreement”.

On July 18, 2016, Avigilon amended the Credit Facility in order to, among other things, extend its maturity date from April 7, 2018 to April 7, 2019. See “Material Contracts – Credit Facility”.

On November 2, 2016, James Henderson was appointed as Avigilon’s Chief Sales and Marketing Officer. Mr. Henderson previously served as Avigilon’s Senior Vice President, Global Sales.

On November 28, 2016, Avigilon announced that it had engaged CBRE Limited to market 555 Robson for sale and leaseback.

2017 Financial Year

In 2017, Avigilon advanced and completed a number of corporate and operational projects, including relocating its global headquarters to the newly renovated office building at 555 Robson and entering into the Agreement of Purchase and Sale in respect of 555 Robson. The Corporation also continued to grow revenue, develop new product lines, and expand its intellectual property portfolio. Key product launches and announcements in 2017
included: the release of ACC version 6 with Avigilon Appearance Search technology, the expansion of Avigilon Appearance Search technology with face and vehicle search, the introduction of HDSM SmartCodec Technology for Bandwidth Management, the expansion of the H4 SL Platform with 3 MP and Indoor Models, the launch of the H4 Mini Dome Camera Line, enhancements to ACM with biometric integration, the release of the H4 Thermal Camera Line and the H4 IR PTZ Camera Line, the introduction of Avigilon Presence Detector, and the announcement of the Avigilon Blue.


On May 10, 2017, Avigilon announced the promotion of James Henderson to Chief Operating Officer. Mr. Henderson joined Avigilon in 2011, and previously served as Chief Sales and Marketing Officer.

In June of 2017, Avigilon completed the relocation of its global headquarters from 858 Beatty Street in Vancouver, British Columbia to the newly-renovated office building at 555 Robson Street.

On June 29, 2017, Avigilon held its Annual General and Special Meeting of Shareholders, at which Shareholders approved: a reduction in the number of Directors from eight to five; and the Amended and Restated Incentive Security Plan. Existing Directors Bruce Marginson, Larry Berg, and Pradeep Khosla did not stand for re-election at the meeting as Management sought to reconfigure the size and composition of the Board following Management’s analysis taking into account the stage of Avigilon’s development, the boards of directors of similar corporations, and the goals of seeking efficiencies and increasing profitability.

In July of 2017, Avigilon completed the majority of renovations and improvements at 555 Robson. Certain additional construction in common areas and unoccupied floors was completed in December of 2017, and less substantive finishing work continues in 2018, including elevator upgrades and improvements to common areas.

On September 19, 2017, Avigilon announced that it was developing Avigilon Blue.

On October 24, 2017, Avigilon announced the promotion of James Henderson to President and Chief Operating Officer as part of the Corporation’s executive succession plan. Pursuant to this plan, Mr. Henderson is expected to be promoted to Chief Executive Officer (“CEO”) in 2018, at which time Alexander Fernandes, Avigilon’s Founder, current CEO, and Chairman of the Board is expected to remain as Chairman of the Board.

2018 Financial Year

On February 1, 2018, Avigilon entered the Arrangement Agreement, pursuant to which Motorola Solutions agreed to acquire all of the issued and outstanding Common Shares for cash consideration of CAD$27.00 per Common Share pursuant to the Arrangement. See “Material Contracts – Arrangement Agreement”.

On February 16, 2018, Avigilon completed the sale of 555 Robson pursuant to the terms of the Agreement of Purchase and Sale for gross proceeds of approximately CAD$107.5 million. Concurrently with the sale of 555 Robson, Avigilon entered into a lease agreement providing for its leaseback of the office building located at 555 Robson.

AVIGILON’S BUSINESS

Business Overview

Avigilon provides trusted security solutions to the global market. Avigilon designs, develops and manufactures video analytics, network video management software and hardware, surveillance cameras, and access control solutions. Management believes that Avigilon is well-positioned to take advantage of current market trends including a continuing shift to HD and IP-based systems, the convergence of video surveillance and access control, the increasing deployment of intelligence-delivering video analytics, and the increasing demand for cloud-based security solutions. Avigilon is expanding its geographic footprint, leveraging its investments in infrastructure, leveraging its intellectual property portfolio, and focusing on continuous innovation across its product offerings.

Commercial sales of Avigilon’s products began in December 2007. Since 2008, Avigilon’s first full year of sales, through December 31, 2017, Avigilon’s revenues have experienced a compound annual growth rate (CAGR) of approximately 64%:
Principal Markets and Revenue Breakdown by Geographic Region

The Corporation’s revenue is primarily derived through sales of its Security Solutions into the global security market. Avigilon’s revenue is earned in five main regions: US; EMEA; Canada; Asia Pacific; and Latin America, as shown on the following chart:

### Revenue by Geographic Region

<table>
<thead>
<tr>
<th>Region</th>
<th>Year ended December 31, 2017 ($ 000's)</th>
<th>Year ended December 31, 2016 ($ 000's)</th>
<th>% Growth</th>
</tr>
</thead>
<tbody>
<tr>
<td>United States</td>
<td>236,542</td>
<td>203,790</td>
<td>16%</td>
</tr>
<tr>
<td>EMEA</td>
<td>107,505</td>
<td>91,276</td>
<td>18%</td>
</tr>
<tr>
<td>Canada</td>
<td>26,650</td>
<td>20,727</td>
<td>29%</td>
</tr>
<tr>
<td>Asia Pacific</td>
<td>22,281</td>
<td>25,175</td>
<td>-11%</td>
</tr>
<tr>
<td>Latin America</td>
<td>15,651</td>
<td>12,654</td>
<td>24%</td>
</tr>
<tr>
<td><strong>Total Revenue</strong></td>
<td><strong>408,629</strong></td>
<td><strong>353,622</strong></td>
<td><strong>16%</strong></td>
</tr>
</tbody>
</table>

Avigilon’s revenue growth continues to reflect increased product sales worldwide resulting from greater customer adoption in existing markets, Avigilon’s entry into new geographic markets, new product introductions, greater adoption of video analytics, and ongoing contributions from the Patent License Program.

Sales and Distribution Methods

Avigilon’s sales and distribution channels are based on a business-to-business model and not a business-to-consumer model, with Avigilon generally selling its products to a network of dealers and integrators ("Resellers") and not directly to end-user customers. Avigilon’s staff work either directly with prospective end-user customers or in coordination with Resellers to promote and design security and surveillance solutions that are tailored to the specific needs of end-users. Management believes that Avigilon encourages Reseller loyalty through product differentiation, innovation, pricing, and loyalty programs to stimulate sales channel growth. Avigilon plans to
continue increasing the number of its sales personnel, expand its Reseller base, and invest in activities that build brand awareness and drive sales lead generation. Management expects future sales activities will continue to focus on priority geographic regions and key industry verticals.

Industry Overview

Understanding Video Surveillance

Video surveillance systems are generally composed of one or more cameras, recording devices, and viewing stations. There are three categories of video surveillance systems: pure analog; analog/digital-hybrid; and fully digital IP. A fully digital IP system offers many benefits over pure analog and analog/digital-hybrid systems. While not all digital IP systems support the following features, IP video technology makes possible, among other things:

- support for capturing and transmitting image resolutions in excess of two million pixels;
- a single cable that provides PoE and bidirectional communication with the camera;
- support for integrating multiple sensing modalities such as video and audio within one platform;
- wireless capability;
- integration with existing Ethernet computer network cabling and hardware equipment, meaning lower total cost of ownership because less installation and maintenance is typically required;
- video accessible from practically anywhere at any time on virtually any device;
- integration with video analytics and computer vision algorithms processing within a camera or edge appliance;
- increased ability to analyze, search, correlate, and export video footage;
- greater scalability for large systems together with the ability to integrate with a variety of network connected services; and
- support for cloud-based services.

A fully digital IP system may provide higher quality surveillance images than analog and hybrid systems. The quality of digital images will depend upon how the system captures, compresses, transmits, and ultimately decompresses an image.

Understanding Access Control

Physical access control systems are generally comprised of the following components: a credential; a reader compatible with the credential; a controller capable of granting or denying access to a physical space based on the rights associated with the credential; a door lock mechanism that can be managed by the controller; and software capable of configuring, managing, and monitoring the access control system. Much like video surveillance systems, access control systems are available as purely proprietary digital, proprietary, IP hybrid, and fully IP systems. While not all IP systems support the following features, IP access control technology makes possible, among other things:

- intelligent readers and controllers;
- integration with video surveillance systems;
- support for biometrics, allowing for multi-factor authentication;
- wireless capability;
- integration with existing Ethernet computer network cabling and hardware equipment, meaning lower total cost of ownership because less installation and maintenance is typically required;
- advanced data encryption, allowing secure management and remote monitoring of access control systems;
- increased ability to analyze, search, and correlate access control metadata;
- greater scalability for large systems together with the ability to integrate with a variety of network connected services; and
- increasing support for mobile phone-based access credentials and cloud hosted services.

Industry Trends

Avigilon believes that the four significant trends transforming the video surveillance and access control industry are as follows:
(1) a continuing shift to HD and IP-based systems;  
(2) the convergence of video surveillance and access control;  
(3) the increasing deployment of intelligence-delivering video analytics; and  
(4) the increasing demand for cloud based security solutions.

As the market continues moving towards IP video and access control systems, installation costs tend to decline, and systems are often more manageable, scalable, and resistant to obsolescence. Management believes that higher quality video and information content also enables faster returns on investment for the end-user.  

Customers deploying access control systems increasingly also deploy video surveillance solutions and vice versa. This trend is coupled with the natural preference to unify the management and monitoring of both systems. A unified system generally results in increased ease of use and functionality, potentially reducing its total cost of ownership.  

Management believes that the future of the security industry is in gathering more information from video and access control data through video analytics that convert raw data into actionable intelligence and enable end-users to make more informed decisions. The shift from storing or viewing data to gaining real-time insights from such data allows end-users to consider ways in which these systems can improve their business beyond just security.  

**Avigilon’s Security Solutions**  
Avigilon’s Security Solutions are designed as easy-to-use software and hardware IP network products that include image capture, analysis, storage, transfer, and playback of high quality video surveillance footage with visually lossless compression (no perceptible loss of visual detail), and electronic access control management. Avigilon’s Security Solutions may be configured into a customized, end-to-end, integrated intelligent security system that provides high quality video and data using relatively low bandwidth. Avigilon’s Security Solutions include features such as: electronic access control; automatic event detection; pattern-based analytics algorithms; teach-by-example self-learning capabilities; alarm monitoring; integrations with third party platforms; video export; enterprise-level server and site management; extended video wall viewing; object search; appearance search; and remote viewing via mobile devices.  

**HD IP Cameras**  
Avigilon offers a wide range of HD IP cameras from 1MP to 30MP with multiple features. All Avigilon cameras have microprocessors and embedded software designed to allow for automatic adaptation to changes in the image scene and real time information processing. Avigilon’s cameras also have many customer selectable options, such as: self-learning video analytics; LightCatcher technology for superior performance in low-light conditions; built-in infrared illuminators for enhanced night vision; built-in heaters and blowers to withstand various temperature conditions; a variety of form factors for ease of installation; hardened camera enclosures; a variety of lenses to satisfy different objectives; built-in audio capabilities for two-way communication; and information security features such as 802.1x authentication and encrypted communication. Unlike conventional analog cameras that require separate cables for power and connectivity, Avigilon’s cameras are PoE enabled and require a single cable for these purposes. Avigilon’s cameras are available in traditional box body, bullet, dome, PTZ, and micro dome enclosures. Avigilon currently offers more than 230 camera models.  

Avigilon offers the following camera series:  
- **Pro Series** – The Pro Series is a camera series optimized for high performance on sophisticated systems and applications. The Pro Series cameras are offered in 8MP, 12MP, and 16MP with self-learning video analytics and advanced 24 MP and 30 MP resolutions.  
- **H4A Series** – The H4A Series cameras are optimized for quality, performance, and ease of installation. The H4A series cameras also come built-in with Avigilon’s self-learning video analytics. The combination of instant object detection and classification alerts, with the identification performance of HD video, provides users with perimeter protection to help keep both personnel and assets safe. The H4A Series cameras are offered in 1MP, 2MP, 3MP, 5MP and 8MP resolutions.  
- **H4 ES Series** – The H4 ES Series is an all-in-one ‘internet of things’ solution that integrates the capabilities of the H4A series with onboard solid state drive storage (up to 256GB) and runs ACC to manage video. The H4 ES series cameras are offered in 1MP, 2MP and 3MP resolutions.  
- **H4 Thermal Camera** – The H4 Thermal Camera integrates the capabilities of the H4A series with a thermal infrared sensor that is capable of seeing in complete darkness.
- **H4 PTZ Series** – The H4 PTZ Series features a 45x (1MP) and 30x (2MP) optical zoom and provides continuous 360-degree rotation. This indoor and outdoor camera also features positioning and high-speed tracking along with Avigilon’s self-learning video analytics built-in. H4 PTZ cameras are offered in 1MP and 2MP resolutions.

- **H4 IR PTZ Series** – The H4 IR PTZ Series features a 45x (1MP) and 30x (2MP) optical zoom and provides IR illumination with a range of up to 250m. This outdoor camera also features positioning and high-speed tracking and includes built-in Avigilon’s self-learning video analytics. H4 PTZ cameras are offered in 1MP and 2MP resolutions.

- **H4 Fisheye Series** – The H4 Fisheye series offers a complete 360 degree panoramic view. The H4 Fisheye series is available with indoor and outdoor mounting options in 6MP and 12MP resolutions.

- **H4 SL Series** – The H4 SL series is an indoor/outdoor, high-performance, cost-effective camera designed with ease of installation in mind. The H4 SL series is available in 1MP and 2MP resolutions.

- **HD Multisensor Series** – The HD Multisensor series is a highly versatile camera that features independently adjustable sensor heads. Each sensor head has a remote zoom and focus-capable lens allowing for easy setup and maintenance. The HD Multisensor series comes in 9MP (3 sensor heads at 3MP each) or 12MP (4 sensor heads at 3MP each) aggregate resolutions.

- **H3 Series** – The H3 Series cameras are optimized for quality, performance, price, and ease of installation. The H3 series cameras are offered in 1MP, 2MP, 3MP, and 5MP resolutions.


- **HD Panoramic Series** – The 8MP 180 and 360 degree JPEG2000 HD Panoramic Dome camera gives total coverage from a single camera with four 2MP sensors. This camera offers live and post-incident digital PTZ and pre-focused lenses that require no adjustment during installation.

### Avigilon Presence Detector

The Avigilon Presence Detector device is a small form-factor impulse radar device, with self-learning radar analytics that scans, learns, and continuously adapts to its environment. These features enable the Avigilon Presence Detector device to detect the presence of a person at distances up to 9 meters (30 feet) from a sensor with high degrees of accuracy, even if the person is hidden or obstructed by objects such as blankets, cardboard, wood, and drywall.

### Network Video Recorders

Avigilon NVRs are pre-installed with ACC and are available in different form factors, such as a standard server rack mount, personal computer workstation format, and appliance with built-in PoE switch and compact embedded server format. Each of these form factors is available in a variety of storage capacities to accommodate entry-level systems to advanced systems with multiple sites and thousands of cameras.

Avigilon’s NVR solutions are composed of OEM network servers, computer workstations, and a custom embedded appliance. Avigilon NVRs are plug-and-play and compatible with both HD IP and analog cameras. A single Avigilon NVR server can simultaneously record video from up to 300 connected cameras.

Avigilon’s premium and standard NVR server lines also support the addition of GPU processing via Avigilon’s GPU kit offering. GPU enabled NVR servers are capable of running the Avigilon Appearance Search analytics feature.

### Analog Video Encoders

Avigilon’s analog video encoder provides a cost-effective method to migrate a legacy analog system to a network-based IP surveillance system. Customers may connect up to four analog cameras to one encoder and instantly gain the benefits of the digital H.264 video technology, leveraging an earlier investment in analog equipment while facilitating migration to a fully digital system over time.

### Avigilon Control Center (ACC)

ACC, Avigilon’s network VMS platform, is available in three editions: ‘Core’ for entry-level projects; ‘Standard’ for medium-scale projects; and ‘Enterprise’ for larger multi-site projects. All editions may be purchased as stand-alone software to be installed on an end-user’s own computer hardware or purchased pre-installed on an Avigilon NVR.
ACC can manage all cameras in its network, whether analog or digital, and the associated database of recorded surveillance video. ACC includes advanced automatic image enhancement features that can reveal details, whether using analog or digital cameras, that may otherwise be unrecoverable. An end-user can administer and review live or recorded video footage, or both, simultaneously. Avigilon has designed ACC to be a robust and secure network platform for capturing, storing, and managing HD video while efficiently controlling system bandwidth and storage requirements. ACC also allows end-users to integrate significant portions of their legacy surveillance equipment, including analog cameras, along with access control and other physical security systems into their customized solutions. ACC supports complete configuration and management of self-learning video analytics along with the necessary capabilities for monitoring and content-based video search. The ‘Enterprise’ edition of ACC also supports Avigilon Appearance Search. ACC is open platform software, featuring built-in drivers for most major brands of third party cameras and an SDK to support a variety of third party integrations. ACC is video standards compliant, audio capable, and capable of integration with local and wide area wired and wireless networks.

ACC is also available as a smartphone application, ACC Mobile, which enables security professionals to connect to the ACC platform remotely. Leveraging HDSM technology, ACC Mobile is designed to support analytic video events and high-MP images over low bandwidth mobile connections. ACC Mobile can be connected to several servers and cameras, expanding access to video surveillance data for greater coverage and remote monitoring.

**ACC Edge Solution (ES) Analytics Appliance**

Avigilon’s ACC Edge Solution (ES) Analytics Appliance can be connected to IP cameras to leverage an existing security system and increase its detection capabilities. Avigilon’s video analytics are designed to classify people and vehicles while eliminating normal scene activity such as moving trees, leaves, shadows, or reflections. Advanced pattern-based video analytics can detect, track, and classify activities of interest. The ACC Edge Solution (ES) Analytics Appliance also runs ACC video management software on-board allowing for easy standalone deployment.

**Avigilon Access Control Manager (ACM)**

ACM offers an IT-friendly access control and security solution for organizations of all sizes, designed to integrate identity management, intrusion detection, video surveillance systems, and physical security. ACM is scalable and flexible, and enables a system to grow with organizational needs. Built on an open architecture, the secure, web-based technology of the ACM system allows organizations to effectively manage security across multiple sites from any location around the world from a single platform. To simplify deployment and management of permissions, ACM integrates with a number of other systems and hardware. ACM is also available in an embedded controller to support server-less installation for facilities with less than 16 doors.

**Avigilon Blue**

In September of 2017, the Corporation announced the development of Avigilon Blue, a cloud-based security and surveillance platform designed for Resellers to offer new services to their customers over time, as the platform expands, and to remotely support and service customer sites with fewer resources.

**Target Vertical Markets**

Customers in different business sectors and verticals have different security needs depending on the nature of their business, premises, and assets, such as: (i) hardened impact resistant enclosures for cameras deployed in prisons; (ii) cameras with video analytics for applications such as traffic monitoring and perimeter detection; (iii) infrared illumination for enhanced night vision; and (iv) the ability of access control systems to conduct roll calls in the event of evacuations. Avigilon’s Security Solutions are designed to provide such customer specific features, and to appeal to a range of vertical markets, including:

- banking and financial centres;
- casinos;
- critical infrastructure (including nuclear power stations, hydroelectric dams, and water reservoirs);
- educational institutions and campuses;
- hospitals and healthcare institutions;
- government facilities and projects (including military applications);
- manufacturing facilities;
- petrochemical plants;
- ports of entry (including airports, seaports, and land border crossings);
- public transport and traffic monitoring (including train and light rail stations, intersections, bridges, and tunnels);
- retail shops; and
- stadiums and arenas.

Production

All Avigilon cameras, with the exception of the H4 Fisheye Series and IR PTZ Series are assembled and tested at Avigilon's two manufacturing facilities, located in Richmond, British Columbia, Canada and Plano, Texas, US. The Canadian and US manufacturing facilities include surface mount technology, robotic component placement machines and automated assembly lines for printed circuit board assembly, clean rooms for optical assembly, environmental chambers to simulate outdoor weather conditions, camera assembly lines, and equipment to perform functional and reliability testing. Avigilon's assembly processes have been developed and refined over several years and have been designed to allow the Corporation to exert control over production costs and quality as well as to react quickly to changes in demand and allow for new designs and rapid design-to-production of new products.

Avigilon's software products including ACC, ACM, and video analytics are developed in-house in Vancouver, British Columbia, Canada, and Somerville, Massachusetts, US. Avigilon’s software developers in Vancouver and Somerville continuously design and develop new features that differentiate Avigilon’s products from those of its competitors. Avigilon also licenses certain software from third parties, including open source software, in a limited fashion to support various product development projects as needed.

Components

Electronic, mechanical, and optical camera components are purchased from third party suppliers. The servers and workstations used for Avigilon’s NVRs are standard off-the-shelf IT-compliant computer hardware that can be purchased from any number of computer equipment suppliers. Many of the parts and sub-assemblies used in the manufacturing of Avigilon’s products are available through common industrial manufacturing and component suppliers around the world, including: (i) integrated circuits; (ii) sub-assembly parts such as molded plastics and metals; (iii) unpopulated printed circuit boards; and (iv) optical elements and lenses. Avigilon regularly and carefully monitors demand, supply, and stock of higher risk components and sub-assemblies that have a long lead-time for production, are custom made, or are manufactured by a single supplier. Avigilon maintains a safety stock of higher risk components intended to help ensure they are available prior to the occurrence of a manufacturing stoppage.

Services

Avigilon offers optional add-on support services to its Reseller channel. These services are designed to assist the Reseller in the design or optimization of, or training on, Avigilon’s Security Solutions. The purchase of these services is at the discretion of Resellers.

Competitive Conditions

Avigilon’s innovations in the design, development, and manufacture of its Security Solutions have provided high quality products, strong video analytics, and a leading intellectual property portfolio. Management believes that Avigilon’s Security Solutions offer the following key advantages over its competitors:

- **Video Analytics Capability** – Avigilon has enhanced the capabilities and performance of its video analytics portfolio. The ease of setup, self-learning, object categorization, greater range and coverage area, high accuracy, video analytics in high resolution, and powerful content-based video search capabilities help to differentiate the Corporation’s solutions from those of its competitors.

- **Avigilon Blue** – A cloud-based security and surveillance platform designed for Resellers and their customers. It will offer a new recurring monthly revenue model based on site subscriptions. See “Avigilon Security Solutions - Avigilon Blue”, above.

- **HDSM** – Avigilon’s patented HDSM technology has been designed to capture, compress, and transfer HD video and audio data in an efficient and cost-effective manner. Avigilon developed HDSM to leverage leading technologies in imaging, hardware, data compression, and IT to maximize the performance of its Security Solutions.
End-to-End Solutions – Avigilon offers end-to-end security solutions composed of a broad portfolio of cameras, management software, video analytics, and support accessories. Avigilon differentiates itself from other solution providers by offering best-in-class customer experience, rapidly innovating, and designing solutions with a lower overall cost of ownership.

Product Quality and Effectiveness – Management believes that the key to capturing market share is understanding the needs of customers and providing effective and efficient solutions. Avigilon’s Security Solutions demonstrate the Corporation’s holistic, “one-stop-shop” approach to meeting its customers’ needs. Avigilon’s video surveillance solutions capture and store large volumes of high resolution video footage that is quickly and easily searchable and accessible within ACC. Meanwhile, ACM is designed to seamlessly integrate with video surveillance systems to provide a comprehensive security solution for end-users.

Easy Installation – Avigilon’s Security Solutions are designed to be easily set up and operated through simple plug-and-play and configuration tools that reduce complexity and minimize installation time.

Quality of Technical Service – Avigilon takes pride in providing the rare combination of exceptional technical support at no extra cost to the end-user, whereas many competitors’ technical support is fee-based and their quality and response times often vary significantly by the tier level of the product or solution purchased.

New Products

Avigilon continues to develop new products and enhance its existing solutions. Avigilon intends to expand its product development team and invest in additional development tools and equipment in order to support these efforts, which may facilitate deeper penetration into different geographic and vertical markets. Avigilon expects that a portion of its existing end-user base is likely to upgrade to new software versions as Avigilon introduces advanced capabilities. See “Avigilon’s Business - Research and Development”, below.

Research and Development

Avigilon continues to develop intellectual property and make advancements in sensors, storage, video analytics, and data management technologies to further improve Avigilon’s products. The Corporation’s various R&D teams are composed of engineers and scientists with expertise in a broad range of technical competencies, including: computer science; data science; machine learning; electrical engineering; mechanical engineering; and optical engineering. Avigilon’s R&D teams work to improve Avigilon’s Security Solutions and introduce new innovations, incorporating feedback from Resellers, end-users, and the latest advancements in cutting-edge technologies.

In 2017, Avigilon continued to expand its camera lines based on the H4 camera platform by introducing Avigilon’s H4 Mini-dome, H4 IR PTZ, and H4 Thermal camera series. The H4 IR PTZ and H4 Thermal cameras come with Avigilon’s latest generation of self-learning video analytics built-in. Avigilon also released ACC 6.0, an upgrade to ACC that features Avigilon Appearance Search. Successive versions of ACC (6.2, 6.4 and 6.6) added new features to Avigilon Appearance Search with the inclusion of vehicles and faces. In addition, the various ACC releases in 2017 also feature enhancements to scalability, fault-tolerance, and cybersecurity. Along with the introduction of ACC 6.0, Avigilon released version 3.0 of its mobile app, introducing a streamlined video analytic event monitoring experience. In support of new and advanced capabilities in ACC, Avigilon also expanded its third generation of NVRs and workstations. As part of Avigilon’s access control solution, ACM 5.10 featured a number of new features including integrations with biometric devices and a host of wired and wireless locks.

Intangible Properties: Intellectual Property

Utility and design patents, trademarks, copyrights, and trade secrets support a multi-faceted approach to help protect Avigilon against third-party infringement of its Security Solutions.

At December 31, 2017, Avigilon held 483 US and international issued Patents and 297 US and international Patent applications, addressing, among other things: aspects of HD video transmission, recording, storage, retrieval and enhancement; access control; mechanical and industrial design; video analytics; adaptive infrared illumination; pre/post image processing; video management systems; specialized video camera hardware; image compression; automated license plate recognition; firmware and other functionality upgrading; and protocol management. Avigilon’s issued Patents have varying expiry dates.
For strategic reasons, Avigilon does not patent all of its know-how and proprietary methodologies. From time to time, Avigilon may elect to maintain certain information as confidential, and retain such information in-house as trade secrets, in an effort to prevent potential competitors from reverse engineering Avigilon's products. Avigilon relies on internal information security measures, including controlled access and contractual confidentiality provisions, in order to protect proprietary aspects of Avigilon's Security Solutions. Certain inventions that are susceptible to public discovery have been filed with appropriate patent offices.

Avigilon continues to develop and maintain its brands through industrial design, copyright, and trademarks. Avigilon has several trademarks in use in Canada, the US, and other jurisdictions worldwide, including the trademarks listed under "Preliminary Notes - Trademarks" in this AIF. Avigilon seeks and maintains what Management considers appropriate protection for its marks.

Management believes that the appropriate copyright notices, assignments of copyright, and waivers of moral rights are in place with respect to Avigilon's suppliers, employees, and sub-contractors who create or develop or who have created or developed proprietary material for Avigilon, as well as with respect to Resellers who use such proprietary material.

**Cycles**

Historically, Avigilon's revenue has been affected by quarterly seasonality. The first calendar quarter is generally the Corporation's lightest, usually experiencing lower revenue than the immediately preceding quarter. The second calendar quarter tends to be stronger than the first, and benefits from the ramp-up of building and development cycles, while leading to moderate sequential revenue growth in the third calendar quarter. Finally, the fourth calendar quarter is historically the Corporation's strongest revenue quarter, and benefits from increased spending as annual budget cycles come to a close.

**Facilities**

Concurrent with the sale of 555 Robson pursuant to the Agreement of Purchase and Sale on February 16, 2018, Avigilon entered into an agreement to lease the office tower at 555 Robson as its head office premises in Vancouver, British Columbia, Canada. Product development, product management, customer service, sales, finance, legal and other administration personnel operate out of the Corporation's head office.

Avigilon's US headquarters are in leased premises in Plano, Texas, US. US sales, marketing, and administration personnel operate out of the US headquarters.

Avigilon's Canadian manufacturing operations and logistics staff primarily work in leased premises in Richmond, British Columbia, Canada. Avigilon’s US manufacturing operations and logistics staff primarily work in leased premises in Plano, Texas, US.

Avigilon leases additional office space in various locations around the world.

**Employees**

Avigilon had 1,181 full-time personnel employed or retained as at December 31, 2017.

**Foreign Operations**

Avigilon typically derives the majority of its revenues from outside of Canada. The US is currently both Avigilon’s largest market and source of revenue by geographic area. EMEA has also provided strong revenue growth as Avigilon's second largest geographic market. Avigilon continues to strategically invest in emerging markets including Asia Pacific and Latin America.

**RISK FACTORS**

This section describes some of the material risks that may affect the Corporation. If any of the following risks are realized, they may have a material adverse effect on the Corporation’s business, products, reputation, financial condition, operating results, or prospects. In addition to the risks outlined in this AIF, there may be other risks and uncertainties that are not known to the Corporation or that the Corporation currently believes are not material, but which also may have a material adverse effect on the Corporation’s business, products, reputation, financial condition, operating results, or prospects. In addition to the other information set forth elsewhere in this AIF, in
Avigilon's Management's Discussion and Analysis for the financial year ended December 31, 2017, and in Avigilon's Notice of Special Meeting and Management Information Circular dated February 21, 2018 respecting the Arrangement, prospective investors should carefully review the risk factors set forth in this section. These and other unidentified risk factors could materially affect the Corporation’s future operating results and could cause actual events to differ materially from those described in forward-looking statements.

Risks of the Arrangement

The completion of the Arrangement is subject to a number of conditions precedent, some of which are outside of the control of Avigilon and Motorola Solutions, including receipt of regulatory approvals, Shareholder approval, court approval, and the satisfaction of other closing conditions. There can be no certainty, nor can the parties to the Arrangement Agreement provide any assurance, that all conditions precedent to the Arrangement will be satisfied or waived, nor can there be any certainty of the timing of their satisfaction or waiver. Moreover, a substantial delay in obtaining satisfactory approvals could result in the Arrangement not being completed. If the Arrangement is not completed for any reason, there are risks that the announcement of the Arrangement and the dedication of substantial resources of the Corporation to the completion thereof could have a negative impact on the Corporation’s current business relationships (including with future and prospective employees, customers, suppliers and joint venture partners) and could have a material adverse effect on Avigilon’s current and future operations, financial condition, and prospects. Failure to complete the Arrangement for any reason could materially negatively impact the market price of the Common Shares.

The Arrangement Agreement may be terminated by the Corporation or Motorola Solutions in certain circumstances. Accordingly, there is no certainty, nor can Avigilon provide any assurance, that the Arrangement Agreement will not be terminated before the completion of the Arrangement. Moreover, if the Arrangement Agreement is terminated, there is no assurance that the Board will be able to find a party willing to pay an equivalent or greater price for the Common Shares than the price to be paid pursuant to the terms of the Arrangement Agreement.

Certain costs relating to the Arrangement, such as legal, accounting, and certain financial advisor fees, must be paid by the Corporation even if the Arrangement is not completed. If the Arrangement is not completed for certain reasons, the Corporation may be required to pay a termination fee to Motorola Solutions, the result of which could have a material adverse effect on the Corporation’s financial position, results of operations, and ability to fund growth prospects or current operations. In addition, such termination fee may discourage other parties from making a competing acquisition proposal, even if such a transaction could provide better value to Shareholders than the Arrangement.

Third parties with which the Corporation currently does business or may do business with in the future, including industry partners, customers and suppliers, may experience uncertainty associated with the Arrangement, including with respect to current or future relationships with the Corporation or Motorola Solutions. Such uncertainty could have a material and adverse effect on the business, financial condition, results of operations, or prospects of the Corporation.

The Arrangement Agreement restricts the Corporation from taking certain specified actions until the Arrangement is completed. These restrictions may prevent the Corporation from pursuing attractive business opportunities that may arise prior to the completion of the Arrangement.

Ability to Achieve and Manage Growth

The growth of Avigilon’s operations may place a strain on managerial, financial, and human resources. Avigilon’s ability to continue or exceed its past rate of growth will depend on a number of factors, including: the availability of working capital; existing and emerging competition; the ability to maintain sufficient profit margins; the ability to recruit and train additional qualified personnel including in sales and product development; the ability to maintain and expand the Corporation’s network of Resellers and to increase the Corporation’s presence in the marketplace for its products and services; the ability to develop and maintain sufficient support capacity for end-users of the Corporation’s products; the ability to identify and successfully integrate acquisitions of other companies or technology; the ability to acquire and develop necessary real property facilities; and Avigilon’s ability to address the other risks identified in this AIF.

New Product Development

Avigilon’s business is one of constant evolution, rapidly changing technology, and increasingly sophisticated customer requirements. Avigilon must be able to anticipate and react quickly to technology and market changes and meet the demands of existing and potential customers. As a result, Avigilon must remain focused on inventing and
prototyping new tools, technologies, and paradigms that meet customer needs that are anticipated to be important years in the future.

There are no assurances that Avigilon will be successful in designing, manufacturing, and marketing new products or enhancing its existing product lines, and products may be introduced by competitors that capture a significant part of the market that Avigilon currently holds or targets. There are no assurances that new technologies and prototypes will be developed by Avigilon within a reasonable development schedule, if at all. There are no assurances that Avigilon will have sufficient economic or human resources to complete such development in a timely manner, or at all, or that it will be able to manufacture, or enter into arrangements for the manufacture of such products by third parties, in an economically reasonable manner or at all.

Avigilon’s success depends upon its current and proposed technologies and products meeting acceptable cost and performance criteria in the marketplace. There are no assurances that the Corporation’s technology and products will meet applicable price or performance objectives or that unanticipated technical, regulatory or other problems will not occur which would result in increased costs or material delays.

Fluctuation of Quarterly Operating Results

The Corporation’s revenue is difficult to forecast and may fluctuate significantly from quarter to quarter. Because Avigilon’s quarterly revenue may be dependent upon a relatively small number of larger orders, even minor variations in the rate and timing of conversion of Avigilon’s sales prospects into revenue could cause the Corporation to plan or budget inaccurately, and those variations could cause a material adverse effect to the Corporation’s financial results. Delays, reduction in scope or cancellation of end-user projects could have a material adverse effect on the Corporation. Some of the other factors affecting Avigilon’s revenue and results, many of which are outside of its control, include:

- competitive conditions in the security industry, including new solutions, product announcements, changes in pricing policies, and incentive pricing offered by the Corporation’s competitors;
- the Corporation’s ability to maintain existing relationships with strategic partners, including Resellers and OEMs, and to build new ones;
- the contractual terms of orders for the Corporation’s products, which may delay recognition of revenue;
- the discretionary nature of the Corporation’s end-users’ purchase and budget cycles and changes in their budgets for, and timing of, purchases;
- interest rate fluctuations;
- foreign currency fluctuations; and
- fluctuations in the Corporation’s licensing revenues, which depend upon the Corporation’s ability to maintain and enforce existing licensing arrangements and enter into new licensing arrangements.

In light of the foregoing, quarter-to-quarter comparisons of Avigilon’s operating results are not necessarily meaningful and should not be relied upon as indications of likely future performance or annual operating results. Reductions in revenue or net income between quarters or Avigilon’s failure to achieve expected quarterly earnings per share could cause the market price of the Common Shares to decline.

Competition

The markets in which Avigilon operates are competitive and rapidly changing. Many of Avigilon’s competitors have substantially greater financial, technical, sales, marketing and other resources, as well as greater brand recognition and a larger installed customer base. As a result, these competitors may be able to respond more quickly to new or emerging technologies and changes in customer requirements. In addition, competitors and new entrants into the video surveillance and electronic access control markets have attempted, and may continue to attempt, to gain entry or increase their presence in those markets through strategic acquisitions or by forming strategic alliances with Avigilon’s competitors or business partners, including Resellers.

There are relatively low barriers to entry to provide the products and services offered by Avigilon and commercial pressures may arise from a growth in the number of competing providers. Increased competition from other established and emerging companies may result in price reductions, reduced gross margins, and loss of market share. There are no assurances that competitive products or competing technology will not render Avigilon’s products obsolete or non-competitive or competitive only in certain markets. Avigilon’s strategies to mitigate these
issues may prove to be ineffective. The Corporation’s ability to maintain its current and anticipated market share cannot be assured, and the Corporation may experience a loss of current or anticipated market share.

**Suppliers**

Some of the components required to produce Avigilon’s products are custom-made or are manufactured by a small number of suppliers. Avigilon has a supply chain management system in place and seeks to stockpile higher-risk components based on the Corporation’s forecasted need, but Management may fail to accurately estimate the required amounts. The Corporation may experience an interruption in supply of these higher-risk components, or be unable to re-source its supply from another supplier or re-design its products to preclude the need for such components when and if needed.

Some of the firms from which the Corporation purchases components, including sensors, micro-electronics, and lenses, directly or indirectly compete with Avigilon. Avigilon’s ability to compete may be adversely affected if some or all of its suppliers were to restrict the supply or increase the cost of the components sold to the Corporation, develop products in competition with the Corporation, be acquired by a competitor, or form collaborative efforts with other competitors.

**Credit Facility**

There is a risk that the Corporation will be unable to meet its financial obligations under the Credit Facility as they become due. Avigilon’s ability to make payments on, or to refinance, its indebtedness under the Credit Facility depends upon the Corporation’s future performance, which is subject to economic, financial, competitive, and other factors, many of which are outside the control of the Corporation. In addition, the Credit Facility is subject to interest rates which fluctuate based upon market conditions and the Corporation’s leverage ratio. As a result, no assurance can be made that the Corporation will be able to generate sufficient funds to make required payments under the Credit Facility.

The Credit Facility contains affirmative, negative, and financial covenants which limit the activities that the Corporation may engage in, including the ability of the Corporation to grant security interests, incur additional indebtedness, execute asset sales, amalgamate, or merge, and pay dividends or make other distributions. The ability of the Corporation to comply with such covenants may be affected by events outside the control of the Corporation, including prevailing economic, financial, and industry conditions. A breach of these covenants by Avigilon, including a failure to meet applicable financial tests or ratios, could result in an event of default under the Credit Facility and allow the lenders thereunder to accelerate the repayment of the Corporation’s indebtedness. In such circumstances, it may not be possible for the Corporation to repay the accelerated indebtedness or fulfill its obligations under other contractual arrangements in a timely fashion or at all.

**Integration of Acquisitions**

The Corporation continues to seek opportunities to acquire businesses, intellectual property, products, and technologies that expand, complement, or otherwise relate to its business and objectives. Acquisitions, investments, or business combinations by the Corporation are accompanied by risks including the following:

- exposure to unknown liabilities or risks of acquired businesses, including unknown litigation related to acts or omissions of an acquired business and its principal, partners, directors, or officers, as applicable, prior to the acquisition, deficiencies in disclosure controls and procedures of an acquired business, and deficiencies in internal controls over financial reporting of an acquired business;
- higher than anticipated acquisition and integration costs and expenses;
- the difficulty and expense of integrating the operations and personnel of an acquired business;
- possible use of cash to support the operations of an acquired business;
- possible increase in foreign exchange risk, depending on the currency denomination of the revenue and expenses of an acquired business;
- disruption of, and demands on, the Corporation’s ongoing business as a result of integration activities, including diversion of Management’s time and attention from the Corporation’s ongoing business;
- failure to maximize the Corporation’s financial and strategic position through the successful incorporation and exploitation of acquired technology;
the inability to implement uniform standards, disclosure controls and procedures, internal controls over financial reporting, and other procedures and policies in a timely manner;

the potential loss of key employees and customers of an acquired business;

possible dilution to Shareholders if the purchase price of an acquisition is paid in Common Shares or securities convertible into Common Shares; and

geographic distances that may make integration of acquired businesses more difficult.

The Corporation may not be successful in overcoming these risks or any other problems encountered in connection with any acquisitions.

Reliance on Key Personnel

Avigilon’s ongoing success will be dependent upon the recruitment and retention of key personnel, particularly Directors and executive officers. In order to continue to grow, Avigilon must continue to hire capable and skilled personnel and, if the Corporation is unable to attract and retain such employees, its business and results of operations may be adversely affected. Additions of new personnel and departures of existing personnel may disrupt the business and may result in the departure of other employees. Avigilon also does not have key person life insurance covering any of its personnel.

Need for Future Financing

The future development of the Corporation’s interests and the future financial obligations of the Corporation may require additional equity financing, debt financing, or asset sales. There are no assurances that such sources of capital will be available, or if available, will be available upon terms acceptable to the Corporation.

To the extent that external sources of capital become limited or unavailable or available only on onerous terms, the Corporation’s ability to make capital investments and grow existing operations may be impaired, and its assets, liabilities, business, financial condition, and results of operations may be materially and adversely affected.

Share Price and Dilution

An investment in Common Shares should be considered highly speculative because of the nature of Avigilon’s business. All of the risk factors discussed in this AIF may affect the price of the Common Shares. Avigilon is subject to all of the risks inherent in the maintenance and development of a growing business. There is no assurance that Avigilon will grow or continue to be profitable. The timing of announcements in the public market regarding new products, product enhancements, or technological advances by Avigilon or its competitors, and any announcements by Avigilon or its competitors of acquisitions, major transactions, or Management changes could also affect the price of the Common Shares. The price of the Common Shares is subject to speculation in the press and the analyst community, including with respect to changes in recommendations by financial analysts, changes in investors’ or analysts’ valuation measures for the Common Shares, Avigilon’s credit ratings, and market trends unrelated to Avigilon’s performance. The sale of Common Shares by the Directors, executive officers, or significant Shareholders may also affect the price of the Common Shares. A significant drop in the price of the Common Shares could also expose Avigilon to the risk of securities class action lawsuits, which could result in substantial costs and divert Management’s attention and resources, which could have an adverse effect on Avigilon’s business, prospects, financial condition, or results of operations.

Avigilon may sell additional equity securities in subsequent offerings, including through the sale of securities convertible into Common Shares, to finance its operations or growth. The Corporation cannot predict the size of future sales and issuances of equity securities or the effect, if any, that future sales and issuances of equity securities will have on the market price of the Common Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may have a material adverse effect on the prevailing market price for the Common Shares. With any additional sale or issuance of equity securities, investors will suffer dilution of their voting power and may experience dilution in the Corporation’s earnings per share.

Patent Licensing

Avigilon expects to generate a portion of its revenues from licensing certain of its patent portfolio to third parties. Although the Corporation has a number of existing intellectual property licenses, there are no assurances that Avigilon will continue to receive revenues from these licensing arrangements on a timely basis or at all, that such licensing arrangements will be maintained or renewed and, if renewed, that the renewals will be on as favourable
terms to Avigilon, or that the Corporation will be able to enter into additional licensing arrangements with new licensees. Further, royalty payments under current and future license agreements could be lower than anticipated as a result of the underperformance of the licensees in selling products under Avigilon's licenses.

**International Expansion**

As Avigilon continues to grow its international business operations, it will become increasingly exposed to additional risks related to operating in foreign markets, which include:

- increased credit management risks and greater difficulties in collecting accounts receivable;
- unexpected changes in regulatory requirements, exchange rates, trading policies, tariffs, and other barriers;
- uncertainties of foreign and international laws and enforcement relating to the protection of intellectual property;
- trade protection measures and import or export restrictions;
- compliance or regulatory changes;
- economic and political instability;
- potential adverse tax consequences;
- fluctuations in revenues, operating margins and other financial measures due to currency exchange rate fluctuations and restrictions on currency and earnings repatriation;
- the presence of corruption in certain countries;
- challenges related to developing and managing a worldwide workforce in compliance with business practices and local laws that vary from country to country; and
- consumer protection laws that impose additional requirements on the Corporation or restrict its ability to provide limited warranty protection.

There can be no assurance that the strategies, policies and procedures implemented by the Corporation to address or mitigate these risks will be effective.

**Investment in Research and Development**

The Corporation re-invests a significant percentage of its revenue in R&D and product development. Avigilon’s investment in its current R&D efforts may not provide a sufficient or timely return. The development of the Corporation’s products is a capital-intensive and often protracted process and the investment in R&D and product development often involves a significant passage of time before a return is achieved on such an investment. Avigilon makes and plans to continue to make significant investments in product and software R&D. Investments in new technology and processes are inherently speculative. Avigilon’s commercial success depends on many factors including the degree of innovation of the products developed through the Corporation’s R&D efforts, sufficient support from Avigilon’s sales channels, and effective distribution and marketing. Accelerated product introductions and short product life cycles require significant capital expenditures on R&D. These expenditures may materially adversely affect Avigilon's operating results if they are not offset by increases in revenue. Management believes that Avigilon will need to continue to dedicate a significant amount of resources to its R&D efforts in order to maintain the Corporation’s competitive position, but revenue from new product and service investments may not be achieved for a number of years, if at all. Moreover, any new products and services resulting from R&D may not be profitable.

**Sales and Distribution**

Avigilon relies on indirect sales channels to market, distribute, and sell its products. Avigilon does not directly control the activities of its Resellers with respect to the marketing, distribution, and sale of Avigilon’s solutions and products, and Resellers could make decisions contrary to the Corporation’s interests, including decisions to compete against Avigilon or to favour solutions and products of Avigilon’s existing or future competitors. Therefore, Resellers' reputation and performance, their ability and willingness to market, distribute, and sell Avigilon’s solutions and products and uphold the Corporation’s brand reputation, and their ability to expand their business and their sales channels may have a direct and material impact on the Corporation’s sales, profitability, and cash flows. The Corporation may lose Resellers or experience a substantial decrease in the volume of business generated by one or more Resellers.
Avigilon may need to expand its distribution and sales infrastructure and its marketing efforts in order to grow its business. The Corporation plans to continue expanding its network of Resellers. Identifying and executing agreements with Resellers and training them in the installation and use of Avigilon’s solutions and products requires significant time, expense, and attention. This expansion may require Avigilon to invest significant financial and other resources. If Avigilon is unable to execute agreements with new Resellers, the Corporation may not be able to increase its revenue and grow the Corporation’s business. In addition, Avigilon’s business may be seriously harmed if the Corporation’s efforts to expand its distribution and sales infrastructure and its marketing do not generate a corresponding significant increase in revenue.

To the extent that Avigilon is successful in penetrating vertical markets, there is a risk that its success will attract competitors to such vertical markets, which could have the effect of driving down margins and revenues.

**Intellectual Property**

Avigilon’s success depends in part on its ability to protect its intellectual property rights. Avigilon relies on various intellectual property protections, including utility and design patents, copyrights, trademarks, trade secrets, know-how, and contractual provisions, to preserve its intellectual property rights. Trademark and Patent positions are generally uncertain and involve complex legal and factual questions. Any trademark or Patent may be challenged, invalidated or circumvented, or may not provide sufficient competitive advantage. Despite any precautions Avigilon might take, a third party may obtain and use Avigilon’s intellectual property without Avigilon’s authorization. Policing unauthorized use of intellectual property is difficult. Some jurisdictions in which Avigilon markets and sells or intends to market and sell its products may not have legislation that protects proprietary rights to the same extent as the laws of Canada, the US, or Europe.

The Corporation regards certain non-patented technology, copyright, and know-how related to its products as proprietary trade secrets and attempts to protect them with non-disclosure agreements and confidentiality provisions in its other agreements. Non-disclosure agreements, however, may be difficult to enforce, and, despite the precautions Avigilon has taken, it may be possible for third parties to copy aspects of Avigilon’s products or, without authorization, to obtain and use information which the Corporation regards as proprietary. Furthermore, other parties may develop technologies that are similar or superior to Avigilon’s technology, duplicate or reverse engineer its technology, or design around the Corporation’s products. There are no assurances that the steps Avigilon takes to protect its technology will prevent misappropriation or infringement.

To protect its intellectual property, the Corporation is, and may in the future become, involved in litigation, which may result in substantial expenses, divert the attention of Management, cause significant delays, or materially disrupt the conduct of Avigilon’s business.

Although much of Avigilon’s technology is proprietary in nature and Management does not believe that Avigilon’s products infringe on the rights of third parties materially or at all, the Corporation has received, and in the future may continue to receive, assertions and claims from third parties alleging that Avigilon’s products violate or infringe their intellectual property rights. Any such assertion may result in litigation or may require the Corporation to obtain a license for the intellectual property rights of third parties. Such licenses may not be available, or they may not be available on reasonable terms. Alternatively, Avigilon may be required to re-design those products that use allegedly infringing technology or other proprietary rights, which effort may be costly or time-consuming, or make payments of additional amounts in judicially-awarded damages or extra-judicial settlement payments in respect thereof. In addition, such litigation could be disruptive to Avigilon’s ability to generate revenue or enter into new market opportunities and may result in significantly increased costs as a result of the Corporation’s defense against those claims or its attempt to license the third-party intellectual property rights or rework Avigilon’s products to ensure they comply with judicial decisions or the terms of extra-judicial settlements.

**Litigation**

In addition to claims alleging infringement of intellectual property, Avigilon may, from time to time in the normal course of its business, be subject to claims for damages for other matters, such as product liability and warranties, litigation related to employee matters, and commercial disputes. The defense of these lawsuits may result in substantial expenses, divert the attention of Management, cause significant delays in product releases and other activities, or materially disrupt the conduct of Avigilon’s business. In addition, the Corporation may be required to pay damage awards or settlements, become subject to injunctions or other equitable remedies or suffer from adverse publicity.
No Long Term Contracts or Significant Customers

Most of Avigilon’s products are sold to Resellers and by Resellers to end-users for particular security installations and, as a result, the Corporation rarely has commitments from Resellers or end-users to purchase additional products beyond a particular installation. In addition, the Corporation does not currently charge fees in connection with ongoing technical support or software support. The Corporation also does not generally rely on significant customers. As a result, the Corporation’s success is dependent upon its ability to sell additional products to its existing customers, to outperform its competitors in order to attract new customers, and to increase its customer base. Because the Corporation does not typically have long-term contracts or significant customers, the Corporation may not be able to accurately predict future revenue streams.

With the expected launch of Avigilon Blue in 2018, Avigilon will introduce its first internally developed subscription based product, which may offer a source of recurring revenue. As with any new product, there are no assurances that Avigilon Blue will function as intended, be free of unexpected defects, be suitable for the intended users, or be purchased by potential customers. Even if Avigilon Blue functions in accordance with its specifications, there is no assurance that sales will materially affect the Corporation’s revenue, or mitigate the risks associated with the Corporation’s lack of other long-term contracts with customers.

Maintaining, Protecting, and Enhancing the Avigilon Brand

The brand identity of Avigilon contributes significantly to the success of its business. Maintaining, protecting, and enhancing the Avigilon brand is critical to the maintenance and growth of the Corporation’s customer base and Reseller network, particularly in an industry with multiple competitors and low barriers to entry. If the Corporation fails to protect, maintain, and enhance its brand, its ability to sustain and expand its business and to enter new markets could suffer. The “Avigilon” brand may be impaired by a number of factors, including product malfunctions, unauthorized use and registration of the Corporation’s trademarks by third parties and the expiry or cancellation of the Corporation’s trademark registrations. If the Corporation fails to maintain and enhance its brand, or if the Corporation incurs unanticipated expenses to establish the brand in new markets, its operating results would be negatively affected from reduced sales and increased expenses related thereto.

Product Quality Issues

The Corporation employs sophisticated design and testing processes and practices on its products and hardware, which include a range of factory tests. However, there are no assurances that the Corporation’s testing systems will operate effectively or produce the desired output. The products and hardware that the Corporation manufactures and sells may contain defects in design and manufacture or may not otherwise comply with applicable regulatory standards. There are no assurances that the Corporation will be able to detect and fix all defects in the products and hardware it sells. Failure to do so could result in lost revenue, harm to reputation, and significant warranty and other expenses.

Avigilon’s software is complex and sophisticated and, from time to time, may contain design defects, security vulnerabilities, ‘bugs’, or failures that are difficult to detect and correct. Errors or defects may be found after commercial implementation and Avigilon may be unable to successfully correct such errors or defects in a timely manner or at all. The occurrence of errors and defects in Avigilon’s software could result in loss of, or delay in, market acceptance of the Corporation’s software, and correcting such errors and failures in its software could require significant expenditure of Avigilon’s capital.

Warranty Claims, Product Liability, and Product Recalls

Avigilon typically provides warranties on its products and the failure of its products to operate as described may cause loss of customers and Resellers, damage to the Corporation’s reputation for delivering high-quality products, delay in or loss of market acceptance, additional warranty expenses or costs associated with product recalls. From time to time, the Corporation may become subject to warranty or product liability claims that may require it to make significant expenditures to defend these claims or pay damage awards. The Corporation also may incur costs and expenses relating to a recall of one or more of its products. The process of identifying recalled products that have been widely distributed may be lengthy and require significant resources and the Corporation may incur significant replacement costs, contract damage claims, and harm to its reputation.

Licensing from Third Parties

The Corporation occasionally licenses technology, including software and related intellectual property, from third parties for use in its products and from time to time may be required to license additional intellectual property.
are no assurances that the Corporation will be able to maintain its third party licenses or obtain new licenses when required on commercially reasonable terms, or at all.

**Exchange Rates**

Avigilon’s financial results are reported in USD. A substantial portion of Avigilon’s assets and liabilities and revenue and expenditures are denominated in foreign currencies, including CAD, Euros, British Pound Sterling, and Australian dollars and, therefore, Avigilon is subject to foreign currency fluctuations which may, from time to time, impact the Corporation’s financial position and performance.

Avigilon uses hedging strategies on a limited basis to manage and minimize the impact of exchange rate fluctuations on its cash flow and economic profits. There are complexities inherent in determining whether and when foreign exchange exposures will materialize, in particular given the possibility of unpredictable revenue variations arising from schedule delays and contract postponements. Furthermore, the Corporation could be exposed to the risk of non-performance of its hedging counterparties. The Corporation may also have difficulty in fully implementing its hedging strategy depending on the willingness of hedging counterparties to extend credit. Accordingly, there are no assurances that Avigilon’s exchange rate hedging strategy will protect it from significant changes or fluctuations in revenues and expenses denominated in non-USD currencies.

Avigilon’s consolidated revenues, expenses, assets, and liabilities denominated in currencies other than the USD have historically been translated into USD for the purposes of compiling its financial statements. Changes in the value of these currencies relative to the USD may have an effect on the USD value of the Corporation’s reported consolidated revenues, expenses, assets, liabilities, and earnings.

**Cyber Security**

Avigilon is dependent on IT networks and systems, including the Internet, to process, transmit and store electronic information, to manage business operations and for the functioning of the Corporation’s products and services. Although Avigilon has implemented security systems and monitoring systems to prevent, detect, and address potential security breaches, there are no assurances that such security and monitoring systems will be effective and computer hackers may be able to penetrate the Corporation’s network security. Computer hackers may be able to create system disruptions or develop and deploy viruses, worms, and other malicious software programs that attack the Corporation’s networks or otherwise exploit security vulnerabilities of the Corporation’s products, services, or software. It is also possible that computer hackers could penetrate the network security of customers using Avigilon’s solutions. Any of the foregoing could affect the Corporation’s operations, products or services, harm Avigilon’s reputation, result in a claim for damages against the Corporation, and require the Corporation to incur significant costs to eliminate or alleviate the problem. Additionally, the Corporation’s ability to transact business may be affected. There are no assurances that advances in criminal capabilities, new discoveries in the field of cryptography, or other developments will not compromise or breach the technology protecting the Corporation’s IT networks, systems, products, and software.

**Facilities**

As Avigilon continues to grow its business and personnel, it will need to maintain, develop, and acquire adequate and modern real property facilities in various locations. Even if Avigilon believes that its facilities are adequate for the Corporation’s current needs and that suitable additional or substitute space may be available as needed, there are no assurances that Avigilon will be able to renew these facilities’ leases, as applicable, or find alternative facilities that meet its needs on favourable terms, or at all.

Avigilon produces its products at its manufacturing facilities in Richmond, British Columbia, Canada, and Plano, Texas, US and, in the event of a catastrophe at either of these facilities, the other may be unable to provide adequate coverage. Property at these locations and other locations where inventory is stored is subject to risk of fire, flood, earthquake, and other natural events, and acts of war or terrorism. In the event of such events or acts, there could be material delays in production and shipment of Avigilon’s products.

**Information Technology Systems**

Avigilon’s operations depend in part upon IT systems. Avigilon’s IT systems are subject to disruption, damage, or failure from a number of sources, including computer viruses, security breaches, natural disasters, power loss, and defects in design. To date, Avigilon has not experienced any material losses relating to IT system disruptions, damage or failure, but there are no assurances that Avigilon will not incur such losses in the future. Any of these and other events could result in IT systems failures, operational delays, production downtimes, destruction or
corruption of data, security breaches, or other manipulation or improper use of the Corporation’s systems and networks.

**Economic and Political Conditions and International Trade**

Customer demand for Avigilon’s systems and products may be affected by economic and political conditions on an international, regional, country, and local level. Because a significant portion of the Corporation’s purchases and sales are made in foreign jurisdictions, the Corporation is subject to numerous risks including shipping delays, political instability, conflict, labour strikes, and import duties and trade restrictions. See “Risk Factors - International Expansion”.

Avigilon’s operations may require importing and exporting goods and technology across international borders on a regular basis. The Corporation may be subject to various duties applicable to materials manufactured in foreign countries and may be affected by various other import and export restrictions, as well as other considerations or developments impacting upon international trade, including economic or political instability, shipping delays, and product quotas. Although the Corporation mandates strict compliance with Canadian, US, and other applicable international trade laws, there are no assurances that the Corporation’s policies and procedures will prevent violations of such laws. Failure to comply with applicable trade laws may subject the Corporation to civil or criminal penalties, including material monetary fines, or other adverse actions including denial of import or export privileges, and could damage the Corporation’s reputation and business prospects.

**Tax Matters**

With operations and sales in various countries, Avigilon is subject to income taxes in several jurisdictions around the world. Avigilon’s effective income tax rate may be adversely affected in the future as a result of a number of factors, including changes in the mix of earnings in jurisdictions with differing statutory tax rates, the outcome of income tax audits, and changes in the applicable tax principles, including increased statutory tax rates, new tax laws or precedents, or revised interpretations of existing tax laws and precedents. Avigilon regularly assesses these matters to determine the adequacy of the Corporation’s tax liabilities.

**Corruption and Bribery**

Avigilon’s operations are governed by and involve interactions with many levels of government in various jurisdictions. Avigilon is required to comply with anti-corruption and anti-bribery laws, including the Canadian Corruption of Foreign Public Officials Act and the US Foreign Corrupt Practices Act, as well as similar laws in the countries in which Avigilon conducts business. In recent years, there has been a general increase in both the severity of penalties and frequency of enforcement under such laws, resulting in greater punishment and scrutiny to companies convicted of violating anti-bribery laws. Furthermore, a company may be found liable for violations by not only its employees, but also any of its third party agents. Although Avigilon has adopted policies and a risk-based approach to mitigate such risks, such measures are not always effective in ensuring that the Corporation and its employees or third party agents will strictly comply with such laws. If the Corporation is subject to an enforcement action or is found to be in violation of such laws, this may result in significant penalties, fines or sanctions (including debarment) being imposed on Avigilon.

**Conflicts**

Certain of the Directors and executive officers of the Corporation may be engaged in other activities, on their own behalf and on behalf of other organizations and businesses, and situations may arise where the Directors and executive officers of the Corporation, through the other organizations and businesses in which they are involved, may be in competition with the Corporation. The Corporation has adopted policies regarding conflicts of interest to mitigate such risks, but such measures do not guarantee that conflicts will not arise which could result in lost business opportunities for the Corporation.

**Dividends**

Avigilon does not anticipate declaring or paying dividends on the Common Shares in the foreseeable future. The Corporation’s dividend policy will be reviewed from time to time by the Board in the context of the Corporation’s earnings, financial requirements, and other relevant factors. Until the time that the Corporation does pay dividends, which it may never do, Shareholders will not be able to receive a return on their Common Shares unless they sell them. See “Dividends and Distributions” below.
DIVIDENDS AND DISTRIBUTIONS

Avigilon has not declared or paid any dividends on Common Shares since its incorporation, and it is not anticipated that any dividends will be declared or paid in the immediate or foreseeable future. Any decision to pay dividends will be made by the Board on the basis of earnings, financial requirements, restrictive covenants contained in the Credit Facility or elsewhere, and other relevant factors existing at such future time.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation is authorized to issue an unlimited number of Common Shares, of which 44,537,951 Common Shares were issued and outstanding as at March 5, 2018. Other than Common Shares, no other class or series of share capital is authorized for issuance by the Corporation.

Holders of Common Shares are entitled to receive notice of and to attend and vote their Common Shares at meetings of Shareholders. Each Common Share carries with it the right to one vote. The holders of Common Shares are entitled to receive dividends if, as, and when declared by the Board and, in the event of the liquidation, dissolution, or winding-up of the Corporation or other distribution of its assets, the holders of the Common Shares will be entitled to receive, on a pro rata basis, all of the assets remaining after the Corporation has paid out its liabilities. The Corporation adopted the Shareholder Rights Plan Agreement in 2016, which affects the rights attaching to Common Shares. See “Material Contracts – Shareholder Rights Plan Agreement”.

Under the terms of the Arrangement Agreement, Motorola Solutions agreed to acquire all of the issued and outstanding Common Shares for cash consideration of CAD$27.00 per Common Share pursuant to the Arrangement. The Arrangement is expected to be completed in the first half of 2018. See “Material Contracts – Arrangement Agreement”.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares are listed and trade on the TSX under the symbol ‘AVO’. The following table sets out the price range and volumes traded or quoted on the TSX on a monthly basis for the most recently completed financial year:

<table>
<thead>
<tr>
<th>Month</th>
<th>High (CAD)</th>
<th>Low (CAD)</th>
<th>Close (CAD)</th>
<th>Volume</th>
</tr>
</thead>
<tbody>
<tr>
<td>December 2017</td>
<td>$21.40</td>
<td>$20.10</td>
<td>$21.09</td>
<td>2,283,277</td>
</tr>
<tr>
<td>November 2017</td>
<td>$20.87</td>
<td>$17.72</td>
<td>$20.74</td>
<td>6,332,341</td>
</tr>
<tr>
<td>October 2017</td>
<td>$19.48</td>
<td>$17.47</td>
<td>$19.13</td>
<td>5,508,038</td>
</tr>
<tr>
<td>September 2017</td>
<td>$18.31</td>
<td>$16.39</td>
<td>$17.88</td>
<td>4,767,378</td>
</tr>
<tr>
<td>August 2017</td>
<td>$16.75</td>
<td>$13.45</td>
<td>$16.47</td>
<td>6,059,364</td>
</tr>
<tr>
<td>July 2017</td>
<td>$14.81</td>
<td>$13.44</td>
<td>$14.18</td>
<td>2,185,823</td>
</tr>
<tr>
<td>June 2017</td>
<td>$15.65</td>
<td>$13.15</td>
<td>$14.39</td>
<td>2,947,676</td>
</tr>
<tr>
<td>May 2017</td>
<td>$17.09</td>
<td>$13.94</td>
<td>$14.71</td>
<td>5,928,201</td>
</tr>
<tr>
<td>April 2017</td>
<td>$16.43</td>
<td>$15.41</td>
<td>$16.10</td>
<td>2,754,302</td>
</tr>
<tr>
<td>March 2017</td>
<td>$17.31</td>
<td>$14.81</td>
<td>$15.44</td>
<td>5,535,498</td>
</tr>
<tr>
<td>February 2017</td>
<td>$15.60</td>
<td>$13.84</td>
<td>$15.05</td>
<td>2,394,924</td>
</tr>
<tr>
<td>January 2017</td>
<td>$15.12</td>
<td>$12.70</td>
<td>$14.42</td>
<td>2,280,899</td>
</tr>
</tbody>
</table>

Prior Sales

Options

During the fiscal year ended December 31, 2017, the Corporation did not issue any options.
**Restricted Share Units**

During the fiscal year ended December 31, 2017, the Corporation issued 534,400 restricted share units with an underlying right to acquire an equal number of Common Shares at a weighted average grant price of CAD$13.11 per Common Share. The foregoing restricted share units were granted under the Amended and Restated Incentive Security Plan.

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

To the knowledge of the Corporation, none of its securities are in escrow or subject to a contractual restriction on transfer, except for the Common Shares which are subject to the Support and Voting Agreements entered into by the Supporting Shareholders in connection with the Arrangement Agreement, which may be summarized as follows:

<table>
<thead>
<tr>
<th>Designation of Class</th>
<th>Approximate number of securities that are subject to a Support and Voting Agreement(^{(1)})</th>
<th>Approximate percentage of class(^{(1)})</th>
</tr>
</thead>
<tbody>
<tr>
<td>Common Shares</td>
<td>5,395,265</td>
<td>12%</td>
</tr>
</tbody>
</table>

Notes:

(1) As at February 1, 2018, being the date of the Voting and Support Agreements.

Pursuant to the terms of the Support and Voting Agreements, the Supporting Shareholders have agreed to vote or cause to be voted all Common Shares owned or controlled by such Supporting Shareholder (other than Common Shares that the Supporting Shareholder does not have the right to vote) in favour of the special resolution approving the Arrangement to be considered at the special meeting of Shareholders currently scheduled for Thursday, March 22, 2018, or at any adjournment or postponement thereof. Each Support and Voting Agreement will terminate on the earlier of: (i) the completion of the Arrangement; (ii) the date of termination of the Arrangement Agreement in accordance with its terms; and (iii) the mutual consent of the parties to the respective Support and Voting Agreement.

Further information regarding the Support and Voting Agreements, including additional rights and obligations of the Supporting Shareholders, are contained in the Notice of Special Meeting and Management Information Circular dated February 21, 2018, a copy of which is available online under the Corporation's profile on SEDAR at www.sedar.com.

**DIRECTORS AND OFFICERS**

The Directors of the Corporation are elected by the Shareholders at each annual meeting of Shareholders and typically hold office until the next annual meeting of Shareholders, at which time they may be re-elected or replaced. Casual vacancies on the Board may be filled at the discretion of the remaining Directors, and any persons filling such vacancies would hold office until the next annual meeting of Shareholders, at which time they may be re-elected or replaced. The Directors are also permitted, between annual meetings of Shareholders, to appoint one or more additional Directors to hold office until the next annual meeting of Shareholders, but the number of Directors so appointed cannot at any time exceed one-third of the number of Directors elected at the previous annual meeting of Shareholders. Avigilon’s executive officers are appointed by the Board and hold their office at its pleasure.

**Name, Occupation and Security Holding**

As at December 31, 2017, the Directors and executive officers of Avigilon, as a group, beneficially owned, or controlled or directed, directly or indirectly, 8,744,922 Common Shares, representing approximately 19.73% of the then issued and outstanding Common Shares.

The following table sets forth information about the Directors and executive officers of the Corporation as at December 31, 2017:
<table>
<thead>
<tr>
<th>Name, Residence and Position with Avigilon&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Principal Occupation(s) during the Five Preceding Years&lt;sup&gt;(3)&lt;/sup&gt;</th>
<th>Director Since</th>
</tr>
</thead>
</table>
| Alexander Fernandes  
British Columbia, Canada  
Chief Executive Officer, Director, and Chairman of the Board  
Founder, President, and Chief Executive Officer of Avigilon. | | June 28, 2006 |
| Wan Jung  
British Columbia, Canada  
Director  
Previously Chief Financial Officer of Avigilon, on an interim basis, from May 2014 until retirement in 2015 and Chief Financial Officer from 2004 to 2012. | | October 22, 2004 |
| Mike McKnight<sup>(2)(3)(4)</sup>  
British Columbia, Canada  
Director  
Since January 2010, President and Secretary of MTM Consulting Ltd., a sole proprietorship that provides financial consulting services for clients to evaluate companies and provide funding advice. | | April 8, 2015 |
| Murray Tevlin<sup>(2)(3)(4)</sup>  
British Columbia, Canada  
Director  
Previously, the Co-Founder of TevlinGleadle Employment Law Strategies, until retirement. | | August 18, 2011 |
| Fred Withers<sup>(2)(3)(4)</sup>  
British Columbia, Canada  
Director  
Chief Development Officer, Canada at EY from January 2011 until retirement in June 2014. | | July 18, 2014 |
| James Henderson  
Texas, United States  
President and Chief Operating Officer  
President and Chief Operating Officer since October 24, 2017. Previously: Chief Operating Officer at Avigilon from May 2017 to October 2017; Chief Sales and Marketing Officer at Avigilon from November 2016 to May 2017; Senior Vice President of Global Sales at Avigilon from August 2015 to November 2016; Vice President of Sales, North America at Avigilon from January 2015 to August 2015; Senior Sales Director, North America at Avigilon from June 2013 to January 2015; Senior Sales Director, Central North America at Avigilon from August 2012 to June 2013; Regional Sales Director, Ontario and Atlantic Canada at Avigilon from September 2011 to August 2012. | | N/A |
| Ric Leong<sup>(5)</sup>  
British Columbia, Canada  
Chief Financial Officer and Senior Vice President  
Chief Financial Officer and Senior Vice President at Avigilon since July 2015. Previously: Chief Accounting Officer and Senior Vice President at Avigilon from April 2015 to July 2015; Vice President, Finance at Avigilon from July 2014 to April 2015; Corporate Controller at Westport Innovations Inc. from January 2013 to July 2014; Director, Accounting at Westport Innovations Inc. from August 2012 to January 2013; engaged in Business Planning at Angiotech Pharmaceuticals, Inc. from October 2009 to August 2012. | | N/A |
<table>
<thead>
<tr>
<th>Name, Residence and Position with Avigilon&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Principal Occupation(s) during the Five Preceding Years&lt;sup&gt;(1)&lt;/sup&gt;</th>
<th>Director Since</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Joel Schuster</strong>&lt;br&gt;British Columbia, Canada&lt;br&gt;Chief Legal Officer, Senior Vice President, and Corporate Secretary</td>
<td>Chief Legal Officer, Senior Vice President, and Corporate Secretary at Avigilon since March 2015. Previously: Vice President of Legal and Corporate Secretary at Avigilon from January 2014 to March 2015; Corporate Counsel at Avigilon from October 2013 to January 2014; prior to joining Avigilon, Vice President of Legal and Corporate Secretary at Columbus Group, July 2008 to October 2013.</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Dr. Mahesh Saptharishi</strong>&lt;br&gt;Massachusetts, United States&lt;br&gt;Chief Technology Officer, Senior Vice President</td>
<td>Chief Technology Officer, Senior Vice President at Avigilon since September 2014. Previously: Senior Vice President of Analytics and Data Science at Avigilon from January to September 2014; President, Chief Technology Officer and Co-Founder of VideoIQ, Inc. from May 2013 to January 2014; Chief Technology Officer and Co-Founder of VideoIQ, Inc. from March 2007 to April 2013.</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Manny Gill</strong>&lt;br&gt;British Columbia, Canada&lt;br&gt;Vice President, Global Manufacturing and Supply Chain</td>
<td>Vice President, Global Manufacturing and Supply Chain at Avigilon since September 2015. Previously: Vice President, Manufacturing and Global Supply Chain at Avigilon from August 2012 to September 2015; Director of Operations at Avigilon from April 2009 to July 2012.</td>
<td>N/A</td>
</tr>
</tbody>
</table>

Notes:

(1) Information as to the municipality of residence and principal occupation for the past five years has been furnished by each respective Director and executive officer.

(2) Member of the Audit Committee of the Board as at the date of this AIF.

(3) Member of the Compensation Committee of the Board as at the date of this AIF.

(4) Member of the Nomination and Governance Committee of the Board as at the date of this AIF.

(5) In contemplation of the Arrangement, Mr. Leong resigned as the Corporation’s Chief Financial Officer and Senior Vice President on February 7, 2018. Effective the same day, Samuel Cochrane, formerly Avigilon’s Senior Vice President of Finance, was promoted to Chief Financial Officer and Senior Vice President.

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

None of the Directors or executive officers of the Corporation is, as at the date of this AIF, or was within 10 years before the date of this AIF, a director, chief executive officer, or chief financial officer of any company (including Avigilon) that (a) 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, that was in effect for a period of more than 30 consecutive days (each, a “Cease Trade Order”) that was issued while the Director or executive officer was acting in the capacity as director, chief executive officer, or chief financial officer of such company, or (b) was subject to a Cease Trade Order that was issued after the Director or executive officer ceased to be a director, chief executive officer, or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, chief executive officer, or chief financial officer of such company.

None of the Directors or executive officers of the Corporation, nor, to the knowledge of the Corporation, any Shareholder holding a sufficient number of the securities of the Corporation to affect materially the control of Avigilon (a) is, as at the date of this AIF, or has been within the 10 years before the date of this AIF, a director or executive officer of any company (including Avigilon) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement, or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, or (b) has, within the 10 years before the date of this AIF, 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 such Director, executive officer or Shareholder.
None of the Directors or executive officers of the Corporation, nor, to the knowledge of the Corporation, any Shareholder holding a sufficient number of the securities of the Corporation to affect materially the control of Avigilon, has been subject to (a) any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority, or (b) any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

Conflicts of Interest

The Corporation is not aware of any existing or potential material conflicts of interest between the Corporation or a subsidiary of the Corporation and any Director or officer of the Corporation or of a subsidiary of the Corporation.

AUDIT COMMITTEE

The Audit Committee is responsible for monitoring the Corporation’s systems and procedures for financial reporting and internal control, reviewing certain public disclosure documents, and monitoring the performance and independence of the Corporation’s external auditors. The Audit Committee is required to meet with Management and the Corporation’s external auditors to review and inquire into matters affecting financial reporting, the system of internal accounting and financial controls and procedures, and the audit procedures and audit plans.

Audit Committee Charter

The Audit Committee’s Charter is attached to this AIF as Schedule ‘A’.

Composition of the Audit Committee

As of the date of this AIF, the Audit Committee is composed of Fred Withers, Murray Tevlin, and Mike McKnight, each of whom is financially literate and independent of Avigilon as such terms are defined in NI 52-110. Mr. Withers is the chair of the Audit Committee.

Relevant Education and Experience

Each of Mr. Withers, Mr. Tevlin, and Mr. McKnight, have education and experience relevant to the performance of his responsibilities as a member of the Audit Committee:

- Mr. Withers had over 30 years of accounting experience with EY, and was a partner of the firm for 27 years and the managing partner of the firm for British Columbia for 10 years. Most recently, he served as the Chief Development Officer, Canada at EY. Mr. Withers worked as an auditor for both public and private companies and was responsible for reviewing and assessing internal controls of key financial processes, reviewing and auditing complex financial statements, and assisting in the preparation of interim and annual financial statements, offering documents, and other disclosure documents in accordance with Canadian and US generally accepted accounting and auditing standards, International Financial Reporting Standards and Canadian and US securities regulatory requirements. Mr. Withers received a Bachelor of Commerce degree from the University of British Columbia in 1977. He was awarded a Chartered Accountant designation by the British Columbia Institute of Chartered Accountants in 1979, became a Fellow Chartered Accountant in 2003 and a Fellow Chartered Professional Accountant in 2015.

- Mr. Tevlin has practiced law for over 35 years and was previously a founding partner of a leading Vancouver law firm, a partner at a leading national firm, and served as a member of the executive committees of both firms. In his capacity as a member of the executive committee, Mr. Tevlin reviewed the financial statements of each of those law firms. Mr. Tevlin has been a member of the Board since August 18, 2011, and served as the Lead Director of the Board since January 28, 2015, and has experience reviewing the Corporation’s audited financial statements in each of those roles.

- Mr. McKnight is a former Senior Vice President and Investment Advisor at Raymond James. Since January 2010, Mr. McKnight has been the President and Secretary of MTM Consulting Ltd., a sole proprietorship that provides financial consulting services for clients to evaluate companies and provide funding advice. In his 30 year career as a financial advisor, Mr. McKnight has reviewed the financial statements of private and public companies for the purposes of advising clients in respect of investment decisions as well as acquisitions and divestitures.
Pre-Approval Policies and Procedures

The Audit Committee Charter provides that the Audit Committee is expected to pre-approve any non-audit services to be provided to the Corporation by the Corporation’s independent accountants and the fees related to those services. The Audit Committee Charter also provides that the Audit Committee is expected to review annually the actual non-audit services performed by the Corporation’s independent accountants and the fees related to those services.

External Auditor Service Fees

The following table indicates the aggregate fees billed by the Corporation’s external auditors for the financial years ended December 31, 2017 and 2016:

<table>
<thead>
<tr>
<th>Financial years ended December 31</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Audit Fees</td>
<td>$385,025</td>
<td>$332,554</td>
</tr>
<tr>
<td>Audit-Related Fees</td>
<td>$121,968(1)</td>
<td>$154,769(2)</td>
</tr>
<tr>
<td>Total Audit and Audit-Related Fees</td>
<td>$506,993</td>
<td>$487,323</td>
</tr>
<tr>
<td>Tax Fees</td>
<td>$15,128</td>
<td>$18,956</td>
</tr>
<tr>
<td>All Other Fees</td>
<td>$0</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Total Fees</strong></td>
<td><strong>$522,121</strong></td>
<td><strong>$506,279</strong></td>
</tr>
</tbody>
</table>

Notes:


(2) Primarily represents fees paid to PWC for services performed in connection with the Corporation’s quarterly financial reports for the periods ended March 31, 2016, June 30, 2016, and September 30, 2016.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Legal Proceedings

Avigilon is not aware of any existing or contemplated legal proceedings that it is or was a party to, or that any of its property is or was the subject of, during the financial year ended December 31, 2017 that involves a claim for damages which, exclusive of interest and costs, would exceed ten percent of the current assets of the Corporation.

Regulatory Actions

There were no: (a) penalties or sanctions imposed against the Corporation by a court relating to securities legislation or by a securities regulatory authority during its most recently completed financial year; (b) other penalties or sanctions imposed by a court or regulatory body against the Corporation that would likely be considered important to a reasonable investor in making an investment decision; or (c) settlement agreements that the Corporation entered into before a court relating to securities legislation or with a securities regulatory authority during its most recently completed financial year.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Corporation is not aware of any material interest, direct or indirect, of (i) a Director or executive officer of the Corporation, (ii) a person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, or (iii) any associate or affiliate of any of the foregoing, in any transaction within the three most recently completed financial years or during the current financial year, that has materially affected or is reasonably expected to materially affect the Corporation.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar of the Common Shares is Computershare at its Toronto and Vancouver offices.
MATERIAL CONTRACTS

The only material contracts entered into by the Corporation during the most recently completed financial year, or entered into by the Corporation prior to the most recently completed financial year, but which are still in effect, are as follows (collectively, with the Arrangement Agreement, the “Material Contracts”):

- the Credit Agreement, as amended; and
- the Shareholder Rights Plan Agreement.

In addition, subsequent to the end of the most recently completed financial year, the Corporation entered into the Arrangement Agreement.

Copies of the Material Contracts are available under the Corporation’s profile on SEDAR at www.sedar.com, and the descriptions of the Material Contracts in this AIF are qualified in their entirety by the full text of the Material Contracts.

Credit Facility

On April 7, 2015, the Corporation entered into the Credit Facility pursuant to the terms of the Credit Agreement among the Corporation, certain of its subsidiaries, HSBC as administrative agent, and the Lenders.

The Credit Facility initially included a $100 million multi-currency revolving acquisition facility, a $60 million multi-currency revolving line (the “Revolver”), and a $40 million real estate term loan. Pursuant to the First Amending Agreement, the Revolver was increased from $60 million to $100 million and the Credit Facility was accordingly increased from a total of $200 million to $240 million. Pursuant to the Second Amending Agreement, the maturity date of the Credit Facility was extended from April 7, 2018 to April 7, 2019. Pursuant to the terms of the Credit Agreement, on October 24, 2017, Avigilon repaid and cancelled the real estate term loan of the Credit Facility and the Credit Facility was accordingly decreased from a total of $240 million to $200 million.

The Credit Facility carries interest at Avigilon’s option of either the (i) prime rate, (ii) US base rate, (iii) banker’s acceptance rate, or (iv) London Interbank Offered Rate, plus a margin based on the Corporation’s leverage ratio. The obligations of the Corporation under the Credit Facility are guaranteed by certain of the Corporation’s subsidiaries. All debts, liabilities and obligations of the Corporation under the Credit Facility are secured by a first-ranking security interest over all present and future assets, property, and undertakings of the Corporation and its subsidiaries.

The Credit Facility contains financial covenants that are customary for facilities of this nature. Among other things, the Credit Facility requires the Corporation to comply, on a quarterly basis, with a leverage ratio test and a fixed charge coverage ratio test. The Corporation is also subject to certain negative covenants under the Credit Facility which include restrictions on the incurrence of indebtedness, restrictions on capital expenditures, investments or sales, and restrictions on issuance of dividends or other distributions. The Credit Agreement also contains certain customary representations and warranties, affirmative covenants and events of default, including payment defaults, covenant defaults, cross‐defaults, insolvency or bankruptcy defaults, judgments, incorrect representations and warranties, and loss of security.

Shareholder Rights Plan Agreement

On May 25, 2016, Avigilon entered into the Shareholder Rights Plan Agreement in response to amendments to the Canadian take-over bid regulations that came into force on May 9, 2016 (the “Take-Over Bid Amendments”) and to help maximize shareholder value in the event of an unsolicited take-over bid by providing additional time for Avigilon’s Shareholders to consider the bid, and for the Board to explore, solicit, and consider strategic alternatives.

Under the Shareholder Rights Plan Agreement, one right (a “Right”) would be issued for each Common Share. The Rights would only become exercisable in the event that any person or group (an “Acquirer”) acquires, or announces an intention to acquire, Common Shares that would take their shareholdings to at least 20% of the Corporation’s outstanding Common Shares. The Rights would permit Shareholders other than the Acquirer to purchase additional Common Shares at a substantial discount. A permitted take-over bid, however, would not trigger the operation of the Rights. Such bid would need to, among other things, be made by way of a circular to all Shareholders, remain open for acceptance for at least 105 days, and not close unless more than 50% of the non-Acquirer’s Common Shares have been tendered thereto, in accordance with the Take-Over Bid Amendments.
The Shareholder Rights Plan Agreement was approved by the TSX, subject to the approval of Shareholders within six months of May 25, 2016, which Shareholder approval was obtained by way of a shareholder resolution at the Annual General and Special Meeting of Shareholders on June 23, 2016.

**Arrangement Agreement**

On February 1, 2018, Avigilon entered into the Arrangement Agreement, pursuant to which Motorola Solutions agreed to acquire all of the issued and outstanding Common Shares for cash consideration of CAD$27.00 per Common Share pursuant to the Arrangement.

The Arrangement is subject to customary closing conditions for a transaction of this nature, including: (i) court approval; (ii) Shareholder approval; and (iii) applicable regulatory approvals. The Arrangement has the unanimous support of the Board’s independent special committee, the full Board, and Management, and is expected to be completed in the first half of 2018. Further details regarding the Arrangement are included in the Notice of Special Meeting and Management Information Circular dated February 21, 2018, a copy of which is available online under the Corporation’s profile on SEDAR at www.sedar.com.

**INTERESTS OF EXPERTS**

PWC, the Corporation’s external auditors for the financial year ended December 31, 2017, have confirmed that they are independent of the Corporation in accordance with the Chartered Professional Accountants of British Columbia Code of Professional Conduct.

**ADDITIONAL INFORMATION**

Additional information relating to the Corporation may be found under the Corporation’s profile on SEDAR at www.sedar.com.

Additional information, including Directors’ and officers’ remuneration and indebtedness, principal holders of the Corporation’s securities and securities authorized for issuance under equity compensation plans, is contained in the Corporation’s Management Information Circular dated as of June 1, 2017 which is available under the Corporation’s profile on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation’s financial statements and Management’s Discussion and Analysis for the year ended December 31, 2017 which may be found under the Corporation’s profile on SEDAR at www.sedar.com.
Audit Committee Charter

As Adopted by the Board of Directors on March 2, 2015

I Purpose of the Audit Committee

The purpose of the Audit Committee (the “Committee”) is to:

1. Assist the Board of Directors of the Corporation (the “Board”) in fulfilling its oversight responsibilities relating to:
   (a) the quality and integrity of the Corporation’s financial statements, financial reporting process and systems of internal controls and disclosure controls regarding risk management, finance, accounting, and legal and regulatory compliance;
   (b) the independence and qualifications of the Corporation’s independent accountants (the “Accountants”) and review of the audit and review engagement efforts of the Accountants; and
   (c) the development and implementation of policies and processes regarding corporate governance matters.

2. Provide an open avenue of communication between the Accountants, the Corporation’s financial and senior management, and the Board.

3. Prepare any reports required to be prepared by the Committee pursuant to the rules of any stock exchange on which the Corporation’s shares are listed and pursuant to the rules of any securities commission or other regulatory authority having jurisdiction, whether for inclusion in the Corporation’s annual information circular or otherwise.

The Committee will primarily fulfill these responsibilities by carrying out the specific activities enumerated in Section VII below of this Charter.

While the Committee has the responsibilities and powers set forth in this Charter, it is not the duty of the Committee to plan or conduct audits or review engagements, or to determine that the Corporation’s financial statements are complete and accurate or are in accordance with generally accepted accounting principles, accounting standards, or applicable laws and regulations. This is the responsibility of management of the Corporation and the Accountants, as well as any advisors employed by the Committee. Because the primary function of the Committee is oversight, the Committee shall be entitled to rely on the expertise, skills and knowledge of management and the Accountants and the integrity and accuracy of information provided to the Committee by such persons in carrying out its oversight responsibilities. Nothing in this Charter is intended to change the responsibilities of management and the Accountants.

II Composition

The Committee shall be composed of at least three Directors, each of whom the Board will have determined has no material relationship with the Corporation which could, in the view of the Board, be reasonably expected to interfere with the exercise of such Director’s independent judgment, and who is otherwise “independent” as determined pursuant to National Instrument 52-110 – Audit Committees and any other applicable securities laws, rules or requirements, or the requirements of any stock exchange upon which the Corporation’s securities are listed from time to time (“Independent”).

All members of the Committee must be financially literate, meaning that he or she has the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements. A Director who is not financially literate may be appointed to the Committee, provided that such Director becomes financially literate within a reasonable period of time following such appointment.
If any member of the Committee ceases to be Independent, for reasons outside that member’s reasonable control, that member may remain a Committee member until the earlier of the next annual meeting of the shareholders of the Corporation or the date that is six months from the occurrence of the event that caused that member to no longer be independent.

III Authority

The Committee shall have the authority to: (i) retain (at the Corporation’s expense) its own legal counsel, accountants and other advisors that the Committee believes, in its sole discretion, are needed to carry out its duties and responsibilities; (ii) conduct investigations that it believes, in its sole discretion, are necessary to carry out its responsibilities; and (iii) take whatever actions that it deems appropriate to foster an internal culture that is committed to maintaining quality financial reporting, sound business risk practices and ethical behaviour within the Corporation. In addition, the Committee shall have the authority to request any officer, Director, employee or consultant of the Corporation, the Corporation’s outside legal counsel and the Accountants to meet with the Committee and any of its advisors and to respond to their inquiries. The Committee shall have full access to the books, records and facilities of the Corporation in carrying out its responsibilities. The Corporation shall provide for appropriate funding, as determined by the Committee, for: (i) services provided by the Accountants in rendering or issuing an audit report or review engagement report; (ii) services provided by any adviser employed by the Committee which it believes, in its sole discretion, are needed to carry out its duties and responsibilities; or (iii) ordinary administrative expenses of the Committee that are necessary or appropriate in carrying out its duties and responsibilities.

The Committee shall be responsible for establishing procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submissions by employees of the Corporation regarding questionable accounting or auditing matters.

The Committee shall review the reports of the Corporation’s Chief Executive Officer and Chief Financial Officer (in connection with their required certifications for the Corporation’s filings under any applicable securities laws) regarding any significant deficiencies or material weaknesses in the design of operation of internal controls and any fraud that involves management or other employees of the Corporation who have a significant role in managing or implementing the Corporation’s internal controls. During this review, the Committee should evaluate whether the internal control structure, as created and as implemented, provides reasonable assurances that transactions are recorded as necessary to permit the Accountants to reconcile the Corporation’s financial statements in accordance with applicable securities laws.

The Committee, in its capacity as a committee of the Board, is directly responsible for the appointment (subject to approval by the Corporation’s shareholders), compensation, retention and oversight of the work of the Accountants engaged (including resolution of disagreements between the Corporation’s management and the Accountants regarding financial reporting) for the purpose of preparing and issuing an audit report or performing other audit, review or attest services for the Corporation.

The Accountants shall submit to the Audit Committee annually: (i) a formal written statement delineating all relationships between the Accountants and the Corporation and its subsidiaries; (ii) addressing the non-audit services provided to the Corporation or its subsidiaries; and (iii) the matters set forth in or required by the rules and regulations of all relevant regulatory authorities in connection therewith.

The Accountants shall submit to the Committee annually a formal written statement of the fees billed for each of the following categories of services rendered by the Accountants: (i) the audit of the Corporation’s annual financial statements for the most recent fiscal year; (ii) services relating to non-recurring audit fees; (iii) services for audit related fees such as any reviews of the financial statements; and (iv) all other non-audit services rendered by the Accountants for the most recent fiscal years, in the aggregate and by each service.

IV Appointing Members

The members of the Committee shall be appointed or re-appointed by the Board on an annual basis. Each member of the Committee shall continue to be a member thereof until such member’s successor is appointed, unless such member shall resign or be removed by the Board or such member shall cease to be a Director of the Corporation. Where a vacancy occurs at any time in the membership of the Committee, it may be filled by the Board and shall be
filled by the Board if the membership of the Committee is less than three Directors as a result of the vacancy or the Committee no longer has a member who is an “audit committee financial expert” as a result of the vacancy.

V Chairperson

The Board, or in the event of its failure to do so, the members of the Committee, must appoint a Chairperson from the members of the Committee. If the Chairperson of the Committee is not present at any meeting of the Committee, an acting Chairperson for the meeting shall be chosen by majority vote of the Committee from among the members present. In the case of a deadlock on any matter or vote, the Chairperson shall refer the matter to the Board. All requests for information from the Corporation or the Accountants shall be made through the Chairperson.

VI Meetings

The time and place of meetings of the Committee and the procedure at such meetings shall be determined from time to time by the members thereof provided that:

1. A quorum for meetings shall be two members, present in person or by telephone or other telecommunication device that permit all persons participating in the meeting to speak and hear each other;

2. The Committee shall meet at least quarterly (or more frequently as circumstances dictate); and

3. Notice of the time and place of every meeting shall be given in writing or by electronic communication to each member of the Committee and the Accountants at least 48 hours prior to the time of such meeting.

While the Committee is expected to communicate regularly with management, the Committee shall exercise a high degree of independence in establishing its meeting agenda and in carrying out its responsibilities. The Committee shall submit the minutes of all meetings of the Committee to, or discuss the matters discussed at each Committee meeting with, the Board.

VII Specific Duties

In meeting its responsibilities, the Committee is expected to:

1. Select and recommend to the Board the Accountants for the Corporation, considering independence and effectiveness, and oversee the services rendered by the Accountants (including the resolution of disagreements between management and the Accountants regarding preparation of financial statements) for the purpose of preparing or issuing an audit report or related work, and the Accountants shall report directly to the Committee;

2. Review the Accountants’ plan and engagement letter, including audit scope and approach, with management and the Accountants;

3. Pre-approve any audit and non-audit services to be provided to the Corporation by the Accountants and the fees for those services and other compensation to be paid to the Accountants;

4. Review annually the actual non-audit services and related fees provided by the Accountants;

5. Review the performance of the Accountants, including the lead partner of the Accountants, and, in its sole discretion, approve any proposed discharge of the Accountants when circumstances warrant, and appoint any new independent accountants (subject to approval of the Corporation’s shareholders);

6. Review and approve partner rotation of the Accountants;

7. Engage the Accountants to review the quarterly interim financial statements;
8. Periodically review and discuss with the Accountants all significant relationships the Accountants have with the Corporation to determine the independence of the Accountants, including a review of service fees for audit and non-audit services;

9. Review and approve the Corporation’s hiring policies from time to time regarding partners, employees, and former partners and employees of the present and former Accountants of the Corporation;

10. Inquire of management and the Accountants and evaluate the effectiveness of the Corporation’s process for assessing significant risks or exposures and the steps management has taken to monitor, control and minimize such risks to the Corporation.

11. Review with the Accountants the coordination of audit effort to assure completeness of coverage, and the effective use of audit resources;

12. Consider and review with the Accountants, out of the presence of management:
   (a) the adequacy of the Corporation’s internal controls and disclosure controls including the adequacy of computerized information systems and security;
   (b) the truthfulness and accuracy of the Corporation’s financial statements; and
   (c) any related significant findings and recommendations of the Accountants together with management’s responses thereto;

13. Review unusual transactions such as purchase accounting and other judgment areas;

14. Following completion of the annual audit, review with management and the Accountants:
   (a) the Corporation’s annual financial statements and related footnotes;
   (b) the Accountants’ audit of the financial statements and the report thereon;
   (c) any significant changes required in the Accountants’ audit plan; and
   (d) other matters related to the conduct of the audit which are to be communicated to the committee under generally accepted auditing standards;

15. Following completion of the annual audit, review separately with each of management and the Accountants any significant difficulties encountered during the course of the audit, including any restrictions on the scope of work or access to required information;

16. Establish regular and separate systems of reporting to the Committee by each of management and the Accountants regarding any significant judgments made in management’s preparation of the financial statements and the view of each as to appropriateness of such judgments;

17. In consultation with the Accountants, review any significant disagreement among management and the Accountants in connection with the preparation of the financial statements, including management’s responses thereto;

18. Consider and review with management:
   (a) significant findings during the year and management’s responses thereto; and
   (b) any changes required in the planned scope of their audit plan;

19. Review, prior to publication, all interim and annual filings with regulatory authorities and any other publicly disclosed information containing the Corporation’s financial statements, including Management’s Discussion & Analysis, any certification, report, opinion or review rendered by the Accountants, any press releases announcing earnings (especially the use of “pro forma” or “adjusted” information not prepared in compliance with generally accepted accounting principles) and all material financial information and earnings guidance intended to be provided to analysts and the public or to rating agencies, and consider whether the information contained in these documents is consistent with the information contained in the financial statements;
20. Review the material financial information included in any prospectus, press release, annual information form, information circular, or other filings or disclosure required by law or applicable regulatory authorities prior to their release and, where appropriate, recommend to the Board whether such materials should be approved by the Board, as may be required;

21. Facilitate the preparation and inclusion of any report from the Committee or other disclosure as required by applicable laws and regulations in the Corporation’s annual information form, information circular or other filings with applicable regulatory authorities;

22. Review with management the adequacy of the insurance and fidelity bond coverages, reported contingent liabilities, and management’s assessment of contingency planning. Review management’s plans regarding any changes in accounting practices or policies and the financial impact of such changes, any major areas in management’s judgment that have a significant effect upon the financial statements of the Corporation, and any litigation or claim, including tax assessments, that could have a material effect upon the financial position or operating results of the Corporation;

23. Review with management and the Accountants each annual, quarterly and other periodic report prior to its filing with the relevant regulators or prior to the release of earnings;

24. Review policies and procedures with respect to the Corporation’s officers’ expense accounts and perquisites, including their use of corporate assets, and consider the results of any review of these areas by the Accountants;

25. Review, with the Corporation’s counsel, any legal, tax or regulatory matter that may have a material impact on the Corporation’s financial statements, operations, related Corporation compliance policies, and programs and reports received from regulators;

26. Evaluate and review with management the Corporation’s guidelines and policies governing the process of risk assessment and risk management;

27. Meet with the Accountants and management in separate sessions to discuss any matters that the Committee or these groups believe should be discussed privately with the Committee;

28. Report Committee actions to the Board with such recommendations as the Committee may deem appropriate;

29. Review significant accounting and reporting issues, including recent professional and regulatory pronouncements, and assess their impact on the Corporation’s financial statements, reporting practices, and internal controls;

30. Maintain, review and update the procedures for: (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, as provided for in Annex A attached to this Charter;

31. Review, assess and update this Charter on an annual basis and recommend any proposed changes to the Board for approval, in accordance with applicable securities law or stock exchange requirements or otherwise;

32. Conduct an annual review and evaluation of the performance of the Committee and its individual members, including a review of the compliance of the Committee and its individual members with this Charter. In addition, evaluate, annually, the adequacy of this Charter and recommend any necessary or desired changes to this Charter to the Board; and

33. Perform such other functions consistent with this Charter, the Corporation’s Articles, and governing law, as the Committee deems necessary or appropriate.
ANNEX A

PROCEDURES FOR THE SUBMISSION OF COMPLAINTS AND CONCERNS REGARDING ACCOUNTING, INTERNAL ACCOUNTING CONTROLS OR AUDITING MATTERS

1. Avigilon Corporation (the “Corporation”) has designated its Audit Committee of its Board of Directors (the “Committee”) to be responsible for administering these procedures for the receipt, retention, and treatment of complaints received by the Corporation or the Committee directly regarding accounting, internal accounting controls, or auditing matters.

2. Any employee or consultant of the Corporation may on a confidential and anonymous basis submit concerns regarding questionable accounting controls or auditing matters to the Committee by setting forth such concerns in a letter addressed directly to the Committee with a legend on the envelope such as “Confidential” or “To be opened by Committee only”. If an employee or consultant would like to discuss the matter directly with a member of the Committee, the employee or consultant should include a return telephone number in his or her submission to the Committee at which he or she can be contacted. All submissions by letter to the Committee can be sent to:

Avigilon Corporation
c/o Audit Committee
Attn: Lead Director
c/o 2900 – 550 Burrard Street
Vancouver, British Columbia
V6C 0A3

3. Any complaints received by the Corporation that are submitted as set forth herein will be forwarded directly to the Committee and will be treated as confidential if so indicated.

4. At each meeting of the Committee, or any special meetings called by the Chairperson of the Committee, the members of the Committee will review and consider any complaints or concerns submitted as set forth herein and take any action it deems necessary in order to respond thereto.

5. All complaints and concerns submitted as set forth herein will be retained by the Committee for a period of seven (7) years.