FOUNDERS ADVANTAGE CAPITAL CORP.

ANNUAL INFORMATION FORM

For the financial year ended December 31, 2017

Dated April 24, 2018

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PRELIMINARY NOTES

Throughout this annual information form ("**AIF**"), Founders Advantage Capital Corp. is referred to as the "**Corporation**". All information contained herein is as at April 24, 2018, unless otherwise stated. All dollar amounts set forth in this AIF are in Canadian dollars, unless otherwise stated. Words importing the singular number only include the plural and vice versa and words importing any gender include all genders.

GLOSSARY OF TERMS

"**ABCA**" means the *Business Corporations Act* (Alberta);

"**AIF**" means this annual information form;

"**AG-Litho**" means The Litho-Color Services (Toronto) Ltd., which is owned 70% by AG;

"**Astley Gilbert**" or "**AG**" means Astley Gilbert Limited, and includes its subsidiary AG-Litho where the context requires;

"**Astley Gilbert Annual Threshold**" means the first $6.7 million of annual distributions paid by Astley Gilbert to its securityholders, with the Corporation receiving 50% of such distributions and the Astley Gilbert Minority Securityholders receiving 50% of such distributions;

"**Astley Gilbert Class C Shares**" means the class C voting common shares of Astley Gilbert;

"**Astley Gilbert Class D Shares**" means the class D voting common shares of Astley Gilbert;

"**Astley Gilbert Class E Shares**" means the class E non-voting common shares of Astley Gilbert;

"**Astley Gilbert Class F Shares**" means the class F non-voting common shares of Astley Gilbert;

"**Astley Gilbert Minority Securityholders**" means all other securityholders of Astley Gilbert other than the Corporation;

"**Astley Gilbert Principals**" means Wayne Wilbur, Ari Yakobson and Rino Dambrosio;

"**Astley Gilbert Purchase Agreement**" means the purchase agreement dated October 31, 2017 among the Corporation and the Astley Gilbert Principals in connection with the Astley Gilbert Transaction;

"**Astley Gilbert Shareholders Agreement**" means the shareholder agreement among the Corporation, Astley Gilbert and the Astley Gilbert Principals, dated October 31, 2017, which details certain corporate governance matters for Astley Gilbert;

"**Astley Gilbert Shares**" means collectively, the Astley Gilbert Class C Shares, the Astley Gilbert Class D Shares, the Astley Gilbert Class E Shares and the Astley Gilbert Class F Shares, as applicable;

"**Astley Gilbert Transaction**" means the acquisition by the Corporation of a 50% interest in Astley Gilbert, which was completed on October 31, 2017;

"**ATB**" means Alberta Treasury Branches;

"**ATB Credit Facility**" means the credit facility agreement between the Corporation and ATB, dated July 19, 2016 and amended on December 7, 2016 and March 1, 2017, whereby ATB agreed to provide the Corporation with a $28.0 million revolving credit facility;

"**Board**" means the board of directors of the Corporation;

"**Club16**" means the Club16 Entities;

"**Club16 Annual Threshold**" means the first $5.85 million of annual distributions paid by the Club16 LP to its securityholders, with the Corporation receiving 60% of such distributions and the Club16 Minority Securityholders receiving 40% of such distributions;

"**Club16 Class A LP Units**" means the class A limited partnership units of the Club16 LP;

"**Club16 Class B LP Units**" means the class B limited partnership units of the Club16 LP;

"**Club16 Class C LP Units**" means the class C limited partnership units of the Club16 LP;

"**Club16 Entities**" means, collectively, the Club16 LP and the Club16 General Partner;

"**Club16 General Partner**" means Club16 GP Ltd., the sole general partner of the Club16 LP;

"**Club16 GP Shareholders Agreement**" means the shareholder agreement among the Corporation, the Club16 Entities and the Club16 Principals, as amended and restated on May 1, 2017, which details certain corporate governance matters for the Club16 Entities;

"**Club16 GP Shares**" means the common shares of the Club16 General Partner;

"**Club16 LP**" means Club16 Limited Partnership, a limited liability partnership formed pursuant to the laws of British Columbia;

"**Club16 LP Agreement**" means the amended and restated limited partnership agreement among the Corporation, the Club16 General Partner and TCAC Holdings Ltd., as amended and restated on May 1, 2017, which governs the Club16 LP;

"**Club16 LP Units**" means the Club16 Class A LP Units, the Club16 Class B LP Units and the Club16 Class C LP Units, collectively;

"**Club16 Minority Securityholders**" means: (a) with respect to the Club16 LP, all other securityholders of the Club16 LP other than the Club16 General Partner and the Corporation; and (b) with respect to the Club16 General Partner, all other securityholders of the Club16 General Partner other than the Corporation;

"**Club16 Predecessors**" means Triage Holdings Ltd., L&L Signature Fitness Group Ltd., Club16 Trevor Linden Fitness (Abbotsford) Ltd., Club16 Trevor Linden Fitness (Central City) Ltd., Club16 Trevor Linden Fitness (Coquitlam) Ltd., Club16 Trevor Linden Fitness (Downtown) Ltd., Club16 Trevor Linden Fitness (Maple Ridge) Ltd., Club16 Trevor Linden Fitness (Newton) Ltd., Club16 Trevor Linden Fitness (North Vancouver) Ltd., Club16 Trevor Linden Fitness (South Burnaby) Ltd., SHE'S FIT! Health Club (Langley) Ltd., SHE'S FIT! Health Club (Metrotown) Ltd., SHE'S FIT! Health Club (North Delta) Ltd., SHE'S FIT! Health Club (Surrey) Ltd. and SHE'S FIT! Health Club (White Rock) Ltd.;

"**Club16 Principals**" means L&L Signature Fitness Group Ltd., Chuck Lawson, Trevor Linden, Carl Ulmer and their affiliated entities, which collectively hold their interest in Club16 indirectly through TCAC Holdings Ltd.;

"**Club16 Purchase Agreement**" means the purchase agreement, dated December 20, 2016, among the Corporation, the Club16 LP, the Club16 Predecessors and the Club16 Principals in connection with the Club16 Transaction;

"**Club16 Transaction**" means the acquisition by the Corporation of a 60% interest in the Club16 LP and the acquisition by the Club16 LP of the thirteen Club16 and She's Fit! fitness clubs from the Club16 Predecessors, which was completed on December 20, 2016;

"**Common Shares**" means the class A voting common shares in the capital of the Corporation;

"**Corporation**" means Founders Advantage Capital Corp., a corporation subsisting under the ABCA;

"**CRA**" means Canada Revenue Agency;

"**D+H**" means D+H Expert, a third-party web-based mortgage origination program, which is used in connection with approximately 95% of the mortgages placed through mortgage brokers in Canada (making D+H a useful source of data for the mortgage brokerage industry);

"**DLC**" means the DLC Entities;

"**DLC-604 Media**" means 604 Media Inc.;

"**DLC-984 BC**" means 0984511 BC Ltd.;

"**DLC Annual Threshold**" means the first $14.6 million of annual distributions paid by DLC to its securityholders, with the Corporation receiving 60% of such distributions and the DLC Minority Securityholders receiving 40% of such distributions;

"**DLC Auto Pilot**" means NA Auto Pilot Media Inc.;

"**DLC Canadiana**" means Canadiana Financial Corp.;

"**DLC Class A LP Units**" means the class A limited partnership units of the DLC LP;

"**DLC Class B LP Units**" means the class B limited partnership units of the DLC LP;

"**DLC Class C LP Units**" means the class C limited partnership units of the DLC LP;

"**DLC Commercial**" means Dominion Lending Centres Commercial Inc.;

"**DLC Entities**" means, collectively, the DLC LP, the DLC General Partner, DLC Inc., DLC National, DLC Auto Pilot, DLC Commercial, DLC Canadiana, DLC-MCC, DLC-MA, DLC-984 BC, DLC-604 Media, DLC-Newton Holdco and DLC-Newton;

"**DLC Franchisees**" or "**Franchisees**" means those mortgage brokers that are franchisees of DLC;

"**DLC General Partner**" means Dominion Lending Centres GP Inc., the sole general partner of the DLC LP;

"**DLC GP Shareholders Agreement**" means the shareholder agreement among the Corporation, the DLC Entities and the DLC Principals, dated June 3, 2016, which details certain corporate governance matters for the DLC Entities;

"**DLC GP Shares**" means the common shares of the DLC General Partner;

"**DLC Inc.**" means Dominion Lending Centres Inc.;

"**DLC LP**" means DLC Limited Partnership, a limited liability partnership formed pursuant to the laws of British Columbia;

"**DLC LP Agreement**" means the amended and restated limited partnership agreement among the Corporation, the DLC General Partner and various other entities, dated May 27, 2016, which governs the DLC LP;

"**DLC LP Units**" means the DLC Class A LP Units, the DLC Class B LP Units and the DLC Class C LP Units, collectively;

"**DLC-MA**" or "**MA**"means MA Mortgage Architects Inc., a subsidiary of DLC Inc.;

"**DLC-MCC**" or "**MCC**" means MCC Mortgage Centre Canada Inc., a subsidiary of DLC Inc.;

"**DLC Minority Securityholders**" means: (a) with respect to the DLC LP, all other securityholders of the DLC LP other than the DLC General Partner and the Corporation; and (b) with respect to the DLC General Partner, all other securityholders of the DLC General Partner other than the Corporation;

"**DLC National**" means Dominion Lending Centres National Ltd.;

"**DLC-Newton**" or "**Newton**" means Newton Connectivity Systems Inc. (formerly Marlborough Stirling Canada Limited), an entity owned 70% by DLC-Newton Holdco;

"**DLC-Newton Holdco**" means 10017078 Canada Inc., a wholly-owned subsidiary of DLC Inc.;

"**DLC Principals**" means Gary Mauris, Chris Kayat and their affiliated entities;

"**DLC Purchase Agreement**" means the purchase agreement, dated May 13, 2016, among the Corporation and the DLC Principals in connection with the DLC Transaction;

"**DLC Transaction**" means the acquisition by the Corporation of a 60% interest in DLC, which was completed on June 3, 2016;

"**DSU**" means a deferred share unit issued pursuant to the DSU Plan, with each unit entitling the holder thereof to acquire one Common Share or the cash equivalent at the discretion of the Corporation without the payment of any additional amount or exercise price;

"**DSU Plan**" means the deferred share unit plan of the Corporation, which plan was terminated by the Corporation effective April 4, 2017;

"**EBITDA**" means earnings before interest, income tax, depreciation and amortization;

"**Impact**" means Cape Communications International Inc., operating as Impact Radio Accessories;

"**Impact Annual Threshold**" means the first $2.96 million of annual distributions paid by Impact to its securityholders, with the Corporation receiving 52% of such distributions and the Impact Minority Securityholders receiving 48% of such distributions;

"**Impact Class A Shares**" means the class A voting common shares of Impact;

"**Impact Class B Shares**" means the class B non-voting common shares of Impact;

"**Impact Class C Shares**" means the class C non-voting common shares of Impact;

"**Impact Minority Securityholders**" means all other securityholders of Impact other than the Corporation;

"**Impact Principals**" means Keith Kostek, Gillian Kostek and 0960636 BC Ltd.;

"**Impact Purchase Agreement**" means the purchase agreement dated March 1, 2017 among the Corporation and the Impact Principals in connection with the Impact Transaction;

"**Impact Put Option**" means the right of the Impact Principals to sell the Corporation an additional 22% of Impact for a fixed price of $5.1 million, at any time between September 30, 2017 and March 31, 2018, provided the trailing twelve month EBITDA for Impact at the exercise date exceeds $4.0 million;

"**Impact Shareholders Agreement**" means the shareholder agreement among the Corporation, Impact and the Impact Principals, dated March 1, 2017, which details certain corporate governance matters for Impact;

"**Impact Shares**" means collectively, the Impact Class A Shares, the Impact Class B Shares and the Impact Class C Shares, as applicable;

"**Impact Transaction**" means the acquisition by the Corporation of a 52% interest in Impact, which was completed on March 1, 2017;

"**Ivory**" means Ivory Resources Inc., a former subsidiary of the Corporation formed under the laws of Cayman Islands, which was dissolved effective March 30, 2016;

"**Ivory Exploration Services Agreement**" means the exploration services agreement between Ivory and the Ministry of Mines, Industry and Energy for the Government of Equatorial Guinea pursuant to which Ivory funded and carried out an airborne geological survey of the 26,000 square kilometre continental region of Equatorial Guinea;

"**Ivory Settlement Agreement**" means the settlement agreement between Ivory and the Government of Equatorial Guinea whereby Ivory relinquished all its rights and interests under the terms of the Ivory Exploration Services Agreement in exchange for US$31.5 million in cash;

"**Option**" means a stock option issued pursuant to the Option Plan, with each such option being exercisable for one Common Share upon payment of the applicable exercise price;

"**Option Plan**" means the rolling 10% stock option plan of the Corporation as approved by Shareholders;

"**Preferred Shares**" means the class B preferred shares in the capital of the Corporation;

"**Reid Escrow Agreement**" means the escrow agreement, dated February 23, 2016, among the Corporation, Stephen Reid and Computershare Trust Company of Canada, which provided that the Reid Shares were to be released if and when the Corporation's acquired investment opportunities and any other investments

made by the Corporation following the closing of the Reid Transaction delivered cumulative EBITDA of not less than $15 million (which condition was satisfied in July, 2017);

"**Reid Shares**" means the 952,381 Common Shares (post-consolidation) issued to Stephen Reid as part of the Reid Transaction, which were subject to the Reid Escrow Agreement until the release conditions were satisfied in August, 2017;

"**Reid Share Purchase Agreement**" means the share purchase agreement, dated February 23, 2016, among the Corporation, Stephen Reid and Advantage Investments (Alberta) Ltd. in connection with the Reid Transaction;

"**Reid Transaction**" means the purchase transaction completed by the Corporation on February 23, 2016, the key terms of which provided for: (i) the appointment of Stephen Reid to the Board, and as the President and Chief Executive Officer of the Corporation; (ii) the appointment of James Bell to the Board; and (iii) the acquisition Mr. Reid's related corporation together with certain related proprietary investment opportunities, in consideration for the Reid Shares and the assumption of $350,000 of debt;

"**Sagard**" means Sagard Holdings ULC or its assignee Sagard Credit Partners, LP, as applicable;

"**Sagard Credit Facility**" means the credit facility agreement between the Corporation and Sagard, dated May 31, 2017, as amended from time to time, whereby Sagard agreed to provide the Corporation with a USD $75 million (approx. CAD $100 million) senior secured credit facility, of which the initial draw at closing under the Sagard Credit Facility was USD $42 million (approx. CAD $56 million), with additional draws subject to Sagard's further approval;

"**Sagard Warrants**" means the 2,078,568 non-transferable Common Share purchase warrants, each of which entitles Sagard to acquire one common share of the Corporation at any time until June 14, 2022 upon payment of the exercise price (the exercise price for 1,039,284 warrants is $3.508 per share and the exercise price for the remaining 1,039,284 warrants is $3.965 per share);

"**Shareholders**" means the holders of the Common Shares;

"**Tax Act**" means the *Income Tax Act* (Canada); and

"**TSXV**" means the TSX Venture Exchange.

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Certain statements in this document constitute forward-looking information under applicable securities legislation. Forward-looking information typically contains statements with words such as “anticipate,” “believe,” “estimate,” “will,” “expect,” “plan,” “intend,” or similar words suggesting future outcomes or an outlook. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Corporation to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Forward-looking information in this document includes, but is not limited to:

- reference to the Corporation's intent to make additional investments in private entities meeting the Corporation's investment criteria;
- the intent of DLC to continue to add additional Franchisees to its network of mortgage brokers;
- mortgage brokers increasing their market share of the total Canadian mortgage market;

- the Corporation's anticipated distributions of free cash flow from its investee entities;
- the intent of Club16 to increase locations; and
- the continued demand for Impact and AG's products.

Such forward-looking information is necessarily based on a number of estimates and assumptions, including material estimates and assumptions, related to the factors identified below that, while considered reasonable by the Corporation as at the date of this AIF in light of management's experience and perception of current conditions and expected developments, are inherently subject to significant business, economic and competitive uncertainties and contingencies. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements and undue reliance should not be placed on such statements and information. Such factors include, but are not limited to:

- the Corporation's ability to execute its investment strategy on acceptable terms, including its ability to identify potential investments and to successfully negotiate the terms of such investments;
- the Corporation's ability to obtain financing on acceptable terms or at all;
- the performance of existing investments in line with the Corporation's expectations;
- the continuation of existing Canadian mortgage lending and mortgage brokerage laws;
- the absence of material decreases in the aggregate Canadian mortgage lending business; and
- that the Corporation's investee entities will distribute free cash flow to their shareholders.

Many of these uncertainties and contingencies can affect our actual results and could cause actual results to differ materially from those expressed or implied in any forward-looking statements made by, or on behalf of, us. Readers are cautioned that forward-looking statements are not guarantees of future performance. All forward-looking statements made in this AIF are qualified by these cautionary statements. The foregoing list of risks is not exhaustive. For more information relating to risks, see the section titled "Risk Factors" herein and those additional factors described under "Schedule A – Information Concerning Dominion Lending Centres – Risk Factors Relating to DLC", "Schedule B – Information Concerning Club16 – Risk Factors Relating to Club16", "Schedule C – Information Concerning Impact Communications – Risk Factors Relating to Impact" and "Schedule D – Information Concerning Astley Gilbert Limited – Risk Factors Relating to AG". The forward-looking information contained in this document is made as of the date hereof and, except as required by applicable securities law, the Corporation undertakes no obligation to update publicly or revise any forward-looking statements or information, whether as a result of new information, future events or otherwise.

NON-IFRS MEASURES

EBITDA for both our corporate head office and investees is defined as earnings before interest, taxes, depreciation and amortization. While EBITDA is not a recognized measure under IFRS, management believes that EBITDA is a useful supplemental measure as it provides management and investors with an insightful indication of the performance of the corporate office and our investees.

Investors should be cautioned, however, that EBITDA should not be construed as an alternative to a statement of cash flows as a measure of liquidity and cash flows. The methodologies we use to determine EBITDA may differ from those utilized by other issuers or companies and, accordingly, EBITDA as used in this AIF may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that EBITDA should not be construed as an alternative to net loss or income determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows. Please see the Corporation's

Management's Discussion and Analysis for the year ended December 31, 2017 for a reconciliation of EBITDA to its nearest IFRS measure.

CORPORATE STRUCTURE

Names and Incorporation

The Corporation's name is "Founders Advantage Capital Corp." The registered office of the Corporation is located at 4500 Bankers Hall East, 855 – 2nd Street S.W., Calgary, Alberta. The head office of the Corporation is located at Suite 400, 2207 – 4th Street S.W., Calgary, Alberta.

The Corporation is a reporting issuer in the Provinces of Alberta, Ontario and British Columbia. The Common Shares are listed on Tier 1 of the TSXV under the symbol "FCF".

Corporate History

The Corporation was incorporated as "Brilliant Mining Corp." pursuant to the ABCA on October 1, 1998.

By articles of amendment filed on July 30, 2001, the Corporation amended its articles by changing its authorized share capital to an unlimited number of Common Shares and an unlimited number of Preferred Shares.

By articles of amendment filed on May 29, 2009, an arrangement involving the Corporation and the Shareholders was effected and the Common Shares were consolidated pursuant to the arrangement on the basis of two Common Shares on a pre-consolidation basis for every one Common Share on a post-consolidation basis.

By articles of amendment filed on November 23, 2011, the Corporation changed its name from "Brilliant Mining Corp." to "Brilliant Resources Inc."

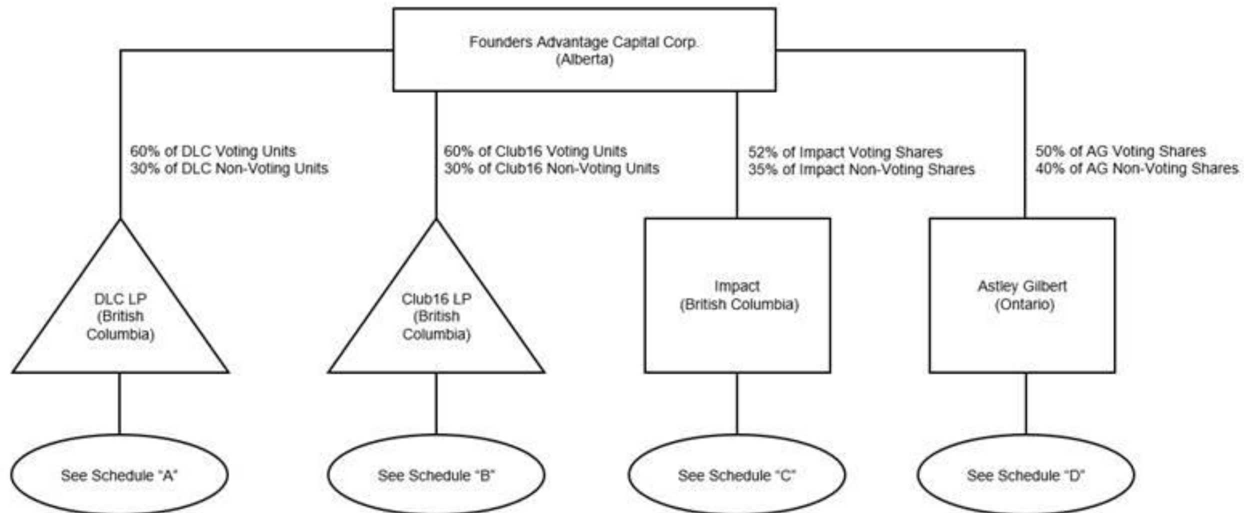
The Corporation underwent a change of business from a junior resource company to an investment issuer that was approved by Shareholders on June 25, 2015 and changed its name to "FCF Capital Inc." by articles of amendment filed on June 25, 2015. The Corporation began trading as a Tier 2 investment issuer on the TSXV on June 29, 2015 and graduated to Tier 1 of the TSXV on December 29, 2015.

By articles of amendment filed on May 16, 2016, the Corporation changed its name from "FCF Capital Inc." to "Founders Advantage Capital Corp.".

By articles of amendment filed on May 18, 2016, the Corporation consolidated its issued and outstanding Common Shares on the basis of fifteen (15) Common Shares on a pre-consolidation basis for every one Common Share on a post-consolidation basis. Unless otherwise stated, all Common Share amounts referenced herein are reported on a post-consolidation basis.

Intercorporate Relationships

As at the date hereof, the corporate structure of the Corporation is as set out below (please see Schedule A for the corporate structure of the DLC Entities; Schedule B for the corporate structure of the Club16 Entities; Schedule C for the corporate structure of Impact; and Schedule D for the corporate structure of Astley Gilbert):



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

Historical

Over the last three years, the Corporation has transitioned from a junior mining issuer to an investment issuer, and then further transitioned in February 2016 to an investment issuer with a new Board, management team and investment approach.

As the historical corporate information prior to February 2016 is not considered relevant to the Corporation's current operations, the disclosure below summarizes the material events relevant to the Corporation's current operations since February 2016. Please see "Schedule E – Three Year Corporate History for Previous Operations" for the history of the Corporation as a junior mining issuer and as an investment issuer under a different management team, each of which are not considered material to the Corporation's current operations.

General Developments

On February 23, 2016, the Corporation completed the Reid Transaction and adopted its current investment approach. On the closing of the Reid Transaction, Stephen Reid was appointed to the Board and retained as the President and Chief Executive Officer.

On April 14, 2016, the Corporation completed a brokered and non-brokered private placement of 13,709,315 subscription receipts (post-consolidation) for aggregate gross proceeds of $28.8 million. Each subscription receipt was issued at a price of $2.10 (post-consolidation) and each subscription receipt was to automatically convert into one Common Share on the completion by the Corporation of an acquisition having a purchase price of not less than $50.0 million. As noted below, the DLC Transaction was completed on June 3, 2016, whereby the proceeds were released to the Corporation and each subscription receipt was converted to one Common Share.

On May 13, 2016, the Corporation announced it had entered into an arm's length purchase agreement to complete the DLC Transaction. The DLC Transaction was completed on June 3, 2016 for aggregate consideration of $88.1 million from the Corporation (less $1.6 million due from the DLC Principals), which

was satisfied by the issuance of 4,761,905 Common Shares, having a price of $5.60 on the date the transaction closed (compared to $2.625 per share on the date the transaction was announced) and a cash payment of $61.4 million. The cash portion of the purchase price included available cash, the net proceeds from the subscription receipt offering and a bridge loan for $20.0 million. The DLC Transaction provides the Corporation with 60% of any distributions paid by DLC up to the DLC Annual Threshold, with the DLC Minority Securityholders receiving 40% of any distributions paid by DLC up to the DLC Annual Threshold. To the extent that any distributions are paid in a year in excess of the DLC Annual Threshold, DLC Minority Securityholders who remain active in the business will receive 70% of such excess distributions with the Corporation receiving the remaining 30% of such excess distributions. The DLC Transaction constituted a "significant acquisition" for the Corporation as defined by applicable securities laws and the Corporation filed a business acquisition report in the prescribed form on August 17, 2016, in respect of the DLC Transaction.

On May 16, 2016, the Corporation held an annual and special shareholders meeting at which shareholders approved, among other items, the approval of the consolidation of the Common Shares on the basis of one Common Share on a post-consolidation basis for every 15 Common Shares on a pre-consolidation basis.

On July 6, 2016, the Corporation completed a brokered (bought deal) and non-brokered private placement of 8,322,335 Common Shares, at a price of $4.00 per share, for aggregate gross proceeds of $33.3 million.

On September 8, 2016, the Corporation announced that, effective in 2016, its financial year-end would be changed from September 30 to December 31 to align the Corporation's year-end with the year-ends of its investee subsidiaries and peer group. To facilitate the change, the Corporation reported a one-time, fifteen-month transition year covering the period from October 1, 2015 to December 31, 2016. The Corporation's financial year now commences on January 1 and ends on December 31 each year.

On November 2, 2016, the Corporation announced it had entered into an arm's length agreement to complete the Club16 Transaction. The Club16 Transaction was completed on December 20, 2016 for cash consideration of $20.5 million from the Corporation. In addition, the Corporation paid an additional $1.5 million on March 20, 2017 in respect of certain post-closing adjustments, resulting in an aggregate purchase price of $22.0 million. The Club16 Transaction provides the Corporation with 60% of any distributions paid by Club16 up to the Club16 Annual Threshold, with the Club16 Minority Securityholders receiving 40% of any distributions paid by Club16 up to the Club16 Annual Threshold. To the extent that any distributions are paid in a year in excess of the Club16 Annual Threshold, Club16 Minority Securityholders will receive 70% of such excess distributions with the Corporation receiving 30% of such excess distributions. The Club16 Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

On November 4, 2016, the Corporation announced that the Board resolved to implement a dividend policy to pay an annual dividend of $0.05 per Common Share (payable quarterly). The Corporation has since declared five quarterly dividends of $0.0125 per Common Share to shareholders of record on March 31, 2017, June 30, 2017, September 29, 2017, December 29, 2017 and March 30, 2018.

On December 13, 2016, DLC acquired a 70% interest in Newton, a mortgage lending industry software and service provider, for an aggregate cash purchase price of $4.2 million.

On December 22, 2016, the Corporation announced it had entered into an arm's length agreement to complete the Impact Transaction. The Impact Transaction was completed on March 1, 2017 for cash consideration of $12.0 million from the Corporation plus an additional $0.7 million for working capital adjustments (to be paid within six months). The Impact Transaction provides the Corporation with 52% of any distributions paid by Impact up to the Impact Annual Threshold, with the Impact Minority

Securityholders receiving 48% of any distributions paid by Impact up to the Impact Annual Threshold. To the extent that any distributions are paid in a year in excess of the Impact Annual Threshold, Impact Minority Securityholders will receive 65% of such excess distributions with the Corporation receiving 35% of such excess distributions. As part of the Impact Transaction, the Impact Put Option was granted to the Impact Principals which allowed them the option to sell an additional 22% interest in Impact to the Corporation for an additional fixed price of $5.1 million. Subsequent to year-end, the Impact Put Option expired unexercised. The Impact Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

On May 31, 2017 the Corporation entered into the Sagard Credit Facility and closed the transaction on June 14, 2017. Pursuant to the Sagard Credit Facility, Sagard agreed to provide the Corporation with a USD $75 million (approx. CAD $100 million) senior secured credit facility. The proceeds from the Sagard Credit Facility were used to repay the ATB Credit Facility, to complete further acquisitions and for general corporate purposes. The initial draw at closing under the Sagard Credit Facility was USD $42 million (approx. CAD $56 million), with additional draws subject to Sagard Holding's further approval. The Sagard Credit Facility has a five (5) year term and bears interest at a rate of LIBOR plus 700 basis points, payable quarterly. The Sagard Credit Facility is secured by a first priority lien on all present and after-acquired assets of the Corporation. As additional consideration for the Sagard Credit Facility, the Corporation issued the Sagard Lender Warrants.

On August 1, 2017, the Corporation announced that DLC completed a sale of its 20% interest in DLC-Canadiana to an arm's length purchaser for $2.5 million.

On October 16, 2017, the Corporation announced it had entered into an arm's length agreement to complete the Astley Gilbert Transaction. The Astley Gilbert Transaction was completed on October 31, 2017 for cash consideration of $22.2 million from the Corporation plus a promissory note in favour of the vendors for an additional $2.5 million. The Astley Gilbert Transaction provides the Corporation with 50% of any distributions paid by Astley Gilbert up to the Astley Gilbert Annual Threshold, with the Astley Gilbert Minority Securityholders receiving 50% of any distributions paid by Astley Gilbert up to the Astley Gilbert Annual Threshold. To the extent that any distributions are paid in a year in excess of the Astley Gilbert Annual Threshold, Astley Gilbert Minority Securityholders will receive 60% of such excess distributions with the Corporation receiving 40% of such excess distributions. The Astley Gilbert Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

Significant Acquisitions

The Corporation did not complete any "significant acquisitions" (as defined by applicable securities laws) during the financial year ended December 31, 2017.

DESCRIPTION OF THE BUSINESS

The Corporation is a public investment company that employs a long-term investment approach. The Corporation has developed an investment approach to create long-term value for its Shareholders and partner business owners (investees) by pursuing controlling equity interest acquisitions of cash flow positive middle-market privately held entities. The Corporation seeks to win mandates by appealing to the segment of the market which is not aligned with traditional private equity control, royalty or related structures. The Corporation's innovative platform offers disproportionate incentives (contractually) for growth in favour of the partner business owners. This unique platform is designed to appeal to business owners who believe in the growth of their businesses and who want the added ability to continue operating the business with a long-term partner.

The Reid Transaction, whereby the Corporation adopted a new investment model and implemented a new management team, was a transformational event for the Corporation as it enabled the Corporation to pursue a new long-term equity investment approach with a management team experienced in private company investing.

Since completing the Reid Transaction, the Corporation has completed the DLC Transaction, the Club16 Transaction, the Impact Transaction and the Astley Gilbert Transaction. As the Corporation has four (4) investments at this time, the disclosure below regarding the business of the Corporation should be read in conjunction with the disclosure of the business of DLC, Club16, Impact and Astley Gilbert set out in Schedules A, B, C, and D, respectively.

Investment Strategy

The Corporation employs a long-term equity investment approach. The Corporation seeks to acquire controlling equity interests in cash flow positive middle-market privately held entities that are owner-operated. Characteristics of the Corporation's target investees are as follows:

- Located in North America (Canada and the United States);
- Industry agnostic (provided it is non-resource focussed);
- Owner-operator with an experienced and dedicated management team;
- Owner seeking only partial liquidity and continued operational involvement;
- History of growing and stable positive free cash flow;
- Opportunity for growth;
- Low capital expenditure requirements;
- Minimal debt;
- Resistant to general economic impacts; and
- Developed accounting and financial reporting processes.

The Corporation's innovative platform offers disproportionate incentives (contractually) for growth in favour of our partner business owners. This unique platform is designed to appeal to business owners who believe in the growth of their businesses and who want the added ability to maintain operational involvement with a long-term equity partner.

Although each investment will be unique and negotiated independently, a key element of the Corporation's investment model is control of the private entity. The Corporation seeks to rely on the experience and expertise of the partner owner-operator but also requires the ability to effect positive change on the investee entity in the event the investment does not perform as expected and to maintain oversight on key strategic decisions.

As the Corporation seeks to deploy long-term capital, the Corporation does not seek to impose mandatory liquidity requirements as part of its investment approach. The Corporation seeks to benefit from anticipated distributions of free cash flow from its investee entities.

Notwithstanding the core investment model set out above, the Corporation may also invest in debt or equity securities, royalties, preferred shares or such other investments that provide the Corporation with positive cash flow.

Investment Identification and Evaluation Process

Potential investments are sourced by the Corporation through various channels, including personal networks, capital forums, investment banks, accounting firms, law firms and various other industry

participants. Management of the Corporation actively markets the Corporation's unique investment model in an effort to maintain a pipeline of potential investment opportunities.

All investments considered by the Corporation will be subject to rigorous legal and financial due diligence, analysis and evaluation, and all major prospective investments and dispositions will be reviewed by both management and the Board.

Monitoring and Reporting

The Corporation's Chief Financial Officer is primarily responsible for the reporting process whereby the performance of each of the Corporation's investments is monitored. Monthly financial and other progress reports are gathered from each investee, which forms the basis for the quarterly review of the Corporation's investment portfolio by management and the Board (or the Audit Committee). Any deviations from expected financial performance by investee entities will be investigated by management and/or the Board.

Employees

As at December 31, 2017, the Corporation had 10 employees.

DESCRIPTION OF CAPITAL STRUCTURE

The Corporation has authorized capital consisting of an unlimited number of Common Shares and an unlimited number of Preferred Shares. As of April 24, 2018, there were 38,128,606 Common Shares issued and outstanding as fully paid and non-assessable and no Preferred Shares issued and outstanding.

All of the Common Shares rank equally as to dividends, voting powers and participation in assets and in all other respects. Each Common Share carries one vote per share at meetings of the Shareholders, to receive dividends if and when declared by the Board from time to time and to receive any remaining assets of the Corporation upon dissolution. There are no indentures or agreements limiting the payment of dividends and there are no conversion rights, special liquidation rights, pre-emptive rights or subscription rights attached to the Common Shares.

DIVIDENDS

On July 7, 2015, the Corporation paid a return of capital to its Shareholders of $0.145 per share outstanding at that time totaling $21,648,654. See "Schedule E – Three Year Corporate History for Previous Operations – Change of Business".

On November 4, 2016, the Corporation implemented a dividend policy to pay an annual dividend of $0.05 per Common Share (payable quarterly). The Corporation declared four quarterly dividends of $0.0125 per Common Share to shareholders of record on March 31, 2017, June 30, 2017, September 29, 2017 and December 29, 2017, respectively (for an aggregate of $1.9 million for the year). Subsequent to year-end, the Corporation declared a quarterly dividend of $0.0125 per Common Share to shareholders of record on March 30, 2018.

Subject to the requirements of the ABCA and the provisions of the Sagard Credit Facility, there are no restrictions which could prevent the Corporation from paying dividends. The Sagard Credit Facility provides that the Corporation cannot pay dividends in excess of $3.0 million in any fiscal year and that dividends cannot exceed (i) 75% of the Corporation's aggregate excess cash flow for all fiscal quarters in 2018; and (ii) 50% of the Corporation's aggregate excess cash flow for all fiscal quarters in 2019 and thereafter.

MARKET FOR SECURITIES

The Common Shares are listed on the TSXV under the symbol "FCF".

Trading Price and Volume

The following table sets out the high and low trading prices and aggregate volume of trading of the Common Shares on the TSXV for the following periods (as reported by the TSXV).

Period	High ($)	Low ($)	Volume (Shares)
January 2017	3.89	3.26	2,179,802
February 2017	3.80	3.25	710,005
March 2017	3.61	3.17	1,436,967
April 2017	3.42	3.05	847,162
May 2017	3.60	2.77	1,900,247
June 2017	3.44	2.60	2,618,970
July 2017	2.85	2.35	771,225
August 2017	2.80	2.25	963,180
September 2017	2.60	2.22	1,355,372
October 2017	2.65	2.36	514,908
November 2017	2.49	1.89	2,079,966
December 2017	2.38	2.00	1,150,444

Prior Sales

During the financial year ended December 31, 2017 and the period thereafter up to April 24, 2018, the Corporation issued the following securities:

Date	Type of Transaction	Number and Type of Securities	Price	Proceeds
January 4, 2017	Exercise of DSUs	74,749 Common Shares	$3.86	N/A
January 12, 2017	Exercise of DSUs	133,933 Common Shares	$3.62	N/A
March 2, 2017	Exercise of Broker Warrants	1,300	$2.10	$2,730
March 10, 2017	Exercise of Broker Warrants	24,375 Common Shares	$2.10	$51,188
April 3, 2017	Exercise of DSUs	179,907 Common Shares	$3.36	N/A
July 3, 2017	Grant of Options	75,000 Options	$3.00[(1)]	N/A
September 15, 2017	Grant of Options	200,000 Options	$4.00[(1)]	N/A

Notes:

(1) Represents the exercise price of Options.

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

As of April 24, 2018, the name, province or state, and country of residence, position or office held with the Corporation and principal occupation for the immediately preceding five (5) years of each of the directors and executive officers of the Corporation are as follows:

Name and Jurisdiction of Residence	Position with the Corporation	Principal Occupations for Prior Five Years	Year first became Officer or Director	Number of Common Shares and Options beneficially owned, controlled or directed
Stephen Reid Alberta, Canada	President & Chief Executive Officer Director	President and Chief Executive Officer and Director of the Corporation (February, 2016 to present). Senior Vice President of Business Development of Alaris Royalty Corp. (July, 2008 to March, 2015).	2016	2,247,840 Common Shares 745,018 Options
Melanie Litoski Alberta, Canada	Chief Financial Officer	Chief Financial Officer of the Corporation (March, 2018 to present). Vice President and Controller, North America, of Dollar Financial Group (August, 2014 to March, 2018) Vice President and Controller of ENMAX Corporation (May, 2008 to August, 2014)	2018	8,875 Common Shares
James Bell Alberta, Canada	Chief Operating Officer, General Counsel and Corporate Secretary Director	General Counsel and Corporate Secretary of the Corporation (April, 2016 to present) and Chief Operating Officer of the Corporation (November, 2016 to present). General Counsel and Corporate Secretary of Olympia Financial Group Inc. and Olympia Trust Company (February, 2010 to April, 2016).	2016	130,563 Common Shares 218,893 Options
Amardeep Leekha Alberta, Canada	Sr. Vice President, Capital Markets	Sr. Vice President, Capital Markets of the Corporation (March, 2016 to present). Investment Banking, Scotiabank (2013 to 2016). Sr. Credit Manager, Risk Management and Associate Director of Corporate Banking, ATB Financial (2007 to 2010).	2016	47,085 Common Shares 150,000 Options
Harpreet Padda Alberta, Canada	Sr. Vice President, Investments	Sr. Vice President, Investments of the Corporation (June, 2016 to present). Vice President, Bank of America Merrill Lynch (2014 to 2016). Associate Director, ATB Financial (2012 to 2014). Investment Banking, BMO Capital Markets (2011 to 2012). Investment Banking, CIBC World Markets (2009 to 2011).	2016	28,502 Common Shares 100,000 Options
J.R. Kingsley Ward(2)(3) Ontario, Canada	Chairman Director	Managing Partner of VRG Capital Corp. (2011 to present). Chairman and President of Vimy Ridge Group Ltd. (January, 1991 to present).	2016	774,166 Common Shares 100,000 Options
Anthony Lacavera Ontario, Canada	Director	Chairman of Globalive Capital Inc. (1998 to present).	2016	1,207,381 Common Shares 100,000 Options

Name and Jurisdiction of Residence	Position with the Corporation	Principal Occupations for Prior Five Years	Year first became Officer or Director	Number of Common Shares and Options beneficially owned, controlled or directed
Ron Gratton(1)(2)(3) Alberta, Canada	Director	Businessman and Chartered Professional Accountant	2016	116,000 Common Shares 175,000 Options
Peter C. McRae(1)(2)(3) Ontario, Canada	Director	Director of the Corporation (April, 2015 to present). Chairman of Freedom International Brokerage Company (December, 2015 to present); President and CEO of Freedom International Brokerage Company (1994 to December, 2015).	2015	125,473 Common Shares 100,000 Options
Gary Mauris British Columbia, Canada	Director	President and Chief Executive Officer of DLC (2006 to present).	2016	2,592,952 Common Shares 100,000 Options
Chris Kayat British Columbia, Canada	Director	Executive Vice President of DLC (2006 to present).	2017	2,876,052 Common Shares
Dennis Sykora(1) Alberta, Canada	Director	Businessman, Lawyer and Chartered Professional Accountant	2018	39,000 Common Shares

Notes:

(1) Member of the Audit Committee.
(2) Member of the Compensation Committee.
(3) Member of the Corporate Governance Committee.

The term of office of each of the directors expires at the next annual meeting of Shareholders.

As of April 24, 2018, all of the directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 10,193,889 Common Shares representing approximately 26.7% of the 38,128,606 Common Shares issued and outstanding.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

No director or executive officer of the Corporation is, at the date of this AIF, or has been, within ten (10) years before the date of this AIF, a director, chief executive officer or chief financial officer of any company (including the Corporation) that:

(a) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days, that was issued while that person was acting in such capacity; or

(b) was subject to a cease trade or similar order or an order that denied the relevant company access to any exemption under securities legislation, for a period of more than thirty (30) consecutive days that was issued after such person 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 such capacity.

No director or executive officer of the Corporation or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation:

(a) is at the date of this AIF, or has been, within ten (10) years before the date of this AIF, a director or executive officer of any company (including the Corporation) 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 ten (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 its assets.

No director or executive officer of the Corporation or Shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation has been subject to:

(a) any penalties or sanction imposed by a court or regulatory body 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 considering an investment decision.

Conflicts of Interest

There are potential conflicts of interest to which some of the directors, officers, insiders and promoters of the Corporation will be subject in connection with the operations of the Corporation. All of the directors, officers, insiders and promoters are engaged in and will continue to be engaged in corporations or businesses which may be in competition with the business of the Corporation. Accordingly, situations may arise where some or all of the directors, officers, insiders and promoters will be in direct competition with the Corporation. Conflicts, if any, will be subject to the procedures and remedies as provided under the ABCA. See also "Risk Factors – Potential Conflicts of Interest".

RISK FACTORS

The following is a brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of, the Corporation's future business or financial performance.

In particular, the Corporation is indirectly affected by the risk factors applicable specifically to DLC, Club16, Impact and Astley Gilbert. See additional risk factors for each such entity disclosed in Schedules A, B, C and D, respectively.

Risks Relating to Our Business

Short Operating History

The Corporation has only a short record of operating as an investment issuer. As such, the Corporation is subject to all of the business risks and uncertainties associated with any new business enterprise, including

the risk that the Corporation will not achieve its financial objectives as estimated by management or at all. Furthermore, past successes of management or the Board does not guarantee future success.

Available Opportunities and Competition for Investments

The Corporation's business plan depends upon, among other things: (i) the availability of appropriate investment opportunities; (ii) the Corporation's ability to identify, select and acquire successful investments; and (iii) the Corporation's ability to generate or obtain funds for future investments. The Corporation expects to encounter competition from other entities having similar investment objectives, including institutional investors and strategic investors. These groups may compete for the same investments as the Corporation, will likely have a longer operating history and may be better capitalized, have more personnel and have different return targets. As a result, the Corporation may not be able to compete successfully for investments. In addition, competition for investments may lead to the price of such investments increasing, which may further limit the Corporation's ability secure investments on acceptable terms or to generate desired returns.

There can be no assurance that the Corporation will have access to a sufficient number of suitable investment opportunities or that such investments can be made within a reasonable period of time. There can also be no assurance that the Corporation will be able to complete investments at acceptable prices or on acceptable terms. Identifying attractive opportunities is difficult, highly competitive and involves a high degree of uncertainty. Potential returns will be diminished to the extent that the Corporation is unable to find and make a sufficient number of investments.

Ability to Secure Adequate Financing

The Corporation will have ongoing requirements for capital to support its growth and may seek to obtain additional funds for these purposes through public or private equity, or through the incurrence of indebtedness. There are no assurances that the Corporation will be able to secure additional funding on acceptable terms or at an acceptable level. The Corporation's liquidity and operating results, and its ability to make additional investments, may be adversely affected if its access to capital markets or other sources of financing is hindered, whether as a result of a downturn in market conditions generally or to matters specific to the Corporation.

Dependence on Management and Directors

The Corporation will be dependent upon the efforts, skill and business contacts of key members of management and the Board for, among other things, the information and investment opportunities they are able to generate. Accordingly, the Corporation's success may depend upon the continued service of these individuals to the Corporation. The loss of the services of any of these individuals could have a material adverse effect on the Corporation's revenues, net income and cash flows and could harm its ability to secure investments, maintain or grow its assets and raise funds.

From time to time, the Corporation will also need to identify and retain additional skilled management to efficiently operate its business. Recruiting and retaining qualified personnel is critical to the Corporation's success and there can be no assurance of its ability to attract and retain such personnel. If the Corporation is not successful in attracting and training qualified personnel, the Corporation's ability to execute its business strategy could be affected, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Investment Evaluation

The due diligence process undertaken by the Corporation in connection with investments may not reveal all facts that may be relevant in connection with an investment. Before making investments, the Corporation will conduct due diligence that it deems reasonable and appropriate based on the facts and circumstances applicable to each investment and will be required to rely upon the accuracy and completeness of information supplied by potential investees. When conducting due diligence, the Corporation may be required to evaluate important and complex business, financial, tax, accounting, environmental and legal issues. Outside consultants, legal advisors, accountants and investment banks may be involved in the due diligence process in varying degrees depending on the type of investment and the Corporation will be required to rely in part on such advisors' assessment of potential liabilities and risks associated with each investment.

The due diligence investigation that is carried out by the Corporation and its advisors with respect to any investment opportunity may not reveal or highlight all relevant risks or liabilities associated with the investment. Unforeseen risks or liabilities may have a material and adverse impact on the Corporation's liabilities, profitability, results of operations and financial condition.

Transaction and Legal Risks

The Corporation may be exposed to transaction and legal risks, including potential liability under securities laws or other laws and disputes over the terms and conditions of investment arrangements. The Corporation may face legal challenges with seeking remedies under investment agreements, or in administering investments without dispute. These risks are often difficult to assess or quantify and their existence and magnitude often remains unknown for substantial periods of time. The Corporation may incur significant legal and other expenses in defending against litigation involved with any of these risks and may be required to pay substantial damages for settlements and/or adverse judgments. Substantial legal liability or significant regulatory action against the Corporation could have a material adverse effect on its results of operations and financial condition.

Common Shares Sensitive to Market Fluctuations

The Common Shares are relatively illiquid due to low trading volumes and, as such, the market price of the Common Shares has been and may continue to be subject to wide fluctuations in response to factors such as actual or anticipated variations in its results of operations, changes in financial estimates by securities analysts, general market conditions and other factors. Market fluctuations, as well as general economic, political and market conditions such as recessions, interest rate changes or international currency fluctuations, may adversely affect the market price of the Common Shares, even if the Corporation is successful in maintaining revenues, cash flows or earnings. This illiquidity and fluctuation in market price may adversely affect the Corporation's ability to raise additional funds through the issuance of Common Shares, which could have a material and adverse impact on its profitability, results of operations and financial condition.

Trading Price of the Common Shares Relative to NAV

The Corporation is neither a mutual fund nor an investment fund and, due to the nature of its business and investment strategy and the composition of its investment portfolio, the market price of the Common Shares, at any time, may vary significantly from the net asset value (NAV) of the Common Shares. This risk is separate and distinct from the risk that the market price of the Common Shares may decrease. The extent to which the Common Shares trade at a value different from the NAV of the Common Shares may adversely affect the Corporation's ability to raise additional funds through the issuance of Common Shares,

which could have a material and adverse impact on its profitability, results of operations and financial condition.

Potential Conflicts of Interest

Certain of the directors and officers of the Corporation are or may, from time to time, be involved in other financial investments and professional activities that may on occasion cause a conflict of interest with their duties to the Corporation. These include serving as directors, officers, advisors or agents of other public and private companies, including companies involved in similar businesses to the Corporation or companies in which the Corporation may invest, management of investment funds, purchases and sales of securities and investment and management counselling for other clients. Such conflicts of the Corporation's directors and officers may result in a material and adverse effect on the Corporation's results of operations and financial condition.

Exchange Rate Fluctuations

The Sagard Credit Facility is denominated in USD and a proportion of the Corporation's investments may be made in foreign currencies. Changes in the value of the applicable foreign currency of investment relative to the Canadian dollar could have a negative impact on the Corporation's return on investments and overall financial performance. Further, for investments made in a foreign currency, a subsequent devaluation in the foreign currency may reduce the anticipated returns received by the Corporation relative to the assumed returns upon which the Corporation negotiated its purchase price.

Risks Relating to Our Investments

Exposure to Investment Portfolio Risks

Given the nature of the Corporation's investment activities, the results of operations and financial condition of the Corporation is dependent upon the financial condition and performance of the businesses comprising the Corporation's investments. The performance of these businesses can be affected by the general market conditions that affect a particular sector and by specific factors which impact the underlying businesses.

Private Issuers and Illiquid Securities

The Corporation invests in securities of private issuers. The value of these investments may be affected by factors such as investor demand, resale restrictions, general market trends and regulatory restrictions. Fluctuation in the market value of such investments may occur for a number of reasons beyond the control of the Corporation and there is no assurance that an adequate market will exist for investments made by the Corporation. Many of the investments made by the Corporation will be relatively illiquid and may decline in price if a significant number of such investments are offered for sale by the Corporation or other investors.

No Guaranteed Return

The Corporation's investments are not currently structured to secure the Corporation a guaranteed return, or any return in the short-term or long-term.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Management knows of no legal proceedings or regulatory actions, contemplated or actual, involving the Corporation, which could materially affect the Corporation, during the Corporation's most recently completed financial year ended December 31, 2017 or during the subsequent period up to the date hereof.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out below, none of the directors, executive officers, or person or company that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, nor any associate or affiliate of the foregoing, have any interest, direct or indirect, in any transaction within the three most recently completed financial years of the Corporation or during the current financial year, or in any proposed transaction that has materially affected or that would materially affect the Corporation, on a consolidated basis.

Stephen Reid, the President and Chief Executive Officer and a director of the Corporation was party to the Reid Transaction as described under "General Development of the Business", however, Mr. Reid only became an officer and director of the Corporation upon completion of the Reid Transaction. As the Reid Transaction was an arm's length acquisition, it is not considered a related party transaction by the Corporation.

Gary Mauris and Chris Kayat, both directors of the Corporation were parties to the DLC Transaction as described under "General Development of the Business", however, Messrs. Mauris and Kayat only became directors of the Corporation after completion of the DLC Transaction. As the DLC Transaction was an arm's length acquisition, it is not considered a related party transaction by the Corporation.

AUDIT COMMITTEE

The Audit Committee is a committee of the Board which assists the Board in fulfilling its responsibility for oversight of the financial reporting process. The Audit Committee is also responsible for managing, on behalf of the Shareholders, the relationship between the Corporation and the external auditor.

Pursuant to National Instrument 52-110 – *Audit Committees* ("**NI 52-110**"), the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

The Audit Committee's Charter

The text of the Corporation's Audit Committee charter is attached hereto as Schedule F to this AIF.

Composition of the Audit Committee

The Audit Committee presently consists of Dennis Sykora (Chair), Peter C. McRae and Ron Gratton. Messrs. Sykora, McRae and Gratton are each considered independent by the Corporation and all members of the Audit Committee are financially literate.

Notwithstanding that Mr. Gratton served as Interim Chief Financial Officer from July 1, 2017 until February 28, 2018, the Board continues to consider Mr. Gratton "independent" pursuant to applicable securities laws. Mr. Gratton agreed to serve as Interim Chief Financial Officer primarily to lead the Corporation's search for a full-time Chief Financial Officer. The Corporation does not consider Mr. Gratton's nine-month service primarily to identify a full-time Chief Financial Officer to have jeopardized or effected his independence.

Relevant Education and Experience

The education and experience of each of the present Audit Committee members that is relevant to the performance of his responsibilities as an Audit Committee member is as follows:

Dennis Sykora

Mr. Sykora is a lawyer, Chartered Professional Accountant and experienced executive. Mr. Sykora currently serves as a director of Questerre Energy Corporation, an energy company listed on the TSX and Norway Stock Exchange. Mr. Sykora served as a senior executive with High Arctic Energy Services (an energy services company listed on the TSX) from April 2007 to July 2014 in various roles including as Chief Executive Officer and Executive Vice President and General Counsel and served on the Board of Directors until November 2016. Prior to that, he spent 10 years as a senior corporate executive and 15 years as a lawyer and Chartered Accountant with Felesky Flynn LLP and Ernst & Young LLP, specializing in tax planning. Mr. Sykora is a member of both the Law Society of Alberta and the Chartered Professional Accountants of Alberta.

Peter C. McRae

Mr. McRae is a Chartered Professional Accountant and a graduate of the Director's Education Program of the Institute of Corporate Directors with an ICD.D designation. He is currently the Chairman, and from 1994 to 2015 was the President and CEO of Freedom International Brokerage Company, Canada's largest full service inter-dealer broker. His earlier career included several years based in the UAE as the financial administrator and controller of a global consulting engineering firm prior to joining investment dealer Wood Gundy in the Treasurer's office in Toronto, and subsequently in the fixed income trading department in New York City. Mr. McRae was previously the Chairman of both Ryan Gold Corp. and Corona Gold Corp. until their acquisition by Oban Mining Corp. in August 2015. As well, he was a Director and Chairman of the Audit Committee of Focused Capital Corp. from 2010 until October 2017. Mr. McRae currently serves on the boards of Crown Mining Corporation, Eco Oro Minerals Corp. and the Merry Go Round Children's Foundation.

Ron Gratton

Mr. Gratton is a director of the McCaig family office, which administers the McCaig family's investments. From 2000 until 2010, Mr. Gratton was a senior tax partner with PricewaterhouseCoopers LLP. Prior thereto, he held senior roles with Coopers & Lybrand as well as various public and private companies.

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year ended December 31, 2017, it has not relied on the exemption in section 2.4 (De Minimus Non-audit Services) or an exemption granted under Part 8 (Exemptions) from NI 52-110. The Corporation is a "venture issuer" as defined in NI 52-110 and has relied on the exemption contained in section 6.1 of NI 52-110, which exempts it from the requirements of Part 5 (Reporting Obligations) of NI 52-110.

Audit Committee Oversight

The Board has adopted all recommendations of the Audit Committee with respect to the nomination or compensation of an external auditor.

Pre-Approval of Policies and Procedures

If non-audit services to be performed by the external auditor are expected to exceed 5% in aggregate of the total fees that are expected to be paid to the external auditor during the fiscal year, they must be pre-approved by the Audit Committee or by an independent member of the Audit Committee to whom the Audit Committee has delegated authority to grant such pre-approval.

All non-audit services that were not recognized as non-audit services at the time of engagement must be brought to the attention of the Audit Committee, or an independent member of the Audit Committee to whom the Audit Committee has delegated authority to grant such pre-approvals, for approval prior to the completion of the audit.

External Auditor Service Fees

The aggregate fees billed by the Corporation's external auditors in the financial year ended December 31, 2017 and the fifteen-month financial year ended December 31, 2016 for audit and other services is set forth below.

Year Ended	Audit Fees[(1)]	Audit-Related Fees[(2)]	Tax Fees[(3)]	All Other Fees[(4)]
2017	$304,654	Nil	$26,182	$13,545
2016	$519,000	$66,000	$47,710	$340,000

Notes:

(1) The aggregate fees billed by the Corporation's auditor for audit fees.

(2) The aggregate fees billed for assurance and related services by the Corporation's auditor that are reasonably related to the performance of the audit or review of the Corporation's financial statements and are not disclosed in the "Audit Fees" column.

(3) The aggregate fees billed for professional services rendered by the Corporation's auditor for tax compliance, tax advice, and tax planning.

(4) The aggregate fees billed for professional services rendered by the Corporation's auditor in relation to private placements, prospectus filings and the filing of business acquisition reports.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Computershare Investor Services Inc., at Suite 600, 530 – 8th Avenue S.W., Suite 600, Calgary, Alberta, T2P 3S8.

AUDITORS

The auditors of the Corporation are KPMG LLP, located at 3100, 205 – 5th Avenue S.W., Calgary, Alberta, T2P 4B9. KPMG LLP was first appointed as auditors of the Corporation on April 1, 2016.

MATERIAL CONTRACTS

The Corporation entered into the following material agreements within the year ended December 31, 2017 or subsequent to such date:

- the Sagard Credit Facility, particulars of which are described under "General Development of the Business – Three Year History – Recent Developments and Significant Acquisitions"; and

- the Astley Gilbert Purchase Agreement, particulars of which are described under "General Development of the Business – Three Year History – Recent Developments and Significant Acquisitions" and in Schedule D.

Copies of each of the foregoing contracts are available under the Corporation's profile on SEDAR at www.sedar.com. Other than the agreements listed above, there are no contracts of the Corporation (other than contracts entered into in the ordinary course of business) that are material to the Corporation and that were entered into by the Corporation within the most recently completed financial year (or during the period thereafter up to the date hereof).

INTERESTS OF EXPERTS

KPMG LLP, Chartered Professional Accountants, located at Suite 3100, 205 – 5th Avenue SW, Calgary, Alberta were appointed the successor auditor of the Corporation effective April 1, 2016. KPMG LLP have confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulations.

ADDITIONAL INFORMATION

Additional information on the Corporation may be found 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, if applicable, is contained in the Corporation's information circular for its most recent annual meeting of Shareholders that involved the election of directors filed on SEDAR at www.sedar.com.

Additional financial information is provided in the Corporation's financial statements and the management discussion and analysis for its most recently completed financial year.

SCHEDULE A
INFORMATION CONCERNING DOMINION LENDING CENTRES

THE BUSINESS OF DLC

General History and Developments

The mortgage broker franchise business of DLC is carried on under the "Dominion Lending Centres", "Mortgage Architects" and "The Mortgage Centre" brands. The mortgage lending industry software and service business of DLC is carried on under the name "Newton Connectivity Systems". For a description of the legal entities comprising DLC, see "The DLC Transaction and the DLC Entities – The DLC Entities".

Dominion Lending Centres

DLC Inc. is a corporation incorporated under the federal laws of Canada on October 29, 2004. The head office of DLC Inc. is at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6. DLC Inc. is the franchisor for the mortgage brokerage business that engages in business under the trade names "Dominion Lending Centres" and "Dominion Lending".

DLC Inc. has offered and engaged in the mortgage brokerage business as a franchisor since January 2006. DLC Inc. is a direct wholly-owned subsidiary of the DLC LP, which has its head office located at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6.

As at December 31, 2017, DLC Inc. has 182 Franchisees.

Mortgage Architects

MA is a corporation incorporated under the federal laws of Canada on November 10, 2015. The head office of MA is at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6. MA also has corporate offices at 5675 Whittle Road, Mississauga, Ontario, L4Z 3P8; 14567 - 118 Ave, Edmonton, Alberta, T5L 2M7; and 3030 Le Carrefour Blvd., Laval, Quebec, H7T 2P5. MA is the franchisor for the mortgage brokerage business that engages in business under the trade name "Mortgage Architects".

MA has offered franchises and engaged in the mortgage brokerage business as a franchisor since December 31, 2015; however, it acquired its mortgage brokerage business and all of its head office staff from Mortgage Architects Inc. on December 31, 2015, which ran the business since 2006 and offered franchises associated with the business since April 1, 2012. MA is a wholly-owned subsidiary of DLC Inc.

As at December 31, 2017, MA has 185 Franchisees.

The Mortgage Centre

MCC is a corporation incorporated under the provincial laws of British Columbia on June 6, 2013 with its head office located at 2215 Coquitlam Avenue, Port Coquitlam, British Columbia, V3B 1J6. MCC conducts its operational activities through a divisional office located at 5675 Whittle Road, Mississauga, Ontario, L4Z 3P8. MCC is the franchisor for the mortgage broker business that engages in business under the name "The Mortgage Centre".

MCC has offered franchises and engaged in the mortgage brokerage business as a franchisor since February 11, 1993. MCC was formerly a division of FirstLine Trust, which was acquired by CIBC Mortgages Inc. on October 31, 1995. DLC Inc. acquired MCC from CIBC Mortgages Inc. on June 24, 2013. MCC is a wholly-owned subsidiary of DLC Inc.

As at December 31, 2017, MCC has 116 Franchisees.

Newton Connectivity Systems Inc.

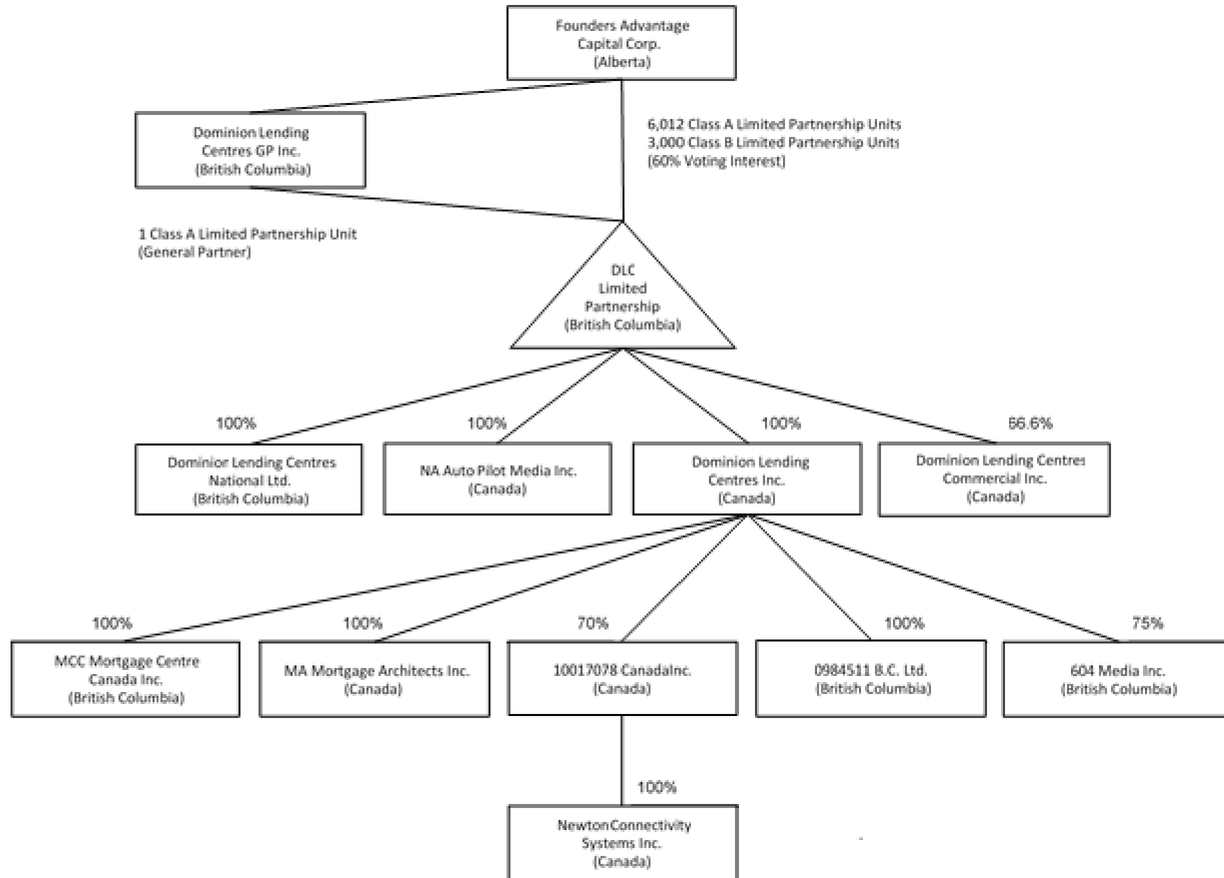
DLC-Newton Holdco, which is a 70%-owned subsidiary of DLC, acquired a 100% interest in Newton on December 13, 2016. Newton is a corporation formed by the amalgamation of Plexus Systems Design Ltd. and Marlborough Stirling (Canada) Holdings Ltd. on January 31, 2001. Plexus Systems Design Ltd. was incorporated on July 25, 1985 and Marlborough Stirling (Canada) Holdings Ltd. was incorporated on September 21, 2000 both under the provincial laws of British Columbia. On May 16, 2003, the company filed a continuation of business under the *Canada Business Corporations Act* changing its legal jurisdiction to Canada with its head office located at Suite 1000, 200 Yorkland, Toronto, Ontario, M2J 5C6. On February 1, 2017, the Company changed its name to Newton Connectivity Systems Inc.

Newton provides software and services to the Canadian mortgage lending industry under the following product lines: Velocity, Link and Isaac. Velocity offers web-based mortgage origination functionality designed specifically for mortgage brokers. Link is a data exchange system that connects Velocity and other third party solutions to deliver direct application connectivity to lenders and industry partners. Isaac is a multi-channel data capture software that allows for the processing of mortgage applications (including underwriting, risk assessment, offer production and funds disbursement).

Newton is one of two providers that have been approved to provide a connectivity platform between Canadian lenders and mortgage brokers. In consideration for the Newton services, Canadian lenders pay Newton fees based on the funded volume of mortgages. To date, a single competitor has dominated the lender connectivity marketplace and Newton has had a small percentage of the marketplace. DLC anticipates it can increase Newton's market share by having more DLC mortgage brokers use the Newton platform.

Intercorporate Relationships

As at the date hereof, the corporate structure of the DLC Entities is as follows:



Note:

(1) DLC National, DLC Auto Pilot, DLC Commercial, DLC-984 BC, DLC-604 Media and 10017078 Canada Inc. are not considered material.

The Canadian Mortgage and Mortgage Brokerage Industry

According to the Bank of Canada, as at December 31, 2017, Canada's chartered banks held over $1.1 trillion of residential mortgages (which amount does not include mortgages held by provincially regulated entities such as credit unions or mortgage investment corporations). Mortgage lenders typically offer a range of products, with options for fixed or variable rates, varying terms and amortization periods, as well as differing ancillary terms for pre-payment, incentives or other matters. Interest rates are typically renegotiated every five (5) years.

While mortgage lenders post both fixed and variable interest rates at which the lender offers mortgages of varying terms, typically most lenders are willing to negotiate interest rates lower than those posted, a practice referred to as "discounting". The practice began in Canada in the early 1990s and is considered the norm in today's mortgage market. The practice of discounting permits mortgage lenders to improve their ability to price discriminate and offer different rates to different borrowers based on their willingness

to pay. Price discrimination allows lenders to increase their profits through negotiating different rates with individual borrowers instead of offering a blanket reduction in rates.

The advent of price discrimination in the Canadian mortgage market has increased the importance of the mortgage broker in the lending negotiation process. In return for a fee (paid by the lending institution), the mortgage broker is typically able to negotiate a better rate than the consumer, or to efficiently reduce the time and effort required to be applied by the consumer to achieve similar results.

Mortgage brokers are provincially regulated and subject to training and licensing requirements. See "Government Regulation" for details. However, there are relatively few barriers to entry in the mortgage brokerage market. Nevertheless, the ability of a given mortgage broker to erode lender price discrimination and secure rates at the lower end of the range at which lenders are prepared to lend is dependent upon a number of factors. While experience and negotiating ability are relevant factors, a key factor in the potential success of a mortgage broker in securing advantageous rates is the bargaining power of the mortgage broker, which varies directly with the volume of mortgages the broker is able to place with lenders.

DLC Target Market

DLC's overall aim has been to increase organic (non-acquisition related) market share by 1%-2% per year and to achieve 5% growth on the number of mortgages funded annually. In an effort to accomplish its organic growth goals, DLC maintains a consistent, concentrated focus on recruiting mortgage brokerages and agents. DLC has employed a significant number of recruiters which has resulted in more rapid growth than most of its competitors. Secondly, with ongoing concentrated efforts towards recruiting, it has allowed DLC to better know the competitive models that exist and also to continually enhance the DLC offerings in the most effective way to recruit and retain agents. DLC's aim has always been to have the leading model on which to recruit mortgage brokers and agents, based on offering them a superior value-proposition.

DLC's largest opportunity region is in Ontario as illustrated below (according to data recorded through D+H). Quebec and Atlantic Canada also represent growth opportunities and potential additional market share, although the total dollar volume available in those regions is substantially less in comparison to the Ontario market:

January 1, 2017 to December 31, 2017	Dollar Volume of DLC Broker Mortgage Submissions to D+H	DLC's % of Mortgage Broker Market
British Columbia	$20,351,194,722	52.8%
Prairie Provinces	$8,175,259,256	33.6%
Ontario	$32,566,537,838	31.9%
Quebec	$2,626,891,980	21.5%
Atlantic Provinces	$773,602,614	21.9%
CANADA	$64,493,486,410	35.7%

The table below provides DLC's market share of the mortgage brokerage market in each region of Canada:

January 1, 2017 to December 31, 2017	Regional Market Share(1)				Regional Mortgage Broker Firm Rankings(2)		
	DLC	**MCC**	**MA**	**Total**	**DLC**	**MCC**	**MA**
British Columbia	40.2%	8.3%	4.3%	52.8%	#1	#3	#6
Prairie Provinces	20.4%	5.3%	7.9%	33.6%	#1	#7	#6
Ontario	14.6%	11.0%	6.3%	31.9%	#2	#4	#5
Quebec	13.4%	0.5%	7.7%	21.5%	#2	#7	#4
Atlantic Provinces	5.7%	12.8%	3.4%	21.9%	#6	#2	#8
CANADA	20.6%	9.0%	6.1%	35.7%	#1	#4	#6

Notes:

(1) Based on total submitted mortgage volumes as recorded through D+H.
(2) Regional rankings of mortgage brokers as provided by D+H.

Mortgage Brokerage Market Conditions

Effective January 1, 2018, the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures. The revised Guideline applies to all federally regulated financial institutions. The changes to Guideline B-20 reinforce OSFI's expectation that federally regulated mortgage lenders remain vigilant in their mortgage underwriting practices. The final Guideline focuses on the minimum qualifying rate for uninsured mortgages, expectations around loan-to-value (LTV) frameworks and limits, and restrictions to transactions designed to circumvent those LTV limits. In particular, B-20 provides:

- A new minimum qualifying rate, or "stress test," for uninsured mortgages. Guideline B-20 now requires the minimum qualifying rate for uninsured mortgages to be the greater of the five-year benchmark rate published by the Bank of Canada or the contractual mortgage rate +2%.
- Lenders are required to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk. Guideline B-20 now requires federally regulated financial institutions to establish and adhere to appropriate LTV ratio limits that are reflective of risk and are updated as housing markets and the economic environment evolve.
- Restrictions on certain lending arrangements that are designed, or appear designed, to circumvent LTV limits. Guideline B-20 prohibits a federally regulated financial institution from arranging with another lender a mortgage, or a combination of a mortgage and other lending products, in any form that circumvents the institution's maximum LTV ratio or other limits in its residential mortgage underwriting policy, or any requirements established by law.

As Guideline B-20 makes mortgage borrowing more difficult for many Canadians, it could have an adverse effect on the Canadian real estate market as a whole and may also negatively impact DLC's funded mortgage volumes.

Notwithstanding the recent regulatory changes, management of DLC expects that mortgage brokers will increase their market share in the coming years due to the following factors:

- *Mortgage regulations:* Mortgage regulations have become more stringent in recent years, affecting the number of individuals that can qualify for conventional bank mortgages. As a result, these individuals are turned away from the banks and seek out mortgage brokers for assistance in obtaining a mortgage.
- *Additional Offerings:* As mortgage brokers are provided new products to offer, mortgage brokers will tend to appeal to a larger demographic / population base and also retain clients more effectively.
- *Conditioning & Habits:* Twenty years ago, only a minimal percentage of the Canadian population used mortgage brokers, as brokers were viewed generally as a last resort to obtaining a mortgage. Over the years, this perception has shifted, and Canadians are now using mortgage brokers to obtain better mortgage rates and to save money. Home buyers who used a mortgage broker will likely use one in the future. The generation that was reaching a home-buying age when brokers had little or no market share is aging and continually being replaced by younger, mortgage broker friendly Canadians.
- *The Complexity of Mortgages:* Most consumers are not sufficiently financially literate to ask the right questions when applying for a loan at a bank. As financial products become more complicated, more Canadians seek assistance to understand the complexities and alternatives.
- *Increased Broker Business Sophistication:* As mortgage broker business sophistication increases, we expect the volume of renewal business funded by mortgage brokers to increase.
- *Interest Rates May Increase:* As interest rates have been at historical lows for a significant period, many believe that interest rates will increase in years to come. In a higher interest rate environment, DLC anticipates that a growing proportion of consumers would likely shop for the best mortgage opportunities, driving the more conservative "single-bank" mortgage consumers to use mortgage brokers.

Competitive Strengths

DLC Franchisees compete with other independent and franchised mortgage brokers. However, DLC believes that it offers competitive advantages relative to alternative mortgage broker arrangements as a result of the following:

- DLC and its associated brands have created more significant brand recognition than that of its competition;
- DLC offers coast-to-coast coverage, which assists it in creating brand loyalty Canada-wide, as a result of mortgagees relocating within Canada and being repeat customers;
- DLC's aggregate mortgage volume permits it to negotiate competitive mortgage rates on behalf of its Franchisees;
- DLC has remained committed to offering the leading model from which a mortgage broker can build their business. This includes technology offerings, enhanced training, marketing design support and business support.

Geographic Distribution of Sales

DLC has operations in all 10 provinces of Canada. The DLC network includes over 5,400 agents, 480 Franchisees and over 780 locations. DLC seeks to add additional Franchisees on an ongoing basis, both in markets already served by DLC and new markets where DLC does not have a presence.

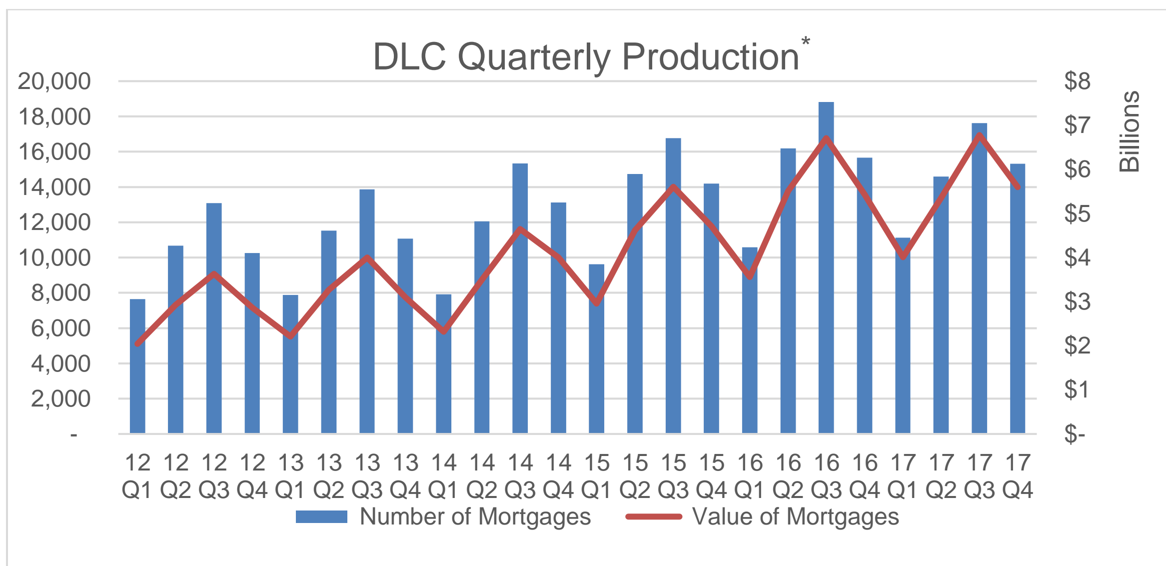
Sources of Revenue

DLC's revenue is comprised of fees earned on the franchising of mortgage brokerage services (including franchising revenue and royalty income) and commissions generated on the brokering of mortgages. Franchising revenue from mortgage brokerages includes income from royalties, advertising fees and connectivity fee income. Royalty income is based on a percentage of the mortgage related revenues earned or volumes closed by the franchises, and is recognized as the Franchisees earn their commissions and bonuses from lending contracts. Income from advertising fees is collected on a monthly basis from the franchises to fund the costs of advertising brokerage services, and is recognized each month as amounts become due from franchises based on the terms of the Franchise Agreement. Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn bonuses based on the volume of mortgages funded or broker activity. Connectivity fee revenue is recognized on an accrual basis as the volume or activity thresholds are fulfilled. Commission income relates to income earned on the brokering of mortgages within the corporately owned mortgage franchise, and is earned when the mortgage deal has closed.

DLC also may realize a profit or receive rebates, commissions, payments, discounts, allowances or other benefits in connection with products or services purchased, leased or obtained by Franchisees from certain suppliers. DLC is entitled to retain any such rebate, commission, payment, discount, allowance or other benefit for its own use and credit without accounting to the Franchisee for such amounts.

Cycles or Seasonal Aspects

As a service provider to the Canadian real estate market, DLC sees consistent seasonality trends as illustrated below:



** MCC and MA volumes are not included in this illustration*

As reflected in the above graph, DLC mortgage volume in terms of both number of mortgages and aggregate mortgage value follow a seasonal trend reflective of home sales seasonality in the Canadian market. Generally, home sales and mortgage sales are lowest during the first quarter (January through March) and highest during the summer months (June through September), with spring and autumn typically experiencing average activity.

On average, approximately 70% of all mortgage brokerage revenues are from new mortgages on home purchases, 15% from mortgage renewals and 15% from mortgage refinancings. Although mortgage brokers are certainly impacted by cyclical fluctuations in home sales, the impact is mitigated by the 30% of their business that is not tied directly to home sales.

Based on historical market data, approximately 60% of mortgage consumers refinance their mortgage before the renewal date. As such, these refinancings lead to more business for mortgage brokers before the traditional 5-year maturity date expires. It also increases the importance for consumers of shopping a mortgage because the penalties for breaking a mortgage can be significant and can vary by type of mortgage and from lender to lender. Consumers are increasingly aware that there is much more to finding the best mortgage than just the mortgage rate. The terms, especially the penalties associated with breaking a mortgage, can be just as important. DLC believes that an independent mortgage professional, that has a vested interest in finding the best mortgage for the consumer, is a valuable asset to the individual.

DLC Franchise Arrangements

Brand Licensing, Franchise Fees and Connectivity Fees

DLC grants franchises to operate a DLC-branded mortgage brokerage business (the "**Franchised Business**") in accordance with the terms and conditions of standard form franchise agreements (the "**Franchise Agreements**"). Upon entering into the Franchise Agreement, the Franchisee obtains the right to operate under the DLC brand, generally being "Dominion Lending Centres", "Dominion Lending", "Mortgage Architects" or "The Mortgage Centre", as applicable.

In addition to securing brand use, DLC provides Franchisees with methods and know-how for conducting the Franchised Business (the "**System**") including methods of marketing, business management, administration and management. The System also includes methods of preserving the consistency of identity and reputation of the service standards, quality and uniformity of the services offered. All of the components of the System (including the methods and the know-how) are confidential and proprietary to DLC.

The Franchised Businesses typically offer all of the material and expertise required to offer mortgage brokerage services to individuals seeking to finance or refinance their real property. Franchisees broker mortgage products for owners of real property or for the acquisition of real property. Fees and bonuses for the placement of mortgage products are paid directly to Franchisees either by the lender or the customer. Some bonuses are paid directly to DLC from the lenders with the express intention that they be distributed among Franchisees (the "**Shared Bonuses**"), typically on a proportionate basis to the volume of mortgages placed with such lenders by the Franchisees. The Shared Bonuses are distributed by DLC to applicable Franchisees in accordance with the terms of the Franchise Agreement. Other financial incentives that are not intended to be distributed to Franchisees may sometimes be paid directly to DLC, and DLC is entitled to keep all such payments for its own account.

Franchise Terms and Renewals

Franchise Agreements typically provide for an initial term of seven years, as well as two additional consecutive renewal terms of seven years each. DLC has the discretion but not the obligation, to grant additional renewal terms once the first two renewal terms have been exhausted. The renewal of a franchise term is conditional upon: the Franchisee being in full compliance with the Franchise Agreement and all monetary obligations to DLC; the Franchisee being in good standing with respect to its premises leased; the execution of DLC's then current Franchise Agreement; the execution of a general release of DLC up to the effective date of the renewal; compliance with DLC's requirements to satisfy the image, standards, and specifications established by DLC for new franchises; compliance with all applicable laws and maintenance of licenses, registrations, and qualifications in the jurisdictions where the operations are carried out; payment of renewal fees and expenses; and delivery by DLC of any franchise disclosure statement required by applicable law.

DLC may terminate a Franchise Agreement in the event of: bankruptcy or insolvency of the Franchisee or principal; appointment of receiver for the Franchisee or principal; the Franchisee ceasing to carry-on business at the premises or loses rights to the premises; the Franchisee's failure to provide reports, statements or other documents under the Franchise Agreement; the Franchisee or any other franchise representative engaging in conduct detrimental to DLC, its intellectual property or the System; failure by the Franchisee to pay monies owed to DLC or its affiliate within 90 days of receipt of a written request to do so; a purported assignment of the Franchise Agreement without complying with assignment provisions; receipt by the Franchisee of three or more notices of material default within a consecutive 12 month period; failure to cure any other default under the Franchise Agreement within ten (10) business days' notice; the incapacitation of the principal for a cumulative period of 180 days in any 12 month period where the principal is essential for running of the business; a loss of right to conduct business as a mortgage broker; or failure to meet certain performance criteria for minimum sales volumes.

Franchisee Locations

DLC's standard form Franchise Agreements do not confer upon the Franchisee any proprietary or exclusive right in or to any territory or market area surrounding the premises of the Franchised Business.

DLC does not have a policy as to how proximate to an existing Franchised Business location that: DLC may establish another Franchised Business or permit another distributor using the DLC brand; a DLC outlet may be established; or DLC may establish other methods of distribution using a DLC brand.

Marketing and Advertising

DLC grants its Franchisees a non-exclusive license to use and display in the conduct of the Franchised Business the applicable DLC trade name and trademarks under which the Franchisee will conduct the Franchised Business within the applicable territory of the franchise. The Franchisee may not use any intellectual property of DLC as part of its corporate or firm name unless required by applicable regulatory legislation, and then, only in such manner as directed by DLC. While DLC and its affiliates actively seek to protect intellectual property from infringement by others, DLC is under no obligation to the Franchisee to do so, nor is DLC obligated to protect the Franchisee against claims of unfair competition or infringement. The Franchisee must follow DLC's rules when using the DLC intellectual property.

DLC collects advertising fees which are applied by DLC to marketing and advertising programs for the benefit of all Franchisees. DLC's national advertising fund promotes the quality of the DLC brand to consumers through television, print, and online advertising, and educates potential customers about the benefits of using a DLC Franchisee.

Individual advertising and marketing measures on the part of the Franchisee may be carried out, subject to the requirements of the Franchise Agreement, which includes obtaining the prior written approval of DLC. Any costs incurred by the Franchisee in respect of its individual advertising and marketing measures (including the costs of legal advice and representation) are borne by the Franchisee.

Franchisee Training and Support

New Franchisees are offered a training program which, among other things, gives each Franchisee the knowledge and skills necessary to operate their office and to deliver advice and recommendations on mortgage options to their customers. In addition, DLC periodically makes available to Franchisees optional training by way of seminars, webinars, conferences, computer software, newsletters and bulletins relating to developments in the mortgage broker business. Attendance at the training is optional and the cost of such attendance, including all related travel costs (if any), is at the Franchisee's sole cost and expense.

DLC may introduce software and software applications, either created specifically by DLC or created for DLC by a specified software developer/supplier, for the purposes of facilitating the Franchisee's accounting, management or other information systems. At the request of the Franchisee, DLC will provide the Franchisee with reasonable assistance implementing the DLC software and reasonable training on the use of the DLC software. All costs associated with such implementation and training will be the sole responsibility of the Franchisee.

Information Management Systems

DLC may from time to time require Franchisees to purchase or lease certain software and software applications in connection with the Franchised Business. DLC generally provides management information systems and resources designed to facilitate the efficient and profitable operation of DLC franchises. These systems include: agent websites; a proprietary intranet that provides Franchisees and mortgage brokers with training resources, sales tools, property valuation systems and other business planning tools; and client relationship management software, which assists DLC mortgage brokers in managing client contacts, customer leads and other marketing information.

Insurance

DLC Franchisees are required to obtain insurance policies for the operation of the Franchised Business including errors and omissions insurance, fire extended insurance on the leasehold improvements situated at the business premises for the Franchised Business, business interruption insurance, rental insurance, worker's compensation insurance and public liability and indemnity insurance fully protecting DLC and the Franchisee against loss or damage occurring in conjunction with the operation of the Franchised Business.

Government Regulation

As a franchisor, DLC must comply with provincial franchise legislation, which varies province-to-province within Canada. Currently, each of the provinces of Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island have enacted franchise legislation. Other Canadian provinces also are contemplating such legislation. Principally, the effect of such legislation is to require franchisors such as DLC to prepare and deliver to prospective Franchisees (at least 14 days prior to entering into the franchise or paying any amounts under it) a disclosure document that describes all "material facts", including details concerning the franchise and the Franchisee's rights and obligations under the Franchise Agreement. In certain circumstances, a failure to deliver a disclosure document when required, or a misrepresentation by the franchisor in the disclosure document, may give rise to a right in favour of the Franchisee to terminate the franchise within a specified period, or to sue the franchisor for damages. In addition, franchise legislation

generally includes a statutory duty of good faith and fair dealing by both the franchisor and the Franchisee. DLC has implemented standard form disclosure documents and procedures for addressing its obligations under provincial franchise legislation.

In order to operate the Franchised Business as a mortgage broker business, the proposed Franchisee must become and remain duly licensed as a mortgage broker, credit broker or other similar broker in accordance with the applicable legislation, if any, in the province where the Franchised Business is located. In addition, the proposed Franchisee must comply with all federal, provincial and municipal laws that affect a Franchised Business including employment, workers' compensation, insurance, corporate, tax, licensing and similar laws and regulations. Under the Franchise Agreement, it is the proposed Franchisee's responsibility to comply with all applicable law, and to obtain and maintain all necessary permits, licenses, authorizations or other permissions necessary or otherwise required to operate the Franchised Business.

Credit Facilities

$10,300,000 term loan facility

DLC has a $10.3 million term loan facility that matures on December 30, 2021. Borrowings under the facility bear interest at a rate equal to the prime rate plus 1.5% per annum. The loan facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a covenant requiring a debt-to-EBITDA ratio of less than 2.50:1.00.

As at December 31, 2017, $7.0 million was outstanding on this term loan facility.

$6,500,000 revolving credit facility

DLC has a $6.5 million revolving credit facility, as an operating loan to finance working capital and fund acquisitions. Borrowings under the revolving facility are due on demand and bear interest at the bank's prime rate plus 1.5% per annum. The credit facility is secured by a general security agreement with first charge over the assets of DLC, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service charge ratio of not less than 120% and a covenant requiring a debt-to-EBITDA ratio of less than 2.50:1.00.

As at December 31, 2017, $5.0 million was outstanding on this revolving credit facility.

Employees

As at December 31, 2017, DLC has a total of 90 employees.

THE DLC TRANSACTION AND THE DLC ENTITIES

The DLC Transaction

On May 13, 2016, the Corporation announced it had entered into an agreement to complete the DLC Transaction. The DLC Transaction was completed on June 3, 2016 for aggregate consideration of $88.1 million from the Corporation (less $1.6 million due from the DLC Principals), which was satisfied by the issuance of 4,761,905 Common Shares, having a price of $5.60 on the date the transaction closed (compared to $2.625 per share on the date the transaction was announced) and a cash payment of $61.4

million. The cash portion of the purchase price included available cash, the net proceeds from the subscription receipt offering and a bridge loan for $20.0 million.

The DLC Transaction provides the Corporation with 60% of any distributions paid by DLC up to the DLC Annual Threshold, with the DLC Minority Securityholders receiving 40% of any distributions paid by DLC up to such DLC Annual Threshold. To the extent that any distributions are paid in a year in excess of the DLC Annual Threshold, DLC Minority Securityholders who remain active in the business will receive 70% of such excess distributions with the Corporation receiving the remaining 30% of such excess distributions.

The DLC Transaction constituted a "significant acquisition" for the Corporation as defined by applicable securities laws and the Corporation filed a business acquisition report in the prescribed form on August 17, 2016 in respect of the DLC Transaction.

The DLC Entities

In order to facilitate the DLC Transaction, the Corporation incorporated DLC General Partner. The Corporation and DLC General Partner then formed the DLC LP. As part of the DLC Transaction, DLC General Partner caused the DLC LP to acquire all of the issued and outstanding securities of DLC Inc., DLC National, DLC Auto Pilot and a 66.6% interest in DLC Commercial. DLC Inc. owns all of the issued and outstanding securities of DLC-MCC, DLC-MA, DLC-984 BC and DLC-Newton Holdco, in addition to a 75% interest in DLC-604 Media. DLC-Newton Holdco owns a 70% interest in Newton.

Upon completion of the DLC Transaction, the corporate structure is as shown under the heading "Intercorporate Relationships" above.

The DLC LP and DLC General Partner

General

The DLC LP Agreement and the DLC GP Shareholders Agreement are the agreements which govern the Corporation's investment in DLC and related corporate governance matters.

The DLC LP is a limited partnership formed under the laws of British Columbia. The business of the DLC LP is to own and actively manage the securities of the DLC Entities and to conduct any activities incidental thereto. The DLC LP is governed by the DLC LP Agreement.

Partners

The members of the DLC LP are DLC General Partner, as the sole general partner, and the Corporation and the DLC Minority Securityholders, as the limited partners. The Corporation holds 6,012 DLC Class A LP Units and 3,000 DLC Class B LP Units and the DLC Minority Securityholders hold an aggregate of 3,988 DLC Class A LP Units and 7,000 DLC Class B LP Units. The DLC General Partner holds one DLC Class A LP Unit.

The shareholders of DLC General Partner are the Corporation and the DLC Minority Securityholders. The Corporation holds 60 DLC GP Shares and the DLC Minority Securityholders hold an aggregate of 40 DLC GP Shares.

DLC LP Units

There are 10,001 DLC Class A LP Units and 10,000 DLC Class B LP Units issued and outstanding. The rights and entitlements of these units with respect to voting, distributions of distributable cash, allocations of income and distributions of proceeds of liquidation of the DLC LP are described in the following description of the DLC LP.

Limited partners are liable for the liabilities, debts and obligations of the DLC LP: (i) only to the extent of the amount contributed by them or agreed to be contributed by them to the DLC LP; or (ii) if they take part in the management of the DLC LP. Subject to applicable law, limited partners will otherwise have no liability in respect of the liabilities, debts and obligations of the DLC LP. The DLC General Partner has unlimited liability for an obligation of the DLC LP unless the holder of such obligation otherwise agrees.

Distributions

Within 60 days following the end of each quarter, the DLC LP will distribute to the holders of DLC LP Units the distributable cash of the DLC LP, according to each limited partner's interests in the DLC LP.

The holders of DLC Class A LP Units will share equally on a pro rata basis on all distributions declared and paid by the DLC LP in respect of each fiscal year until such time as the sum of all distributions declared and paid on such DLC Class A LP Units equals $14,600,000 (referred to herein as the DLC Annual Threshold) in such fiscal year, after which the holders of DLC Class A LP Units will not be entitled to any further distributions of any type from the DLC LP in respect of that fiscal year. Once the aggregate distributions declared and paid in respect of a fiscal year exceeds the DLC Annual Threshold, the holders of DLC Class B LP Units share equally on a pro rata basis on any further distributions declared and paid by the DLC LP in respect of such fiscal year.

Liquidation Entitlement

In the event of a liquidity event of the DLC LP, all outstanding DLC Class A LP Units and DLC Class B LP Units will, immediately prior to the effective time of such liquidity event, be transferred to the DLC LP in exchange for the issuance by the DLC LP of an aggregate of 1,000 DLC Class C LP Units to be allocated amongst each of the limited partners of the DLC LP in accordance with the following formula:

(i) to the majority partner: (A) the sum of all distributions received by the majority partner or any predecessor majority partner since the date of formation of the DLC LP; divided by (B) the sum of all distributions paid by the DLC LP since the date of formation of the DLC LP; multiplied by (C) 1,000; and

(ii) to each of the limited partners other than the majority partner; (A) the sum of all distributions received by each such limited partner since the date of formation of the DLC LP; divided by (B) the sum of all distributions declared and paid by the DLC LP since the date of formation of the DLC LP to all limited partners other than a majority partner; multiplied by (C) 1,000 less the number of DLC Class C LP Units issued to the majority partner in accordance with (i) above,

provided that in the event no distributions have been declared and paid since the formation of the DLC LP, then one DLC Class C LP Unit will be issued for each DLC Class A LP Unit previously held.

Exchange of DLC LP Units on Change of Employment Status

If either of the DLC Principals ceases to be employed by DLC for any reason (other than termination by DLC without just cause) then the interest in the DLC LP held by such DLC Principal shall be reduced by three-sevenths of all DLC Class B LP Units owned by such DLC Principal, and that number of DLC Class B LP Units shall be deemed to be surrendered to the DLC LP for no consideration without any further act by the DLC Principal or applicable holder of DLC Class B LP Units.

If DLC Class B LP Units are deemed to be surrendered as set out above, then the DLC LP interest of the Corporation shall be deemed to be increased by an equal number of DLC Class B LP Units for no consideration.

Voting

On any question submitted to a meeting of limited partners of the DLC LP, any limited partner holding DLC Class A LP Units shall be entitled to one vote for each DLC Class A LP Unit held. The DLC Class B LP Units and DLC Class C LP Units have no right to vote in respect of any matters relating to the DLC LP.

Authority of DLC General Partner

The DLC General Partner has the authority to manage the business and affairs of the DLC LP, to make decisions regarding the business of the DLC LP and to bind the DLC LP in respect of any such decision. The DLC General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the DLC LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the DLC General Partner to manage the business and affairs of the DLC LP includes all authority necessary or incidental to carry out the objectives, purposes and business of the DLC LP, including the ability to engage agents to assist the DLC General Partner to carry out its management obligations and administrative functions in respect of the DLC LP and its business.

The DLC Partnership Agreement provides that all material transactions and agreements involving the DLC LP must be approved by the DLC General Partner's board of directors.

Reimbursement of DLC General Partner

The DLC General Partner will be reimbursed by the DLC LP for all costs actually incurred by the DLC General Partner in the performance of its duties under the DLC LP Agreement, including costs directly incurred for the benefit of the DLC LP.

Limited Liability

The DLC LP is to operate in a manner so as to ensure, to the greatest extent possible, the limited liability of the limited partners of the DLC LP. Limited partners may lose their limited liability in certain circumstances. The DLC General Partner is to indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the DLC LP Agreement unless the liability of such limited partner is not so limited as a result of, or arising out of any act or omission of such limited partner.

Transfer of DLC LP Units

The DLC LP Agreement provides for a general prohibition on the transfer of DLC LP Units prior to June 1, 2021 and thereafter includes "Rights of First Refusal", "Tag-Along Rights" and "Drag-Along Rights" provisions.

DLC GP Shareholders Agreement

The Corporation, the DLC Principals and the DLC Entities are parties to the DLC GP Shareholders Agreement which sets forth certain corporate governance and other matters relating to the DLC General Partner and the DLC Entities.

Board Composition – The DLC GP Shareholders Agreement provides that the composition of the board of directors for each of the corporate DLC Entities shall be comprised of five individuals, with one nominee from Gary Mauris, one nominee from Chris Kayat and three nominees from the Corporation (initially Stephen Reid, Ron Gratton and James Bell).

Special Board Decisions – The DLC GP Shareholders Agreement provides that the following decisions of any board in respect of any member of the DLC corporate group must be approved by a resolution passed either: (i) if the directors are voting at a meeting, by the affirmative vote of not less than 80% of the directors of that Board, regardless of the number of directors present at the meeting, or (ii) if the directors are acting by written resolution, by an instrument signed by all of the directors of that Board:

- until June 1, 2021, incurring any new or additional debt or other borrowings, creating or issuing any debt securities or debt instruments of any member of the corporate group that would result in the DLC LP having a consolidated debt to equity ratio in excess of 2 to 1;
- until June 1, 2021, guaranteeing or agreeing to guarantee the obligations of any person other than the members of the corporate group;
- until June 1, 2021, granting loans to any person other than the members of the corporate group;
- until June 1, 2021, issuing any shares in any one or more of the corporate group;
- creating, altering, cancelling or otherwise changing the dividend policy of the corporate group, or declaring or paying dividends in excess of, or otherwise contrary to, the dividend policy of the corporate group;
- approving or otherwise making a special distribution, or causing the DLC General Partner to approve or otherwise make such special distribution;
- creating, altering, cancelling or otherwise changing any employee stock option for equity in any member of the corporate group or the DLC LP;
- terminating any of the executives or senior management (excluding Gary Mauris and Chris Kayat) of the corporate group; and
- reducing the directors' and officers' insurance coverage.

Special Shareholder Decisions – The DLC GP Shareholders Agreement provides that the following decisions of any of the DLC corporate group must be approved by a resolution passed either: (i) if the vote takes place at a meeting of shareholders, by the affirmative vote of holders of not less than 80% of the voting shares of that company, regardless of the number of shareholders present at the meeting, or (ii) if the shareholders are acting by written resolution, by an instrument signed by holders of not less than 80% of the voting shares of that company:

- until June 1, 2021, acquiring by way of a share or asset transaction (or series of transactions), commencing or investing in a business in a different industry than the business carried-on by the corporate group;
- until June 1, 2021, entering into, or taking steps to enter into, a merger, amalgamation or other form of business combination with any other person;
- until June 1, 2021, granting any encumbrance over all or any portion of the property, assets or undertaking of the DLC LP or any member of the corporate group;
- expanding the business of the corporate group to jurisdictions outside of Canada;
- restructuring any one or more members of the corporate group;
- until June 1, 2021, selling or otherwise transferring any one or more members of the corporate group, or all or substantially all of the assets or undertaking of any one or more members of the corporate group;
- amending the constating documents of any member of the corporate group;

- changing the size of any one or more boards;
- creating and issuing any shares in the capital of any member of the corporate group having preferential or equal treatment as to dividends, returns of capital or sharing of assets on a liquidation as the existing issued and outstanding shares of the member of the corporate group (and in the case of the DLC General Partner, includes creating and issuing any units of the DLC LP having preferential or equal treatment as to distributions, returns of capital or sharing of assets on a liquidation or otherwise as the existing issued and outstanding units of the DLC LP);
- entering into, or taking steps to enter into any non-arm's length transactions with any shareholder; or
- until June 1, 2021, making or taking any steps to make an initial public offering in respect of any one or more of the corporate group or entering into or taking any steps to enter into a reverse takeover arrangement.

Dividends – The DLC GP Shareholders Agreement provides that each board of directors of the corporate group will declare and pay dividends on the issued and outstanding shares of the applicable company based upon the following dividend policy:

- the Board will declare dividends at regular intervals, and at least quarterly, as determined by the Board, subject to the company having distributable cash; and
- the Board shall declare and pay dividends equal to its distributable cash, where "distributable cash" means, for any given period, an amount not less than 95% of the amount determined as at the end of the period by which the aggregate of cash on hand, credit balances with banks and other financial institutions and the realizable value of short term investments of the applicable member of the DLC group exceeds the aggregate amount which, in the opinion of the DLC General Partner, acting reasonably, is necessary for the orderly payment of current and future operating costs and expenses, capital and non-capital expenses, taxes, debt servicing and repayment requirements, acquisition costs, capital improvements, and any other current and future expenses and liabilities of the applicable member of the DLC group.

Transfer Restrictions – The DLC GP Shareholders Agreement includes restrictions on the transfer of securities of the DLC corporate group.

Liquidity Event – The DLC GP Shareholders Agreement provides that any time on or after June 1, 2021, the DLC Principals may, at their discretion, jointly elect to sell all, but not less than all, of their securities in the DLC General Partner and in the DLC LP that they own pursuant to the following procedure:

- the DLC Principals will give written notice to the Corporation and any other shareholders of the DLC General Partner (the "**Minority Shareholders**") advising them that the DLC Principals are exercising their rights to trigger a sale of all of their securities in the DLC General Partner and in DLC LP (the "**Liquidity Notice**");
- within ten (10) business days of receipt of the Liquidity Notice, the Minority Shareholders may provide written notice to the DLC Principals and the Corporation (the "**Joinder Notice**"), that the Minority Shareholders are exercising their rights to join with the DLC Principals to sell all of their securities in the DLC General Partner and in the DLC LP on the same terms and conditions as the DLC Principals;
- the DLC Principals and the Corporation will cooperate with each other, and negotiate in good faith, for a period of fifteen (15) business days (or such longer or shorter period as may be mutually agreed to by them in writing) (the "**Negotiation Period**") to negotiate the terms and conditions of

the sale of all of the DLC Principals' and the Minority Shareholders' securities in the DLC General Partner and in the DLC LP to the Corporation. If they are able to reach an agreement before the expiry of the Negotiation Period, then the parties will sell their securities in the DLC General Partner and in the DLC LP on the terms and conditions so agreed;

- if the DLC Principals and the Corporation are not able to reach an agreement within the time required, then the DLC Principals may give the Corporation and the Minority Shareholders written notice within five (5) business days of the expiry of the Negotiation Period that they are exercising their rights to trigger an auction process for the sale of all of the DLC Group, in which case, the following provisions will apply:
    - the Corporation will forthwith form a committee consisting of the DLC Principals and such other persons as my be determined by the Corporation (the "**Sale Process Committee**"), to manage, oversee and run an auction process for the sale of all of DLC Group, either by way of a sale of all of the securities of the DLC Group, a sale of all of the assets and undertaking of the DLC Group, or by way of a merger, business combination, amalgamation or some other form of transaction, as determined by the Sale Process Committee (the "**Auction**");
    - the Sale Process Committee will act as the main representative of the DLC General Partner and its shareholders (on behalf of the DLC LP) for purposes of making any decisions in respect of the Auction, and for acting as the main point of contact for any consultants, advisors or other professionals engaged in connection with the Auction, and will report on progress to the board of directors of the DLC General Partner and its shareholders on a regular basis;
    - the Sale Process Committee will work cooperatively with each other in an effort to make decisions by consensus, failing which, a majority vote of the Sale Process Committee will govern;
    - the Sale Process Committee will use reasonable commercial efforts to conclude the solicitation of offers pursuant to the Auction within 12 months of the expiry of the Negotiation Period, and in connection therewith, the Sale Process Committee will make recommendations to the DLC General Partner and its shareholders as to the final structure, terms and conditions (including purchase price) of any proposed sale of the DLC Group under the Auction, and having regard to all of the market conditions and to the Corporation's return on investment in respect of its interest in the DLC Group by virtue of its interest in the DLC LP in arriving at any recommendation (the "**Sale Terms**");
    - in the event the Sale Process Committee recommends Sale Terms, the DLC General Partner will cause such meetings of shareholders, directors and limited partners of the DLC General Partner and the DLC LP to be held to approve the Sale Terms, and upon receiving the necessary approvals, the DLC General Partner will cause the DLC LP to sell the DLC group in accordance with the approved Sale Terms; and
    - in the event the Sale Process Committee recommends Sale Terms, the shareholders of the DLC General Partner will vote their respective voting shares and will sign such written resolutions of the shareholders of any member of the corporate group in question as may be necessary to vote in favour of the Sale Terms.

DIRECTORS AND OFFICERS

As at the date hereof, the name, province or state, and country of residence, position or office held with DLC General Partner and principal occupation for the immediately preceding five (5) years of each of the directors and executive officers of the DLC General Partner are as follows:

Name and Jurisdiction of Residence	Position with DLC General Partner	Principal Occupations for Prior Five Years	Year first became Officer or Director of DLC
Gary Mauris British Columbia, Canada	President and Chief Executive Officer Director	President and Chief Executive Officer of DLC (2006 to present).	2006
Chris Kayat British Columbia, Canada	Executive Vice President Director	Executive Vice President of DLC (2006 to present).	2006
Geoff Hague British Columbia, Canada	Controller	Controller of DLC (January, 2014 to present).	2014
Stephen Reid Alberta, Canada	Director	President and Chief Executive Officer and Director of the Corporation (February, 2016 to present). Senior Vice President of Business Development of Alaris Royalty Corp. (July, 2008 to March, 2015).	2016
James Bell Alberta, Canada	Director	Chief Operating Officer, General Counsel and Corporate Secretary of the Corporation (April, 2016 to present). General Counsel and Corporate Secretary of Olympia Financial Group Inc. and Olympia Trust Company (February, 2010 to April, 2016).	2016
Ron Gratton Alberta, Canada	Director	Businessman and Chartered Professional Accountant	2016

RISK FACTORS RELATING TO DLC

The following is a brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of, DLC's business, assets or financial performance (which risk factors are in addition to the risk factors impacting the Corporation). To the extent DLC's business, assets or financial performance are negatively impacted, this may have a material adverse effect on the Corporation's investment in DLC and the Corporation's business, assets or financial performance.

Canadian Real Estate Market

The performance of DLC is dependent upon the number of mortgage brokers working in DLC's franchise network and the volume of mortgages brokered by such brokers. The number of mortgage brokers is in turn ultimately dependent on the health of the Canadian real estate market and the level of transactions therein, particularly in the residential segment. The Canadian real estate market is affected by changes in general and local economic conditions such as: regulatory changes, inflation, interest rates, employment levels, availability and cost of financing for home buyers, competitive and market demand dynamics in key

markets, the supply of available new or existing homes for sale, and overall housing prices. Any change in such factors may put downward pressure on the Canadian real estate market, the number of mortgage brokers or the aggregate dollar value of mortgages brokered by them, any of which factors which could negatively impact the DLC Franchisees and their ability to pay franchise fees to DLC.

General Economic Variables

DLC's business, and the business of the Franchisees and their mortgage brokers, are sensitive to general market and economic conditions in Canada and worldwide. These conditions include, among others, short-term and long-term interest rates, new regulations, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general condition of the Canadian, North American and world economies. The Canadian residential real estate market also depends upon the strength of Canadian financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect DLC's business.

A host of factors beyond DLC's control could cause fluctuations in these conditions, including the political (regulatory) environment and acts or threats of war or terrorism which could have a material adverse effect on DLC's business.

Franchisee Bad Debts

DLC Franchisees may suffer difficulties in paying their franchise fees and other obligations to DLC in a timely manner or at all, including interest on unpaid amounts. Accounts receivable, and the allowance for doubtful accounts, may be significant. If Franchisees were to default to a material extent on their franchise fees or other obligations, this could have a material adverse impact on DLC.

Adding DLC Franchises / Closure of DLC Franchises

DLC's ability to grow its revenue depends in part upon DLC's ability to execute upon its growth strategy and maintain and grow its network of franchises (and the ability of Franchisees to increase the number of mortgage brokers working at their franchises). If DLC is unable to attract qualified franchisees and Franchisees are unable to attract new mortgage brokers, DLC may be adversely affected. The growth of DLC's franchise network and the number of mortgage brokers is somewhat dependent upon available mortgage brokers in desirable locations and attracting new mortgage brokers.

The closure, failure or downsizing of a franchise office will reduce DLC's revenues. Closure of a franchise office could be the result of, among other things, an aging Franchisee being unable to sell or transfer his or her existing business to a new owner, a downturn in the economy or the closure or bankruptcy of a large industry in the city or town where the broker-owner operates. Any one of the above-mentioned factors could result in the exit of mortgage brokers to competitors thus reducing DLC's revenues generated from mortgage fees.

Dependence on Key Executives and Succession

DLC's senior executives are instrumental in setting its strategic direction, operating its business, identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could materially adversely affect DLC's business until a suitable replacement is found.

The DLC Principals have been in the mortgage brokerage business for many years. If appropriate management succession arrangements are not put in place, DLC could be adversely affected by the loss of the services of one or more of its principals.

Lack of Control Over Franchisees

Franchisees are independent business operators and their mortgage brokers are independent contractors, and, as such, neither are DLC's employees, and DLC does not exercise control over their day-to-day operations. Franchisees may not successfully operate a mortgage brokerage business in a manner consistent with industry standards, or may not affiliate with effective mortgage brokers. If the Franchisees or their mortgage brokers were to provide diminished quality of service to customers, DLC's image and reputation may suffer materially and adversely affect DLC's results of operations. Additionally, Franchisees and their mortgage brokers may engage or be accused of engaging in unlawful or tortious acts. Such acts, or the accusation of such acts, could harm DLC's image, reputation and goodwill.

Maintaining DLC's Brand

DLC's results of operations and ability to grow are dependent in part upon its ability to maintain and enhance the value of the DLC brand and consumers' connection to the DLC brand and positive relationships with the Franchisees. DLC believes it has built the reputation of the DLC brand on highly personalized relationships between the mortgage broker and their customers. Any incident that erodes consumer affinity for DLC could significantly reduce its value and damage the DLC business.

For multi-location franchise businesses such as DLC, the negative impact of adverse publicity relating to one broker, office or a limited number of franchises may extend far beyond the broker, office or franchise involved to affect some or all of DLC's other mortgage brokers, offices or franchises. The risk of negative publicity is particularly great because DLC is limited in the extent to which its franchises and mortgage brokers can be regulated on a real-time basis.

Changes to Mortgage Underwriting Standards

During the past several years, many lenders have tightened their underwriting standards. Underwriting standards could be further tightened as a result of changes in regulations, including regulations enacted to increase guarantee fees of federally insured mortgages and/or to reduce the maximum loan limits on mortgage guarantees by the Canada Mortgage and Housing Corporation. More stringent mortgage underwriting standards could adversely affect the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes, which would adversely affect the residential real estate industry and put downward pressure on the number of mortgage brokers operating in the industry, which would adversely affect DLC.

Effective January 1, 2018, the Office of the Superintendent of Financial Institutions Canada (OSFI) adopted Guideline B-20 - Residential Mortgage Underwriting Practices and Procedures. The revised Guideline applies to all federally regulated financial institutions. The changes to Guideline B-20 reinforce OSFI's expectation that federally regulated mortgage lenders remain vigilant in their mortgage underwriting practices. The final Guideline focuses on the minimum qualifying rate for uninsured mortgages, expectations around loan-to-value (LTV) frameworks and limits, and restrictions to transactions designed to circumvent those LTV limits. In particular, B-20 provides:

- A new minimum qualifying rate, or "stress test," for uninsured mortgages. Guideline B-20 now requires the minimum qualifying rate for uninsured mortgages to be the greater of the

five-year benchmark rate published by the Bank of Canada or the contractual mortgage rate +2%.

- Lenders are required to enhance their loan-to-value (LTV) measurement and limits so they will be dynamic and responsive to risk. Guideline B-20 now requires federally regulated financial institutions to establish and adhere to appropriate LTV ratio limits that are reflective of risk and are updated as housing markets and the economic environment evolve.
- Restrictions on certain lending arrangements that are designed, or appear designed, to circumvent LTV limits. Guideline B-20 prohibits a federally regulated financial institution from arranging with another lender a mortgage, or a combination of a mortgage and other lending products, in any form that circumvents the institution's maximum LTV ratio or other limits in its residential mortgage underwriting policy, or any requirements established by law.

As Guideline B-20 makes mortgage borrowing more difficult for many Canadians, it could have an adverse effect on the Canadian real estate market as a whole and may also negatively impact DLC's funded mortgage volumes.

Changes in Laws and Regulations

Changes to Mortgage Regulations

Mortgage lending rules are regulated by the Government of Canada. In recent years the Canadian government has made various changes to tighten such rules. These changes and any further restrictions to mortgage lending rules may adversely affect the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes. This in turn, would adversely affect the residential real estate industry and put downward pressure on the number of mortgage brokers operating in the industry and negatively impact DLC's business.

Changes to Foreign Ownership Laws

The real estate industry is subject to laws and regulations governing the ownership, leasing, development and taxation of real property. Future changes in federal, provincial, and municipal laws or regulations governing the ownership, leasing, development and taxation of real property, including relating to ownership by non-residents of Canada, could affect the market demand dynamics and the supply of available new or existing homes for sale, which may adversely impact the DLC business.

Changes to Licensing Regulations

Increases to mortgage broker licence fees and/or the implementation of more stringent educational requirements will result in increased financial investments and time frames required for prospective mortgage brokers to become licensed. If such developments materialize, they will create barriers to entry and put downward pressure on the number of new mortgage brokers, which would adversely impact DLC's business.

Complaints and Litigation

DLC could from time to time be the subject of complaints or litigation from members of the public complaining about poor service, misrepresentation or other legal issues. DLC could also be the subject of complaints or litigation from the Franchisees or their mortgage brokers about franchise contract issues or other operational issues. Regardless of whether any claims against DLC or a Franchisee are valid, or whether either is ultimately held liable, claims may be expensive to defend and may divert time and money

away from operations and hurt DLC and/or the Franchisees' performance. A judgment in excess of DLC's or the Franchisees' insurance coverage for any claims could materially and adversely affect their respective financial condition and results of operations. Adverse publicity resulting from such allegations may materially affect revenue to brokers and franchise fees, whether the allegations are true or not, and whether DLC or a Franchisee is ultimately held liable.

Information Technology and Systems

DLC's business and the business of the Franchisees, including their ability to attract mortgage brokers, increasingly depends upon the use of sophisticated information technologies and systems, including technology and systems (mobile and otherwise) utilized for communications, marketing, productivity tools, lead generation, records of transactions, business records (employment, accounting, tax, etc.), procurement, call center operations and administrative systems. The operation of these technologies and systems is dependent, in part, upon third-party technologies, systems and services, for which there are no assurances of continued or uninterrupted availability and support by the applicable third-party vendors on commercially reasonable terms. DLC and the Franchisees also cannot assure that they will be able to continue to effectively operate and maintain their information technologies and systems. In addition, DLC's information technologies and systems are expected to require refinements and enhancements on an ongoing basis, and DLC expects that advanced new technologies and systems will continue to be introduced. DLC may not be able to obtain such new technologies and systems, or to replace or introduce new technologies and systems as quickly as its competitors or in a cost-effective manner. Also, DLC may not achieve the benefits anticipated or required from any new technology or system, and DLC may not be able to devote financial resources to new technologies and systems in the future.

Breach of Privacy Laws / Release of Confidential Information

DLC and the Franchisees maintain significant private and confidential information regarding their customers and depends on its operations and systems to keep all such information confidential. The intentional or unintentional release of customers' confidential private information by either DLC or its Franchisees could materially and adversely affect their respective financial condition and results of operations.

Online Product Competition

Internet-based mortgage brokerage businesses are becoming more prevalent in the United States. While none have commenced operations in Canada to date, innovation in the space is constant, and disruptive business models could draw consumers away from traditional mortgage brokerages and put downward pressure on the number of mortgage brokers operating in the industry, which would adversely affect DLC.

SCHEDULE B
INFORMATION CONCERNING CLUB16

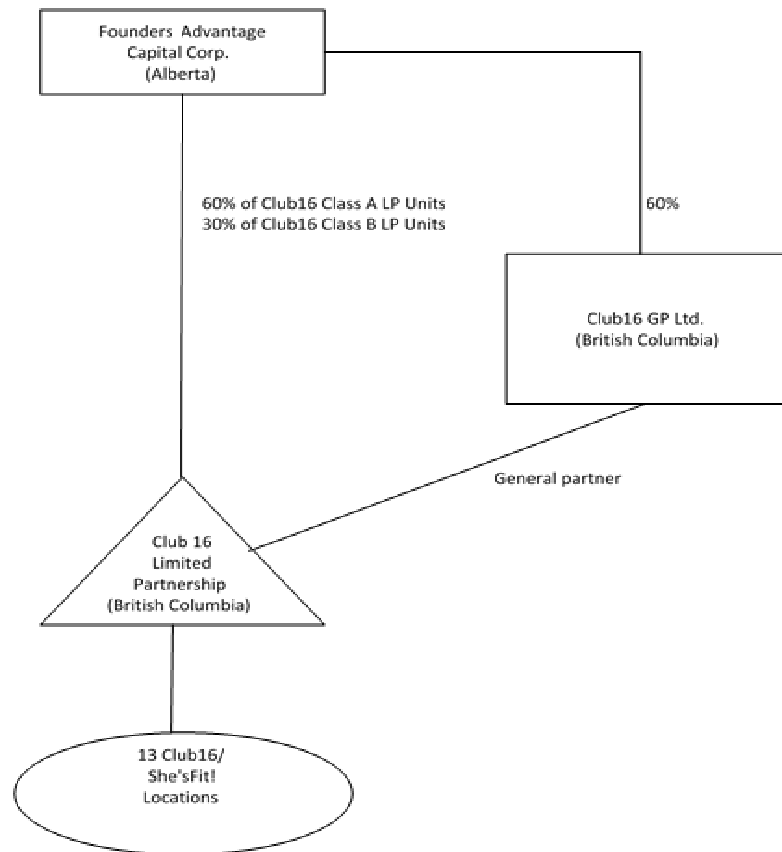
THE BUSINESS OF CLUB16

General History and Developments

Club16 has a business model that management believes is unique in the fitness industry, having removed the barriers of high membership costs, fixed contracts, and preconceived judgements of having to be fit to be a member of a gym. Club16 has grown its membership base to more than 81,000 members across its 13 locations in the Greater Vancouver Area.

Intercorporate Relationships

As at the date hereof, the corporate structure of the Club16 Entities is as follows:



The Gym, Health & Fitness Clubs Industry

According to IBIS World, gym, health, and fitness clubs earned $3 billion in revenues in Canada in 2017, which grew 2.3% annually from 2012 to 2017. The fitness and health club industry continues to strengthen as a result of consumer trends toward a healthier lifestyles and reducing obesity rates, which continue to

increase every year. Based on the Organization for Economic Cooperation and Development ("**OECD**") Better Life Index, Canada ranks high in measures of well-being, indicating a strong market place for health and fitness organizations.

Club16 grew its club square footage by approximately 9,000 sq ft in 2017 and increased its number of members by 4%. Over the next five (5) years, industry sources project that health club industry revenues will grow at an annualized rate of approximately 3%, primarily attributed to an increase in discretionary spending coupled with continued consumer awareness and public initiatives on the health benefits of exercise. Club16 is well-positioned to capitalize on these trends.

Club16 Target Market

Club16 appeals to a large segment of the Greater Vancouver Area population with low-monthly pricing, a high-quality experience, and both ladies only and co-ed facilities. Combined with a non-intimidating and welcoming environment, Club16 is able to attract a broad member demographic based on age, household income, gender, and ethnicity. The member base is over 50% female and members come from both high and low-income households. This broad appeal and ability to attract occasional and first-time gym users enables Club16 to continue to target a large segment of the population.

Due to this unique positioning, Club16 has an addressable market that is significantly larger than the traditional health club industry in the Greater Vancouver Area. The addressable market is approximately 2.2 million people, representing the entire population in the Greater Vancouver Area over 14 years of age.

Competitive Strengths

Club16 competes broadly for consumer discretionary spending related to leisure, sports, entertainment, and other non-fitness activities in addition to the traditional health club market. Management believes the company's success can be attributed to the following strengths:

- *Exceptional value for members.* Club16 Management believes that both its Regular and Elite memberships are priced significantly below the industry average (estimated to be appx. $52 per month) and still provide members with a high-quality fitness experience. For $16 per month, the Regular membership includes unlimited access to one Club16 location. For $26 per month, Elite members have access to all Club16s with out-of-town guest privileges, which provides an additional opportunity to attract new members. Elite card members also have access to unlimited tanning equipment and other benefits.
- *Distinct club experience*. Bright, clean, large-format clubs offer members a selection of high-quality cardio, circuit- and weight-training equipment that is commonly used by first-time and occasional gym users. Because the clubs are typically 20,000+ square feet and non-essential amenities such as group exercise classes, pools, day care centers and juice bars are not offered, there is more space for equipment.
- *No-judgement policy*. Every member should feel accepted and respected when they walk into a Club16, so the clubs promote a judgement-free atmosphere where members of all fitness levels can enjoy a non-intimidating environment. This "come as you are" approach has fostered a strong sense of community among members, allowing them not only to feel comfortable as they work toward their fitness goals but also to encourage others to do the same.
- *Strong club-level economics*. The club model is designed to generate attractive club-level EBITDA margins, strong free cash flow, and high returns on invested capital. Average club-level EBITDA

margins typically increase at each location after opening, driven by a growing membership base as well as an increase in members using personal training services.

- *Recurring revenue streams.* The Club16 business model provides recurring revenue streams, including monthly dues and annual enhancement fees.

Geographic Distribution of Sales

Club16 has the following 13 locations all operating in the Greater Vancouver Area in the province of British Columbia:

Club Type	Location	Club Size (sq. ft.)
Club16	Abbotsford	22,000
Club16	Central City	24,047
Club16	Coquitlam	27,879
Club16	Downtown	17,554
Club16	Maple Ridge	20,075
Club16	NorthVancouver	21,988
Club16	Newton	25,708
Club16	South Burnaby	19,959
Club16	South Surrey	21,845
She'sFit!	Langley	8,589
She'sFit!	Metrotown	11,284
She'sFit!	North Delta	10,790
She'sFit!	Surrey	9,451

In 2017, Club16 completed an expansion of the Coquitlam location and in early 2018 Club16 transitioned the White Rock She's FIT! location to a new, larger co-ed Club16 facility. In late 2018, Club16 anticipates opening a new 20,000 square ft. club in Tsawwassen, British Columbia. These initiatives are expected to have a positive impact on revenues and the total number of Club16 memberships.

Sources of Revenue

Club16's revenue is comprised of membership fees, enrollment fees, personal training service fees and annual club enhancement fees. Ancillary revenue sources include price protection insurance, healthy transformation meal plans, bicycle rentals, and retail sales.

- Membership fees are collected on a monthly (initial members) or bi-weekly (newly attained members) basis through direct deposit with the amount collected depending on the membership type.
- Upon enrollment, members pay a one-time enrollment fee and an administrative fee for a membership card.
- The annual club enhancement fee is collected through direct deposit on or about May 3 each year from every member enrolled as at March 20.
- Price protection insurance is offered upon joining and, for a one-time fee, a member is able to lock in their bi-weekly price for the life of their membership.
- Personal training revenues are dependent on members signing up for services which are offered in different levels of packages and number of training sessions.
- Members can sign up for healthy transformation meal planning services, which are personalized meal planning programs that help increase energy, stabilize blood sugars, and burn body fat.

- From spring to early fall, bicycle rentals are offered at the downtown Vancouver location which is located directly on the waterfront path. Fees are collected at the time of the rental.
- Each club has a small retail space that sells work-out clothing, towels, and water bottles.

Cycles or Seasonal Aspects

Club16's results are subject to seasonality fluctuations in that member sign-ups are typically higher in January as compared to other months of the year. In addition, quarterly results may fluctuate because of certain factors, including the timing of club openings and general economic conditions.

Government Regulation

Club16 is responsible for compliance with laws that regulate the relationship between health clubs and their members. British Columbia has consumer protection regulations that limit the collection of monthly membership dues prior to opening, require certain disclosures of pricing information, mandate the maximum length of contracts and "cooling off" periods for members (after the purchase of a membership), set escrow and bond requirements for health clubs, govern member rights in the event of a member relocation or disability, provide for specific member rights when a health club closes or relocates, or preclude automatic membership renewals.

Club16 accepts payments for memberships through electronic fund transfers from members' bank accounts, and, therefore, Club16 is subject to both federal and provincial legislation and certification requirements, including the Electronic Funds Transfer Act, the Consumers Council of Canada, and the Consumer Protection Act of B.C.

The collection, maintenance, use, disclosure, and disposal of individually identifiable data by Club16 is regulated at the provincial level as well as by the Canadian Payments Association. Provincial and federal agencies may also consider, from time to time, new privacy and security requirements that may apply to Club16 and may impose further restrictions on collection, disclosure, and use of individually identifiable information that are housed in Club16's databases.

Fitness clubs in British Columbia are subject to health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services, such as banning young people under the age of 18 from using tanning beds.

Club16 is subject to various laws in Canada governing such matters as minimum-wage requirements, overtime, and other working conditions. A significant number of employees are paid at rates related to the provincial minimum wage, and past increases in the minimum wage have increased labor costs, as would future increases.

Club16's operations and properties are subject to extensive Canadian provincial and local laws and regulations, including those relating to environmental, building, and zoning requirements. The development of properties depends on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic, and other regulations and requirements.

Credit Facilities

$1,500,000 operating demand loan

Club16 has a $1,500,000 operating facility that renews automatically annually. The facility is for the purpose of financing the working capital requirements of day-to-day operations. Borrowings under the

facility bear interest at a rate equal to the prime rate plus 1.25% per annum, calculated monthly in arrears and payable on the last day of each month. The credit facility is secured by a general security agreement with a first charge over the assets of Club16, subject to customary terms, conditions, covenants, and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.5:1.00 (excluding distributions) and 1.05:1.00 (including distributions) and a debt-to-EBITDA ratio of less than or equal to 2.25:1.

As at December 31, 2017, $282,000 was outstanding on this operating facility.

$9,000,000 re-advanceable term loan facility

Club16 has a $9,000,000 re-advanceable term loan facility (this facility was increased from $7.0 million to $9.0 million subsequent to year end). Each drawdown carries a maximum amortization period of 60 months from the date of each drawdown. The credit facility is for the purpose of financing equipment and leasehold improvements to open new fitness facilities. Borrowings under the facility bear interest at a rate equal to the prime rate plus 1.25% per annum, calculated monthly in arrears and blended payments are payable monthly. The credit facility is secured by a general security agreement with first charge over the assets of Club16, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.5:1.00 (excluding distributions) and 1.05:1.00 (including distributions) and a debt-to-EBITDA ratio of less than or equal to 2.25:1.

As at December 31, 2017, $4.2 million was outstanding on this term loan facility.

Employees

As at December 31, 2017, Club16 had a total of 230 employees.

THE CLUB16 TRANSACTION AND THE CLUB16 ENTITIES

The Club16 Transaction

On November 2, 2016, the Corporation announced it had entered into an agreement to complete the Club16 Transaction. The Club16 Transaction was completed on December 20, 2016 for cash consideration of $20.5 million from the Corporation. In addition, the Corporation paid an additional $1.5 million on March 20, 2017 in respect of certain post-closing adjustments, resulting in an aggregate purchase price of $22.0 million.

The Club16 Transaction provides the Corporation with 60% of any distributions paid by Club16 up to the Club16 Annual Threshold, with the Club16 Minority Securityholders receiving 40% of any distributions paid by Club16 up to the Club16 Annual Threshold. To the extent that any distributions are paid in a year in excess of the Club16 Annual Threshold, Club16 Minority Securityholders will receive 70% of such excess distributions with the Corporation receiving 30% of such excess distributions.

The Club16 Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

The Club16 Entities

In order to facilitate the Club16 Transaction, the Corporation incorporated the Club16 General Partner. The Corporation and the Club16 General Partner then formed the Club16 LP. As part of the Club16 Transaction,

the Club16 General Partner caused the Club16 LP to acquire all of the 13 fitness clubs from the Club16 Predecessors.

Upon completion of the Club16 Transaction, the corporate structure is as shown under the heading "Intercorporate Relationships" above.

The Club16 LP and the Club16 General Partner

General

The Club16 LP Agreement and the Club16 GP Shareholders Agreement are the agreements which govern the Corporation's investment in Club16 and related corporate governance matters.

The Club16 LP is a limited partnership formed under the laws of British Columbia. The business of the Club16 LP is to own and actively manage the Club16 Entities and to conduct any activities incidental thereto. The Club16 LP is governed by the Club16 LP Agreement.

Partners

The members of the Club16 LP are the Club16 General Partner, as the sole general partner, and the Corporation and TCAC Holdings Ltd. (owned by the Club16 Principals), as the limited partners. The Corporation holds 6,000 Club16 Class A LP Units and 3,000 Club16 Class B LP Units and TCAC Holdings Ltd. holds 4,000 Club16 Class A LP Units and 7,000 Club16 Class B LP Units. The Club16 General Partner holds one Club16 Class A LP Unit.

The shareholders of the Club16 General Partner are the Corporation and TCAC Holdings Ltd. The Corporation holds 143 Club16 GP Shares and the Club16 Minority Securityholder holds 95 Club16 GP Shares.

Club16 LP Units

There are 10,001 Club16 Class A LP Units and 10,000 Club16 Class B LP Units issued and outstanding. The rights and entitlements of these units in the Club16 LP with respect to voting, distributions of distributable cash, allocations of income and distributions of proceeds of liquidation of Club16 LP are described in the following description of the Club16 LP.

Limited partners are liable for the liabilities, debts and obligations of the Club16 LP: (i) only to the extent of the amount contributed by them or agreed to be contributed by them to the Club16 LP; or (ii) if they take part in the management of the Club16 LP. Subject to applicable law, limited partners will otherwise have no liability in respect of the liabilities, debts and obligations of the Club16 LP. The Club16 General Partner has unlimited liability for an obligation of the Club16 LP unless the holder of such obligation otherwise agrees.

Distributions

Within 60 days following the end of each quarter, the Club16 LP will distribute to the holders of the Club16 LP Units the distributable cash of the Club16 LP, according to each limited partner's interests in the Club16 LP.

The holders of Club16 Class A LP Units will share equally on a pro rata basis on all distributions declared and paid by the Club16 LP in respect of each fiscal year until such time as the sum of all distributions

declared and paid on such Club16 Class A LP Units will equals $5,850,000 (referred to herein as the Club16 Annual Threshold) in such fiscal year, after which the holders of Club16 Class A LP Units are entitled to no further distributions of any type from the Club16 LP in respect of that fiscal year. Once the aggregate distributions declared and paid in respect of a fiscal year exceeds the Club16 Annual Threshold, the holders of Club16 Class B LP Units share equally on a pro rata basis on any further distributions declared and paid by the Club16 LP in respect of such fiscal year.

Liquidation Entitlement

In the event of a liquidity event of the Club16 LP, all outstanding Club16 Class A LP Units and Club16 Class B LP Units will, immediately prior to the effective time of such liquidity event, be transferred to the Club16 LP in exchange for the issuance by the Club16 LP of an aggregate of 10,000 Club16 Class C LP Units to be allocated amongst each of the limited partners in accordance with the following formula:

(i) to the majority partner, the greater of 3,000 Club16 Class C LP Units, or (A) the sum of all distributions received by the majority partner or any predecessor majority partner since the date of formation of the Club16 LP; divided by (B) the sum of all distributions paid by the Club16 LP since the date of formation of the Partnership; multiplied by (C) 10,000; and

(ii) to each of the limited partners other than the majority partner: (A) the sum of all distributions received by each such limited partner since the date of formation of the Club16 LP; divided by (B) the sum of all distributions declared and paid by the Club16 LP since the date of formation of the Club16 LP to all limited partners other than a majority partner; multiplied by (C) 10,000 less the number of Club16 Class C LP Units issued to the majority partner in accordance with (i) above.

Voting

On any question submitted to a meeting of limited partners, any limited partner holding Club16 Class A LP Units is entitled to one vote for each Club16 Class A LP Unit held. The Club16 Class B LP Units and Club16 Class C LP Units have no right to vote in respect of any matters relating to the Club16 LP.

Authority of the Club16 General Partner

The Club16 General Partner has the authority to manage the business and affairs of the Club16 LP, to make decisions regarding the business of the Club16 LP and to bind the Club16 LP in respect of any such decision. The Club16 General Partner is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of the Club16 LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power vested in the Club16 General Partner to manage the business and affairs of the Club16 LP includes all authority necessary or incidental to carry out the objectives, purposes and business of the Club16 LP, including the ability to engage agents to assist the Club16 General Partner to carry out its management obligations and administrative functions in respect of the Club16 LP and its business.

The Club16 LP provides that all material transactions and agreements involving the Club16 LP must be approved by the Club16 General Partner's board of directors.

Reimbursement of the Club16 General Partner

The Club16 General Partner will be reimbursed by the Club16 LP for all costs actually incurred by the Club16 General Partner in the performance of its duties under the Club16 LP Agreement, including costs directly incurred for the benefit of the Club16 LP.

Limited Liability

The Club16 LP is to operate in a manner so as to ensure, to the greatest extent possible, the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. The Club16 General Partner is to indemnify the limited partners against all claims arising from assertions that their respective liabilities are not limited as intended by the Club16 LP Agreement unless the liability of such limited partner is not so limited as a result of, or arising out of any act or omission of such limited partner.

Transfer of Club16 LP Units

The Club16 LP Agreement provides for a general prohibition on the transfer of Club16 LP Units prior to December 20, 2021 and thereafter includes "Rights of First Refusal", "Tag-Along Rights" and "Drag-Along Rights" provisions.

Club16 GP Shareholders Agreement

The Corporation, the Club16 Principals and the Club16 General Partner are parties to the Club16 GP Shareholders Agreement which sets forth certain corporate governance and other matters relating to the Club16 General Partner and the Club16 Entities.

Board Composition – The Club16 GP Shareholders Agreement provides that the composition of the board of the Club16 General Partner is comprised of five individuals, with two nominees of the Club16 Principals, initially Chuck Lawson and Carl Ulmer, and three nominees from the Corporation, initially Stephen Reid, Gary Mauris and James Bell.

Special Board Decisions – The Club16 GP Shareholders Agreement provides that the following decisions of the board of the Club16 General Partner in respect of any member of the Club16 corporate group must be approved by a resolution passed either: (i) if the directors are voting at a meeting, by the affirmative vote of not less than four of the directors of that Board (provided that at least two of those directors are nominees of the Club16 Principals), regardless of the number of directors present at the meeting, or (ii) if the directors are acting by written resolution, by an instrument signed by all of the directors of that Board:

- incurring any new or additional debt or other borrowings, creating or issuing any debt securities or debt instruments of any member of the corporate group that would result in the Club16 LP having a consolidated debt to equity ratio in excess of 2 to 1;
- guaranteeing or agreeing to guarantee the obligations of any person other than any subsidiaries of the Club16 LP;
- granting loans to any person other than the members of subsidiaries of the Club16 LP;
- issuing any securities of the Club16 General Partner or the Club16 LP;
- creating, altering, cancelling or otherwise changing the dividend policy of the Club16 LP, or declaring or paying dividends in excess of, or otherwise contrary to, the dividend policy of the Club16 LP;

- approving or otherwise making a special distribution, or causing the Club16 General Partner to approve or otherwise make such special distribution;
- creating, altering, cancelling or otherwise changing any employee stock option for equity in any member the Club16 LP;
- borrowing from or lending money to the Club16 LP;
- acquiring by way of a share or asset transaction (or series of transactions), or commencing or investing in, any business;
- terminating any of the executives or senior management of the Club16 General Partner (but excluding any executive or member of senior management that is a director of the Club16 General Partner); and
- reducing the directors and officers' insurance coverage.

Special Shareholder Decisions – The Club16 GP Shareholders Agreement provides that the following decisions relating to Club16 must be approved by a resolution passed either: (i) if the vote takes place at a meeting of shareholders, by the affirmative vote of the holders of not less than 75% of the Club16 GP Shares, regardless of the number of shareholders present at the meeting, or (ii) if the shareholders are acting by written resolution, by an instrument signed by the holders of not less than 75% of the Club16 GP Shares (100% prior to the exercise of the option by the Corporation to acquire additional Club16 GP Shares):

- acquiring by way of a share or asset transaction (or series of transactions), commencing or investing in a business in a different industry than the business carried-on by the Club16 LP;
- entering into, or taking steps to enter into, a merger, amalgamation or other form of business combination with any other person;
- granting any encumbrance over all or any portion of the property, assets or undertaking of the Club16 LP or any member of the corporate group;
- expanding the business of the corporate group to jurisdictions outside of British Columbia;
- selling all or substantially all of the assets or undertaking of any Club16 Entity;
- amending the constating documents of any of the Club16 Entities;
- changing the size of the board of directors of the Club16 General Partner;
- except for Club16 GP Shares issued to the Corporation pursuant to the option agreement, creating and issuing any shares in the capital of any Club16 Entity having preferential or equal treatment as to dividends, returns of capital or sharing of assets on a liquidation as the existing issued and outstanding shares of the member (and in the case of the Club16 General Partner, includes creating and issuing any units of the Club16 LP having preferential or equal treatment as to distributions, returns of capital or sharing of assets on a liquidation or otherwise as the existing issued and outstanding units of the Club16 LP);
- entering into, or taking steps to enter into any non-arm's length transactions with any shareholder; or
- making or taking any steps to make an initial public offering in respect of the Club16 LP or entering into or taking any steps to enter into a reverse takeover arrangement.

Dividends – The Club16 GP Shareholders Agreement provides that the board of the Club16 General Partner may declare and pay dividends at its sole discretion.

Transfer Restrictions – The Club16 GP Shareholders Agreement includes restrictions on the transfer of securities of Club16 Entities.

Liquidity Event – The Club16 GP Shareholders Agreement provides that any time on or after December 20, 2021, the Club16 Principals may, at their discretion, jointly elect to sell all, but not less than all, of their securities in the Club16 General Partner and in the Club16 LP pursuant to the following procedure:

- the Club16 Principals will give written notice to the Corporation advising them that the Club16 Principals are exercising their rights to trigger a sale of all of their securities (the "**Liquidity Notice**");
- the Club16 Principals and the Corporation will cooperate with each other, and negotiate in good faith, for a period of fifteen (15) business days (or such longer or shorter period as may be mutually agreed to by them in writing) (the "**Negotiation Period**") to negotiate the terms and conditions of the sale of all of the securities owned by the Club16 Principals to the Corporation. If they are able to reach an agreement before the expiry of the Negotiation Period, then the Club16 Principals and the Corporation will sell their Club16 securities on the terms and conditions so agreed;
- if the Club16 Principals and the Corporation are not able to reach an agreement within the time required, then the Club16 Principals may give the Corporation written notice within five (5) business days of the expiry of the Negotiation Period that they are exercising their rights to trigger an auction process for the sale of all of Club16, in which case, the following provisions will apply:
    - the Corporation and the Club16 Principals will form a committee of five members consisting of two of the Club16 Principals, two persons appointed by the Corporation and a fifth member appointed by either the Club16 Principals or the Corporation depending on the total entitlement to Club16 Class C LP Units at such time (the "**Sale Process Committee**"), to manage, oversee and run an auction process for the sale of all of the Club16 Entities, either by way of a sale of all of the securities of the Club16 Entities, a sale of all of the assets and undertaking of the Club16 Entities, or by way of a merger, business combination, amalgamation or some other form of transaction, as determined by the Sale Process Committee (the "**Auction**");
    - the Sale Process Committee will act as the main representative of the shareholders of the Club16 General Partner and the Club16 General Partner (on behalf of the Club16 LP) for purposes of making any decisions in respect of the Auction, and for acting as the main point of contact for any consultants, advisors or other professionals engaged in connection with the Auction, and will report on progress to the board of directors of the Club16 General Partner and to the shareholders of the Club16 General Partner on a regular basis;
    - the Sale Process Committee will work cooperatively with each other in an effort to make decisions by consensus, failing which, a majority vote of the Sale Process Committee will govern;
    - the Sale Process Committee will use reasonable commercial efforts to conclude the solicitation of offers pursuant to the Auction within 12 months of the expiry of the Negotiation Period, and in connection therewith, the Sale Process Committee will make recommendations to the shareholders of the Club16 General Partner and to the Club16 General Partner as to the final structure, terms and conditions (including purchase price) of any proposed sale of the Club16 LP under the Auction, and having regard to all of the market conditions and to the Corporation's return on investment in respect of its interest in the Club16 LP in arriving at any recommendation (the "**Sale Terms**");

- in the event the Sale Process Committee recommends Sale Terms, the Club16 General Partner will cause such meetings of shareholders, directors and limited partners of the Club16 General Partner and the Club16 LP to be held to approve the Sale Terms, and upon receiving the necessary approvals, the Club16 General Partner will cause the sale of the Club16 Group in accordance with the approved Sale Terms; and
- in the event the Sale Process Committee recommends Sale Terms, the shareholders of the Club16 General Partner will vote their respective voting shares and will sign such written resolutions as may be necessary to vote in favour of the Sale Terms.

DIRECTORS AND OFFICERS

As at the date hereof, the name, province or state, and country of residence, position or office held with the Club16 General Partner and principal occupation for the immediately preceding five (5) years of each of the directors and executive officers of the Club16 General Partner are as follows:

Name and Jurisdiction of Residence	**Position with Club16 General Partner**	**Principal Occupations for Prior Five Years**	**Year first became Officer or Director of Club16 or the Club16 Predecessors**
Chuck Lawson British Columbia, Canada	President and Chief Executive Officer Director	President and Chief Executive Officer of Club16 (1993 to present).	1993
Carl Ulmer British Columbia, Canada	Regional Manager Director	Regional Manager of Club16 (2011 to present). General Manager of Club16 (2010 to 2011)	2016
Radha Johal British Columbia, Canada	Chief Operating Officer	Chief Operating Officer of Club16 (2002 to present)	2002
Lucie Seba British Columbia, Canada	Chief Financial Officer	Chief Financial Officer of Club16 (2006 to present).	2006
Stephen Reid Alberta, Canada	Director	President and Chief Executive Officer and Director of the Corporation (February, 2016 to present). President and CEO of Group West Corporation (January, 1996 to Present). Senior Vice President of Business Development of Alaris Royalty Corp. (July, 2008 to March, 2015).	2016
James Bell Alberta, Canada	Director	Chief Operating Officer, General Counsel and Corporate Secretary of the Corporation (April, 2016 to present). General Counsel and Corporate Secretary of Olympia Financial Group Inc. and Olympia Trust Company (February, 2010 to April, 2016).	2016

Gary Mauris British Columbia, Canada	Director	President and Chief Executive Officer of DLC (2006 to present).	2016

RISK FACTORS RELATING TO CLUB16

The following is a brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of, Club16's business, assets or financial performance (which risk factors are in addition to the risk factors impacting the Corporation). To the extent Club16's business, assets or financial performance are negatively impacted, this may have a material adverse effect on the Corporation's investment in Club16 and the Corporation's business, assets or financial performance.

Ability to Attract and Retain Members

Club16's target market is people seeking regular exercise and people who are new to fitness. The success of Club16's business depends on the ability to attract and retain members. Club16's marketing efforts may not be successful in attracting members to clubs, and membership levels may materially decline over time, especially at clubs in operation for an extended period of time. Members may cancel their memberships at any time after giving proper advance written notice. Club16 may also cancel or suspend memberships if a member fails to provide payment for an extended period of time. In addition, Club16 experiences attrition and must continually engage existing members and attract new members in order to maintain membership levels. A portion of Club16's member base does not regularly use Club16's clubs and may be more likely to cancel their membership. Some of the factors that could lead to a decline in membership levels include changing desires and behaviors of consumers or their perception of Club16's brand, changes in discretionary spending trends and general economic conditions, market maturity or saturation, a decline in Club16's ability to deliver quality service at a competitive price, an increase in monthly membership dues due to inflation, direct and indirect competition in Club16's industry, and a decline in the public's interest in health and fitness, among other factors. In order to increase membership levels, Club16 may from time to time offer promotions or lower monthly dues or annual fees. If Club16 is not successful in optimizing price or in adding new memberships in new and existing clubs, growth in monthly membership dues or annual fees may suffer. Any decrease in Club16's average dues or fees or higher membership costs may adversely impact Club16's results of operation and financial condition.

Close Proximity of Clubs

Club16 currently operates 13 clubs in the Greater Vancouver Area and plans to open new clubs in the future. Club16 intends to continue opening new clubs in the Greater Vancouver Area market as part of its growth strategy, some of which may be located in close proximity to existing clubs. Opening new clubs in close proximity to existing clubs may attract some members away from those existing clubs, which may lead to diminished revenues and profitability for Club16 rather than increased market share. In addition, as a result of new clubs opening in existing markets and because older clubs will represent an increasing proportion of Club16's club base over time, Club16's same club sales increases may be lower in future periods than they have been historically.

High Level of Competition in the Fitness Industry

Club16 competes with the following industry participants: other health and fitness clubs; physical fitness and recreational facilities established by non-profit organizations and businesses for their employees; private studios and other boutique fitness offerings; racquet, tennis and other athletic clubs; amenity and condominium/apartment clubs; country clubs; online personal training and fitness coaching; the home-use fitness equipment industry; local tanning salons; businesses offering similar services; and other businesses

that rely on consumer discretionary spending. Club16 may not be able to compete effectively in the markets in which it operates in the future. Competitors may attempt to copy Club16's business model, or portions thereof, which could erode Club16's market share and brand recognition and impair Club16's growth rate and profitability. Competitors, including companies that are larger and have greater resources may compete to attract members in Club16's markets. Non-profit organizations in Club16's markets may be able to obtain land and construct clubs at a lower cost and collect membership dues and fees without paying taxes, thereby allowing them to charge lower prices. Luxury fitness companies may attempt to enter Club16's market by lowering prices or creating lower price brand alternatives. Furthermore, due to the increased number of low-cost health and fitness club alternatives, Club16 may face increased competition if it increases prices or if discretionary spending declines. This competition may limit Club16's ability to attract and retain existing members and Club16's ability to attract new members, which in each case could materially and adversely affect Club16's results of operation and financial condition.

Protecting Club16's Brand

Club16's success is dependent in large part upon the ability to maintain and enhance the value of the brand and members' connection to that brand. Brand value can be severely damaged even by isolated incidents, particularly if the incidents receive considerable negative publicity or result in litigation. Incidents that could be damaging to the brand may arise from events that are or may be beyond management's ability to control, such as:

- actions taken (or not taken) by one or more employees relating to health, safety, welfare or otherwise;
- data security breaches or fraudulent activities associated with electronic payment systems and other information systems;
- litigation and legal claims;
- third-party misappropriation, dilution or infringement of Club16's intellectual property;
- regulatory, investigative or other actions relating to Club16's provision of indoor tanning services;
- human rights claims or investigations relating to Club16’s approach to gender matters (for example, Club16 provides women-only fitness areas); and
- illegal activity targeted at Club16 or others.

Consumer demand could diminish significantly if any such incidents or other matters erode consumer confidence in Club16, which would likely result in fewer memberships sold or renewed and, ultimately, lower revenue, which in turn could materially and adversely affect Club16's results of operations and financial condition.

Failure to Implement Growth Strategy

Club16's growth strategy relies in part upon new club development. Club16 may face many challenges in opening new clubs, including:

- availability and cost of financing;
- selection and availability of suitable club locations;
- competition for club sites;
- negotiation of acceptable lease and financing terms;
- securing required domestic or foreign governmental permits and approvals;

- health and fitness trends and acceptance of Club16's offerings;
- employment, training and retention of qualified personnel;
- ability to open new clubs during acceptable timeframes; and
- general economic and business conditions.

New clubs may not be successful or average club membership sales may not increase at historical rates, which could materially and adversely affect Club16's business, results of operations and financial condition.

To the extent Club16 is unable to open new clubs as anticipated, it will not realize the expected revenue growth. Failure to add new clubs would adversely affect Club16's ability to increase revenues and operating income and could materially and adversely affect Club16's business, results of operations and financial condition.

Managing Growth

Over the past several years, Club16 has experienced growth in business activities and operations, including an increase in the number of clubs. Past expansion has placed, and planned future expansion may place, significant demands on Club16's administrative, operational, financial and other resources. Any failure to manage growth effectively could seriously harm the business. To be successful, Club16 will need to continue to implement management information systems and improve operating, administrative, financial and accounting systems and controls. It will also need to train new employees and maintain close coordination among executive, accounting, finance, legal, human resources, risk management, marketing, technology, sales and operations functions. These processes are time-consuming and expensive, increase management responsibilities and divert management attention, and Club16 may not realize a return on its investment in these processes. In addition, management of Club16 believes the culture fostered at its clubs is an important contributor to its success. However, as it expands it may have difficulty maintaining its culture or adapting it sufficiently to meet the needs of its operations. These risks may be heightened as growth accelerates. Failure to successfully execute on the planned expansion of clubs could materially and adversely affect Club16's results of operations and financial condition.

Managing Changes in the Industry

Changes in the industry affecting gym memberships and payment for gym memberships may place significant demands on administrative, operational, financial and other resources or require Club16 to obtain different or additional resources. Any failure to manage such changes effectively could seriously harm the business. To be successful, Club16 will need to continue to implement management information systems and improve its operating, administrative, financial and accounting systems and controls in order to adapt quickly to such changes. These changes may be time-consuming and expensive, increase management responsibilities and divert management attention, and Club16 may not realize a return on its investment in these changes.

Information Systems

Club16 relies on information systems, including point-of-sale processing systems in its clubs and other information systems managed by third parties, to interact with members and collect, maintain and store member information, billing information and other personally identifiable information, including for the operation of clubs, collection of cash, legal and regulatory compliance, management of supply chain, accounting, staffing, payment of obligations, credit and debit card transactions and other processes and procedures. Club16's ability to efficiently and effectively manage its clubs depends significantly on the

reliability and capacity of these systems, and any potential failure of these third parties to provide quality uninterrupted service is beyond its control.

Club16's operations depend upon its ability, and the ability of its third-party service providers (as well as their third-party service providers), to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses, denial-of-service attacks and other disruptions. The failure of these systems to operate effectively, stemming from maintenance problems, upgrading or transitioning to new platforms, expanding systems, a breach in security or other unanticipated problems, could result in interruptions to or delays in the business and member service and reduce efficiency in operations. If Club16's information systems, or those of its third-party service providers (as well as their third-party service providers), fail and back-up or disaster recovery plans are not adequate to address such failures, revenues and profits could be reduced and the reputation of the brand and the Club16 business could be materially adversely affected.

Maintaining Confidentiality and Integrity of Data

In the ordinary course of business, Club16 collects, transmits and stores member and employee data, including credit and debit card numbers, bank account information, driver's license numbers, dates of birth and other highly sensitive personally identifiable information, in information systems that it maintains and in those maintained by third parties with whom it contracts to provide services. Some of this data is sensitive and could be an attractive target of a criminal attack by malicious third parties with a wide range of motives and expertise. The integrity and protection of member and employee data is critical to Club16.

Despite the security measures Club16 has in place to comply with applicable laws and rules, its facilities and systems, and those of its third-party service providers (as well as their third-party service providers), may be vulnerable to security breaches, acts of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human errors or other similar events. Furthermore, the size and complexity of Club16's information systems, and those of its third-party vendors (as well as their third-party service providers), make such systems potentially vulnerable to security breaches from inadvertent or intentional actions by its employees, or vendors, or from attacks by malicious third parties. Because such attacks are increasing in sophistication and change frequently in nature, Club16 and its third-party service providers may be unable to anticipate these attacks or implement adequate preventative measures, and any compromise of Club16's systems, or those of its third-party vendors (as well as their third-party service providers), may not be discovered and remediated promptly. Changes in consumer behavior following a security breach, act of cyber terrorism or sabotage, vandalism or theft, computer viruses, loss or corruption of data or programming or human error or other similar event affecting a competitor, large retailer or financial institution may materially and adversely affect Club16's business.

Additionally, the collection, maintenance, use, disclosure and disposal of personally identifiable information by Club16's businesses is regulated at the federal and provincial levels as well as by certain industry groups, such as the Canadian Payments Association and individual credit card issuers. Federal, provincial and industry groups may also consider and implement from time to time new privacy and security requirements that apply to Club16's businesses. Compliance with evolving privacy and security laws, requirements and regulations may result in cost increases due to necessary systems changes, new limitations or constraints on Club16's business models and the development of new administrative processes. They also may impose further restrictions on the collection, disclosure and use of personally identifiable information that are housed in one or more of Club16's databases or those of Club16's third-party service providers. Noncompliance with privacy laws, industry group requirements or a security breach involving the misappropriation, loss or other unauthorized disclosure of personal, sensitive or confidential information, whether by Club16 or one of its vendors, could have material adverse effects on Club16's

business, operations, brand, reputation and financial condition, including decreased revenue, material fines and penalties, litigation, increased financial processing fees, compensatory, statutory, punitive or other damages, adverse actions against Club16's licenses to do business and injunctive relief by court or consent order.

Changes in Payment Legislation

Club16 accepts payment for memberships through electronic fund transfers from members' bank accounts and, therefore, is subject to federal and provincial legislation and certification requirements governing EFTs. Club16's business relies heavily on the fact that its memberships continue on a month-to-month basis after the completion of any initial term requirements, and compliance with these laws and regulations and similar requirements may be onerous and expensive. Club16's failure to comply fully with these rules or requirements may subject it to fines, higher transaction fees, penalties, damages and civil liability and may result in the loss of Club16's ability to accept EFT payments, which would have a material adverse effect on Club16's business, results of operations and financial condition. In addition, any such costs, which may arise in the future as a result of changes to the legislation and regulations or in their interpretation, could individually or in the aggregate cause Club16 to change or limit its business practice, which may make its business model less attractive to Club16's members.

Payment Risks Related to Credit Card and Debit Card Payments

Club16 accepts payments through credit card and debit card transactions. For credit card and debit card payments, Club16 pays interchange and other fees, which may increase over time. An increase in those fees would require Club16 to either increase the prices for its memberships, which could cause it to lose members or suffer an increase in Club16's operating expenses, either of which could harm Club16's operating results.

If Club16 or any of its processing vendors have problems with Club16's billing software, or the billing software malfunctions, it could have an adverse effect on Club16's member satisfaction and could cause one or more of the major credit card companies to disallow Club16's continued use of their payment products. In addition, if Club16's billing software fails to work properly and, as a result, Club16 does not automatically charge Club16's members' credit cards, debit cards or bank accounts on a timely basis or at all, Club16 could lose membership revenue, which would harm Club16's operating results.

If Club16 fails to adequately control fraudulent credit card and debit card transactions, Club16 may face civil liability, diminished public perception of its security measures and significantly higher credit card and debit card related costs, each of which could adversely affect Club16's business, financial condition and results of operations. The termination of Club16's ability to process payments on any major credit or debit card would significantly impair Club16's ability to operate Club16's business.

Construction Costs

Club16's clubs require significant upfront and ongoing investment, including periodic remodeling and equipment replacement. If Club16's costs are greater than expected, new clubs may need to outperform their operational plan to achieve their targeted return.

In addition, if Club16 is unable to acquire the necessary financing to invest in the maintenance and upkeep of its clubs, including periodic remodeling and replacement of equipment, the quality of its clubs could deteriorate, which may have a negative impact on Club16's brand image and Club16's ability to attract and maintain members, which in turn may have a negative impact on Club16's revenues.

Health and Safety Risks

Use of Club16's clubs poses some potential health and safety risks to members or guests through physical exertion and use of Club16's services and facilities, including exercise and tanning equipment. Claims might be asserted against Club16 for injuries suffered by or death of members or guests while exercising and using the facilities at a club. Club16 may not be able to successfully defend such claims. Club16 also may not be able to maintain Club16's general liability insurance on acceptable terms in the future or maintain a level of insurance that would provide adequate coverage against potential claims. Depending upon the outcome, these matters may have a material adverse effect on Club16's results of operations, financial condition and cash flows.

Key Employees

Club16 is highly dependent on the services of the senior management team and other key employees at corporate headquarters and at Club16's clubs, and on the ability to recruit, retain and motivate key employees. Competition for such employees can be intense, and the inability to attract and retain the additional qualified employees required to expand Club16's activities, or the loss of current key employees, could adversely affect Club16's operating efficiency and financial condition.

Long Term Leases

Club16 does not own any real property, and all of Club16's clubs are located on leased premises. The leases for Club16's clubs generally have initial terms of ten (10) years and typically provide for two renewal options in five-year increments as well as for rent escalations.

Generally, Club16's leases are net leases that require it to pay its share of the costs of real estate taxes, utilities, building operating expenses, insurance and other charges in addition to rent. Club16 generally cannot terminate these leases before the end of the initial lease term. Additional sites that Club16 leases are likely to be subject to similar long-term, non-terminable leases. If Club16 closes a club, it nonetheless may be obligated to perform its monetary obligations under the applicable lease, including, among other things, payment of the base rent for the balance of the lease term. In addition, if Club16 fails to negotiate renewals, either on commercially acceptable terms or at all, as each of Club16's leases expire, it could be forced to close clubs in desirable locations. Club16 depends on cash flows from operations to pay its lease expenses and to fulfill its other cash needs. If Club16's business does not generate sufficient cash flow from operating activities, and sufficient funds are not otherwise available to it from borrowings under Club16's credit facility or other sources, Club16 may not be able to service its lease expenses or fund its other liquidity and capital needs, which would materially affect Club16's business.

Change of Laws

Club16's operations and properties are subject to extensive Canadian federal, provincial and municipal laws and regulations, including those relating to environmental, building and zoning requirements. Club16's development of properties depends to a significant extent on the selection and acquisition of suitable sites, which are subject to zoning, land use, environmental, traffic and other regulations and requirements. Failure to comply with these legal requirements could result in, among other things, revocation of required licenses, administrative enforcement actions, fines and civil and criminal liability, which could adversely affect Club16's business.

Indoor Tanning Regulations

Although Club16's business model does not place an emphasis on indoor tanning, the vast majority of Club16's clubs offer indoor tanning services. The Province of British Columbia has health and safety regulations that apply to health clubs and other facilities that offer indoor tanning services. In addition to regulations imposed on the indoor tanning industry, medical opinions and opinions of commentators in the general public regarding negative health effects of indoor tanning services could adversely impact the value of Club16's premium memberships and Club16's future revenues and profitability. Although the tanning industry is regulated by Canadian provincial government agencies, negative publicity regarding the potentially harmful health effects of the tanning services Club16 offers could lead to additional legislation or further regulation of the industry. The potential increase in cost of complying with these regulations could have a negative impact on Club16's financial results.

The continuation of Club16's tanning services is dependent upon the public's sustained belief that the benefits of utilizing tanning services outweigh the risks of exposure to ultraviolet light. Any significant change in public perception of tanning equipment or any investigative or regulatory action by a government agency or other regulatory authority could impact the appeal of indoor tanning services to Club16's premium members, and could have an adverse effect on Club16's reputation, business, results of operations and financial condition.

SCHEDULE C
INFORMATION CONCERNING IMPACT COMMUNICATIONS

THE BUSINESS OF IMPACT

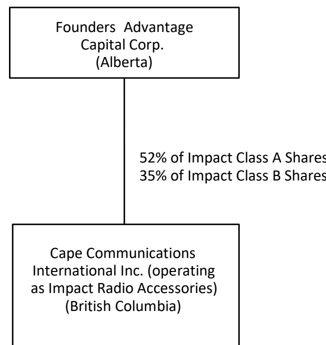
General History and Developments

Cape Communications International Inc., which operates under the tradename Impact Radio Accessories ("**Impact**"), is a designer and retailer of unique radio communication products for public safety, military, security, retail, and hospitality applications. Headquartered in British Columbia, with a distribution center in North Carolina, Impact has grown to be one of the largest aftermarket brands of two-way radio accessories in North America.

Impact began operations refurbishing two-way radios and subsequently became the North American distributors for a U.K. developer of two-way radio accessories and battery chargers. In 2005, the head office was moved from Toronto, Ontario to Kelowna, British Columbia and its corporate focus shifted toward designing its own line of quality two-way radio accessories and selling them at wholesale prices through a network of dealers and retailers across North America, such as BearCom Wireless Worldwide, America's largest two-way radio dealer.

Intercorporate Relationships

As at the date hereof, the corporate structure of Impact is as follows:



The Two-Way Radio Industry

The two-way radio accessories market is highly competitive with many companies in the marketplace. This market is vast, ranging from accessories for low-end walkie-talkies to high-end, expensive public safety equipment. The market is growing between these two extremes for users looking for high-quality and affordable equipment that harnesses the power and range of licensed radio channels. Two-way radios offer instant, private, and cost-effective communication in any environment, anywhere, and any time. Historically an analog medium, digital technology is revolutionizing the industry and offering many new advantages including clearer communication, longer ranges, more reliable coverage, and extended battery life.

Two-way radios are the leading method of two-way communication and many users rely on the technology every day in dozens of industries across North America. The industry is currently experiencing growth and

is expected to prolong this growth as devices and accessories continue to advance in complexity. Impact will pursue additional market share from its competitors over the next few years as it brings new and innovative products to market.

Impact's Products

Impact endeavours to design high-quality products offered at competitive prices with hassle-free warranty programs, enhanced with premium customer service. Product lines include surveillance kits, speaker microphones, headsets, throat and bone microphones, replacement parts, and two-way radio chargers. Most products come in three designs which are offered at different price points to meet any budget.

- Surveillance kits come in 1-, 2-, and 3-wire assemblies with noise cancelling technology and are Impact's most popular line of products.
- Speaker microphones are built with heavy duty Kevlar™ reinforced cables with noise cancelling technology and are offered in fully submersible models.
- Headsets are available in a variety of versions to suit all users' needs, whether they are wearing a helmet, looking for something more discreet, or looking for greater hearing protection. Lightweight but rugged headsets are offered in single muff, temple transducer, behind the head, double muff, wireless, and many other formats.
- Throat and bone mics are the premium solution for loud environments. They are built with heavy duty Kevlar™ components, are chemical resistant, and fully submersible.
- Impact designs and sells thousands of replacement parts and adapters to make any accessory work with any brand and model of two-way radio.
- Impact produces six, three, and single-bank universal battery chargers that are portable and can plug into electrical outlets or auto chargers. They are adaptable to many different styles of two-way radios, saving the customer the cost of buying a new charger each time the radios are updated.

Impact's Target Market

Impact addresses the communication needs of government agencies, public safety and first-responder agencies, and commercial and industrial customers who utilize private communications networks and manage a mobile workforce. The customer base is fragmented and widespread when considering the many levels of governmental and first-responder decision-makers that use Impact's products across North America.

Impact's sales model focusses on direct sales by the in-house sales team to retailers and distributors which each have their own sales organizations which complement and extend the reach of Impact's products. The sales and business development team is comprised of seven dedicated personnel assigned to specific customer accounts and areas of specialization. In addition to closely monitoring the target markets for new customer opportunities, the sales team builds on existing relationships with customers.

Products are sold both directly and indirectly through channel partners and directly to the end-user, providing Impact with vast customer coverage. Impact's largest distributor is BearCom Wireless Worldwide, representing approximately 21% of gross sales in 2017.

Competitive Strengths

The markets in which Impact operates are highly competitive. Key competitive factors include: performance, features, quality, availability, warranty, price, availability of service, company reputation and financial strength, partner community, and relationships with customers.

Impact believes its success can be attributed to the following strengths:

- A strong reputation with customers and partners through a reliable, quality, and trusted brand helps Impact earn more business and attract customers from competitors.
- Impact's pricing strategy gives it a competitive advantage as it takes the time to design products with pricing in mind but without sacrificing quality.
- Impact works with the top engineers in the business in order to offer leading technology in its product lines.
- Impact's portfolio of products is broad, offering thousands of accessories and adapters that are compatible with every make and model of two-way radio on the market.

Geographic Distribution of Sales

Impact sells its products predominantly in the United States and Canada with marginal sales internationally. Sales in the United States comprise a significant portion of Impact's business, accounting for more than 90% of sales in 2017.

Impact contracts the services of a third-party who provides shipping, receiving, and warehousing services for it out of a distribution centre located in Wilmington, North Carolina, which fulfills orders for both U.S. and international customers. Canadian orders are managed from the Kelowna operation.

Sources of Revenue

All revenue is generated from the sale of Impact's two-way radio accessory products. For 2017, approximately 57% of sales were generated from the sale of surveillance kits, 26% was generated from the sale of speaker microphones, 6% was generated from the sales of two-way radio chargers, and 12% was generated from the sale of headsets, replacement parts, and adapters.

Cycles or Seasonal Aspects

Due to customer purchasing patterns and the cyclical nature of the markets Impact serves, sales tend to be somewhat higher in the fourth quarter than in the remainder of the year. Further, large one-time orders can and have occurred at various times throughout the year, causing irregular increases in revenues in some quarters.

Government Regulation

Radio frequencies are subject to extensive regulation both in Canada and the United States. Each country has different regulations and procedures for the approval of wireless communications equipment and the uses of radio spectrum in association with that equipment.

Radio spectrum is required to provide wireless voice, data, and video communications service. The allocation of spectrum is regulated in the U.S. and Canada and limited spectrum space is allocated to wireless services and specifically to public safety users. In the U.S., the Federal Communications Commission ("**FCC**") and the National Telecommunications and Information Administration ("**NTIA**") regulate spectrum use by non-federal entities and federal entities, respectively. Similarly, Industry Canada is the regulatory body that defines and implements the rules for use of radio spectrum in Canada. Impact designs and markets products for two-way radios in spectrum bands already made available by regulatory bodies. Impact's products are used on devices that operate on both licensed and unlicensed spectrums. The availability of additional radio spectrum may provide new business opportunities. Conversely, the loss of available radio spectrum may result in the loss of business opportunities.

Credit Facilities

As at December 31, 2017, Impact had no outstanding credit facilities.

Employees

As at December 31, 2017, Impact had a total of 19 employees.

THE IMPACT TRANSACTION AND THE IMPACT ENTITIES

The Impact Transaction

On December 22, 2016, the Corporation announced it had entered into an agreement to complete the Impact Transaction. The Impact Transaction was completed on March 1, 2017 for cash consideration of $12.0 million from the Corporation.

The Impact Transaction provides the Corporation with 52% of any distributions paid by Impact up to the Impact Annual Threshold, with the Impact Principals receiving 48% of any distributions paid by Impact up to the Impact Annual Threshold. To the extent that any distributions are paid in a year in excess of the Impact Annual Threshold, Impact Principals will receive 65% of such excess distributions with the Corporation receiving 35% of such excess distributions.

At closing of the Impact Transaction, Impact had excess working capital of approximately $1.5 million (above the normal working capital for the business). The Corporation agreed to pay the Impact Principals an additional $735,000 as a working capital adjustment on or before September 1, 2017.

As part of the Impact Transaction, the Corporation granted the Impact Principals the Impact Put Option, whereby the Impact Principals were entitled to sell the Corporation an additional 22% of Impact for a fixed price of $5.1 million provided the trailing twelve month EBITDA for Impact exceeded $4.0 million. The Impact Put Option expired on March 31, 2018 and was not exercised.

The Impact Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

The Impact Entities

In order to facilitate the Impact Transaction, the Corporation acquired 520 Impact Class A Shares (52%) and 350 Impact Class B Shares (35%) from the Impact Principals.

Upon completion of the Impact Transaction, the corporate structure is as shown under the heading "Intercorporate Relationships" above.

Impact Shares

There are 1,000 Impact Class A Shares and 1,000 Impact Class B Shares issued and outstanding.

Impact Shareholders

The Impact shareholders include the Corporation and the Impact Minority Securityholder. The Corporation holds 520 Impact Class A Shares and 350 Impact Class B Shares and the Impact Minority Securityholder holds 480 Impact Class A Shares and 650 Impact Class B Shares.

Impact Shareholders Agreement

The Corporation, the Impact Principals and Impact Entities are parties to the Impact Shareholders Agreement which sets forth certain corporate governance and other matters relating to Impact Entities.

Board Composition – The Impact Shareholders Agreement provides that the composition of the board of Impact is comprised of three individuals, with one nominee from the Impact Minority Shareholder and two nominees from the Corporation, initially Stephen Reid and James Bell.

Dividends - Within twenty (20) days following end of each quarter, Impact distributes to the holders of Impact Shares the distributable cash of Impact, according to each shareholders' interests in Impact.

The holders of Impact Class A Shares share equally on a pro rata basis on all distributions declared and paid by Impact in respect of each fiscal year until such time as the sum of all distributions declared and paid on such Impact Class A Shares equals $2,960,000 (referred to herein as the Impact Annual Threshold) in such fiscal year, after which the holders of Impact Class A Shares are not entitled to any further distributions of any type from Impact in respect of that fiscal year. Once the aggregate distributions declared and paid in respect of a fiscal year exceeds the Impact Annual Threshold, the holders of Impact Class B Shares share equally on a pro rata basis on any further distributions declared and paid by Impact in respect of such fiscal year.

Special Board Decisions – The Impact Shareholders Agreement provides that the following decisions of the board of directors of Impact must be approved by a resolution passed either: (i) if the directors are voting at a meeting, by the affirmative vote of all of the directors of the board, regardless of the number of directors present at the meeting, or (ii) if the directors are acting by written resolution, by an instrument signed by all of the directors of the board:

- incurring any new or additional debt or other borrowings, creating or issuing any debt securities or debt instruments of Impact;
- guaranteeing or agreeing to guarantee the obligations of any person other than any subsidiary of Impact;
- granting loans to any person other than to the subsidiaries of Impact;
- creating, altering, cancelling or otherwise changing the dividend policy of Impact, or declaring or paying dividends in excess of, or otherwise contrary to, the dividend policy of Impact;
- approving or otherwise making a special dividend, or causing Impact to approve or otherwise make such special dividend;

- creating, altering, cancelling or otherwise changing any employee stock option or other equity incentive plan of Impact;
- provided Impact has not suffered a "Significant Reduction in EBITDA" (as defined below), terminating any of the executives or senior management of Impact.

"Significant Reduction in EBITDA" means a cumulative reduction in Impact's trailing twelve month EBITDA of more than an aggregate of 30% in three consecutive quarters.

Special Shareholder Decisions – The Impact Shareholders Agreement provides that the following decisions with respect to Impact must be approved by a resolution passed either: (i) if the vote takes place at a meeting of shareholders, by the affirmative vote of holders of not less than 75% of the shareholders holding Impact Class A Shares, regardless of the number of shareholders present at the meeting, or (ii) if the shareholders are acting by written resolution, by an instrument signed by holders of not less than 75% of the Impact Class A Shares:

- acquiring by way of a share or asset transaction (or series of transactions), commencing or investing in a business in a different industry than the business carried-on by Impact;
- entering into, or taking steps to enter into, a merger, amalgamation or other form of business combination with any other person;
- granting any encumbrance over all or any portion of the property, assets or undertaking of Impact or any of its subsidiaries;
- selling all or substantially all of the assets or undertaking of Impact;
- amending the constating documents of Impact or Threat4;
- changing the size of the Impact board;
- creating or issuing any securities of Impact having preferential or equal treatment as to dividends, returns of capital or sharing of assets on a liquidation as the existing issued and outstanding shares of Impact;
- entering into, or taking steps to enter into any non-arm's length transactions with any shareholder.

Transfer of Impact Shares – The Impact Shareholders Agreement provides for a general prohibition of the transfer of Impact Shares prior to March 1, 2022 and thereafter includes "Rights of First Refusal", "Tag-Along Rights" and "Drag-Along Rights" provisions restrictions on the transfer of securities of the Impact.

Liquidity Event – The Impact Shareholders Agreement provides that any time on or after March 1, 2020, Impact Principals or the Corporation may (the "**Initiating Party**"), at its discretion, jointly elect to sell all, but not less than all, of its Impact Shares, in which case, the following provisions will apply:

- the Initiating Party will give written notice to the other shareholders, as applicable (the "**Non-Initiating Party**"), and any other shareholders (the "**Non-Controlling Shareholders**") advising them that the Initiating Party is exercising its rights to trigger a sale of all Impact Shares held by the Initiating Party (the "**Liquidity Notice**");
- the parties will cooperate with each other, and negotiate in good faith, for a period of fifteen (15) business days (or such longer or shorter period as may be mutually agreed to by them in writing) (the "**Negotiation Period**") to finalize the terms and conditions of the sale of all of the Initiating Party's Impact Shares to the Non-Initiating Party. If the parties are able to reach an agreement

before the expiry of the Negotiation Period, then the Initiating Party will sell their Impact Shares on the terms and conditions so agreed;

- if the parties are not able to reach an agreement within the time required, then the Initiating Party may give the Non-Initiating Party written notice within five (5) business days of the expiry of the Negotiation Period that it is exercising its rights to trigger an auction process for the sale of Impact, in which case, the following provisions will apply:
  - the Impact Shareholders will form a committee of five members consisting of two persons appointed by the Impact Minority Shareholders and three persons appointed by the Corporation (collectively, the "**Sale Process Committee**"), to manage, oversee and run an auction process for the sale of Impact, either by way of a sale of all of the Impact Shares, a sale of all of the assets and undertaking of Impact, or by way of a merger, business combination, amalgamation or some other form of transaction, as determined by the Sale Process Committee (the "**Auction**");
  - the Sale Process Committee will act as the main representative of the Impact shareholders for purposes of making any decisions in respect of the Auction, and for acting as the main point of contact for any consultants, advisors or other professionals engaged in connection with the Auction, and will report on progress to the Impact board and to the Impact shareholders on a regular basis;
  - the Sale Process Committee will work cooperatively with each other in an effort to make decisions by consensus, failing which, a majority vote of the Sale Process Committee will govern;
  - the Sale Process Committee will use reasonable commercial efforts to conclude the solicitation of offers pursuant to the Auction within 12 months of the expiry of the Negotiation Period, and in connection therewith, the Sale Process Committee will make recommendations to the Impact shareholders and the Impact board as to the final structure, terms and conditions (including purchase price) of any proposed sale of Impact under the Auction, having regard to the interests of all Impact shareholders (the "**Sale Terms**");
  - in the event the Sale Process Committee recommends Sale Terms, Impact will cause such meetings of shareholders and directors, as applicable, to be held to approve the Sale Terms, and upon receiving the necessary approvals, the Impact board will cause the sale of Impact in accordance with the approved Sale Terms; and
  - in the event the Sale Process Committee recommends Sale Terms and provided the Sale Terms are consistent for all holders of Impact Shares of a particular class and treat all holders of Impact Shares in an identical manner, the Impact shareholders will vote their respective Impact Class A Shares and will sign such written resolutions of the shareholders as may be necessary to vote in favour of the Sale Terms.

Notwithstanding the above, the Corporation has agreed to pay the Impact Minority Shareholders a cash payment equal to $1.0 million (the "Penalty Amount") in the event that: (i) the parties form a Sale Process Committee; and (ii) the Impact Minority Shareholders do not approve of the third representative (the "Swing Representative") that the Corporation appoints to the Sale Process Committee.

Liquidation Entitlement

In the event of a liquidity event of Impact, all outstanding Impact Class A Shares and Impact Class B Shares will, immediately prior to the effective time of such liquidity event, be transferred to Impact in exchange

for the issuance by Impact of an aggregate of 1,000 Impact Class C Shares to be allocated amongst each of the Impact shareholders in accordance with the following formula:

(i) to the Corporation the greater of: (A) 350 Impact Class C Shares; and (B) a number of Impact Class C Shares equal to: (x) the sum of all dividends received by the Corporation since March 1, 2017; divided by (y) the sum of all dividends paid by Impact since March 1, 2017; multiplied by (z) 1,000; and

(ii) to each of the Impact Minority Shareholders a number of Impact Class C Shares equal to: (A) the sum of all dividends received by each such shareholder since March 1, 2017; divided by (B) the sum of all dividends declared and paid by Impact since March 1, 2017 to all Impact shareholders other than the Corporation; multiplied by (C) 1,000 less the number of Impact Class C Shares issued to the Corporation.

DIRECTORS AND OFFICERS

As at the date hereof, the name, province or state, and country of residence, position or office held with Impact and principal occupation for the immediately preceding five (5) years of each of the directors and executive officers of Impact are as follows:

Name and Jurisdiction of Residence	Position with Impact	Principal Occupations for Prior Five Years	Year first became Officer or Director of Impact
Keith Kostek British Columbia, Canada	Director President and CEO	President and Chief Executive Officer of Impact (2002 to present).	2002
Mark Olsen British Columbia, Canada	Vice-President	Vice-President of Impact (2004 to present).	2013
Ryan Maarschalk British Columbia	Chief Financial Officer	Chief Financial Officer of Impact (2015 to present). Senior accountant at Crowe Mackay (2011 to 2015)	2015
Stephen Reid Alberta, Canada	Director	President and Chief Executive Officer and Director of the Corporation (February, 2016 to present). Senior Vice President of Business Development of Alaris Royalty Corp. (July, 2008 to March, 2015).	2017
James Bell Alberta, Canada	Director	General Counsel and Corporate Secretary of the Corporation (April, 2016 to present) and Chief Operating Officer of the Corporation (November, 2016 to present). General Counsel and Corporate Secretary of Olympia Financial Group Inc. and Olympia Trust Company (February, 2010 to April, 2016).	2017

RISK FACTORS RELATING TO IMPACT

The following is a brief discussion of those factors which may have a material impact on, or constitute risk factors in respect of, Impact's business, assets or financial performance (which risk factors are in addition

to the risk factors impacting the Corporation). To the extent that Impact's business, assets, or financial performance are negatively impacted, this may have a material adverse effect on the Corporation's investment in Impact and the Corporation's business, assets or financial performance.

Current Global Economic and Political Conditions

Global economic and political conditions continue to be challenging for many government and commercial markets, as economic growth has remained low, currency fluctuations have impacted profitability, credit markets have remained tight for certain counterparties and many customers remain dependent on government grants to fund purchases of Impact's products. Depressed commodity prices continue to impact government customers in economies dependent on those commodities, and commercial customers in energy and mining related industries. The length of time these adverse economic and political conditions may persist is unknown. These global economic and political conditions have impacted and could continue to impact the business, financial condition, results of operations, and cash flows in a number of ways, including:

- *Challenges in Budgeting and Forecasting*. It is difficult to estimate changes in various parts of the U.S., including the markets in which Impact participates. Components of budgeting and forecasting are dependent upon estimates of demand for Impact's products and estimates of foreign exchange rates. The prevailing economic uncertainties render estimates of future income and expenditures challenging.
- *Potential Deferment or Cancellation of Purchases and Orders by Customers*. Uncertainty about current and future global economic conditions may cause, and in some cases, has caused, businesses and governments to defer or cancel purchases in response to tighter credit, decreased cash availability and de-prioritization of communications equipment within the budgeting process. If future demand for products declines due to economic conditions, it will negatively impact financial results.
- *Inability to Operate and Grow in the U.S.* There is a risk of intensifying political instability in the U.S. If political instability continues in this market, it could have a significant impact on Impact's ability to grow, which will negatively impact financial results.

Supply of Products from Outsourced Manufacturers

Impact relies on outsourced manufacturers to supply their products and to design certain components. Impact's ability to meet customers' demands depends, in part, on the ability to timely obtain an adequate delivery of quality products from outsourced manufacturers. The ability to ship products to customers could be delayed or interrupted as a result of a variety of factors relating to outsourced manufacturers, including:

- outsourced manufacturers experiencing delays, disruptions, or quality control problems in their manufacturing operations;
- if such outsourced manufacturers lack sufficient quality control or fail to deliver quality products on time and at reasonable prices, or deliver products that do not meet regulatory or industry standards or requirements;
- lead-times for required materials and components varying significantly and being dependent on factors such as the specific supplier, contract terms and the demand for each component at a given time;

- underestimating inventory requirements, resulting in outsourced manufacturers having inadequate materials and components required to produce Impact's products, or overestimating inventory requirements, resulting in charges assessed by the outsourced manufacturers or liabilities for excess inventory, each of which could negatively affect gross margins;
- if there are significant changes in the financial or business condition of such outsourced manufacturers; or
- failure to effectively manage outsourced manufacturer relationships.

If demand for products increases from current expectations or if suppliers are unable to meet demand for other reasons, including as a result of natural disasters or financial issues, Impact could experience an interruption in supply or a significant increase in the price of supplies, including as a result of having to move to an alternative source, that could have a negative impact on the business as a result of increased cost or delay in or inability to deliver products.

Although Impact believes that its outsourced manufacturers have sufficient economic incentive to perform the manufacturing, the resources devoted to these activities are not within Impact's control, and there can be no assurance that manufacturing problems will not occur in the future. Insufficient supply or an interruption or stoppage of supply from the outsourced manufacturers or the inability to obtain additional manufacturers when and if needed, could have a material adverse effect on the business, results of operations, and financial condition.

Product Quality

Some of the products sold may have quality issues resulting from the design or manufacture of the product. These issues could be caused by components purchased from manufacturers or suppliers. Often these issues are identified prior to the shipment of the products and may cause delays in shipping products to customers, or even the cancellation of orders by customers. Sometimes, quality issues are discovered in the products after they have been shipped to customers, requiring resolution of such issues in a timely manner that is the least disruptive to customers. Such pre- and post-shipment quality issues can have legal, financial, and reputational ramifications, including: (i) delays in the recognition of revenue, loss of revenue, or future orders, (ii) customer-imposed penalties for failure to meet contractual requirements, (iii) increased costs associated with repairing or replacing products, and (iv) a negative impact on goodwill and brand name reputation.

Defective Products

Impact's products are complex and, accordingly, they may contain defects or errors, particularly when first introduced or as new versions are released. Impact may not discover such defects or errors until after a product has been released and used by end-customers. Defects and errors in products could materially and adversely affect Impact's reputation, result in significant costs, delay planned release dates, and impair the ability to sell products in the future. The costs incurred as a result of correcting any product defects or errors may be substantial and could adversely affect operating margins. While Impact continually tests products for defects and errors and works with customers through post-sales support services to identify and correct defects and errors, defects or errors in products may be found in the future.

Non-Linear Sales Across Quarters

Impact's revenues are difficult to forecast, are likely to fluctuate significantly throughout the year, and may not be indicative of future performance from quarter to quarter. In addition, operating results may not follow any past trends.

The factors affecting revenue and results, many of which are outside of Impact's control, include:

- competitive conditions in the industry, including strategic initiatives by Impact or their competitors, new products, product announcements and changes in pricing policy by Impact or their competitors;
- market acceptance of Impact's products;
- Impact's ability to maintain existing relationships and to create new relationships with channel partners;
- varying size, timing, and contractual terms of orders, which may delay the recognition of revenue;
- the discretionary nature of purchase and budget cycles of customers and changes in their budgets for, and timing of, equipment purchases;
- strategic decisions by Impact or its competitors, such as acquisitions, divestitures, spin-offs, joint ventures, strategic investments, or changes in business strategy;
- general weakening of the economy resulting in a decrease in the overall demand for telecommunications products;
- timing of product development and new product initiatives; and
- the length and variability of the sales cycles for Impact's products.

Delays or reductions in the amount or cancellations of customers' purchases could adversely affect Impact's business, results of operations, and financial condition. Impact must also maintain additional inventory to mitigate the impact of this lack of linearity and meet demand. This could result in carrying excess inventory, which is costly and may result in increased inventory obsolescence over time.

Competition

Impact experiences, and expects to continue to experience, moderate competition from a number of companies. Existing and/or new competitors may announce new products or enhancements that better meet the needs of customers or changing industry standards or deeply discount the price of its products. Further, new competitors or alliances among competitors could emerge. Increased competition may cause price reductions, reduced gross margins and loss of market share, any of which could have a material adverse effect on Impacts business, financial condition and results of operations. Competitors may also establish or strengthen co-operative relationships with sales channel partners or other parties with whom strategic relationships are held, thereby limiting Impact's ability to promote and sell their products. In addition, competitors may be able to respond more quickly to changes in end-user requirements and devote greater resources to the enhancement, promotion, and sale of their products.

New Product Development and Enhancement of Existing Products

The markets for Impact's products are characterized by moderately changing technology, evolving industry standards, and increasingly sophisticated customer requirements. The introduction of products embodying new technology and the emergence of new industry standards can render existing products obsolete and unmarketable and can exert price pressures on existing products. Impact's success depends on its ability to anticipate and react quickly to changes in technology or in industry standards and to successfully develop and introduce new, enhanced, and competitive products on a timely basis. In particular, the continued acceptance and future success of product offerings will depend on the capacity of those products to handle growing volumes of traffic, their reliability and security, and their cost-effectiveness compared to competitive product offerings. Impact cannot provide assurance that it will successfully develop new

products or enhance existing products, that new products and enhanced existing products will achieve market acceptance, or that the introduction of new products or enhanced existing products by others will not render Impact's products obsolete. The inability to develop products that are competitive in technology and price and that meet customer's needs could have a material adverse effect on the business, financial condition, and results of operations.

If a new product does receive market acceptance, it is often necessary to adapt to the supply chain rapidly in order to meet customer expectations and demand. Constraints caused by component suppliers and outsourced manufacturers can slow the pace of new product rollouts, adversely affecting the business, financial condition, and results of operations.

As new products are developed, older products will become obsolete. As sales of these older products are discontinued, Impact must manage the liquidation of inventory, supplier commitments, and customer expectations. Part of the inventory may be written off, which would increase the cost of sales. In addition, Impact may be exposed to losses on inventories purchased by contracted manufacturers. If Impact or its contracted manufacturers are unable to properly manage the discontinuation of older products and/or if it is not possible to secure customer acceptance of new products, Impact's business, financial condition, and results of operations could be materially and adversely affected.

Uncertainty of Future Revenue Opportunities

Impact is dependent upon its ability to establish and develop new relationships and to build on existing relationships with channel partners to sell current and future products. Impact cannot provide assurance that it will be successful in maintaining or building on relationships with channel partners. In addition, Impact cannot provide assurance that channel partners will act in a manner that will promote the success of Impact's products and services. Failure by channel partners to promote and support products and services could adversely affect Impact's business, results of operations, and financial condition.

In the year ended December 31, 2017, Impact's principal channel partner was BearCom Wireless Worldwide. Sales through BearCom accounted for 21% of revenues in the 2017 fiscal year. Sales concentration with BearCom is expected to decrease in the future as the sales team works to broaden Impact's reach and diversify sales through additional channel partners.

Impact's channel partners also sell competitor's products. If some of their competitors offer their products to channel partners on more favorable terms or have more products available to meet their needs, there may be pressure on Impact to reduce pricing, failing which, channel partners may stop carrying Impact's products or de-emphasize the sale of Impact's products in favor of the products of competitors. To the extent that the business depends on channel partners, the failure of channel partners to adopt successful strategies and grow their own businesses could have a material adverse effect on the business, results of operations, and financial condition.

Lengthy and Variable Sales Cycle

It is difficult to forecast the timing of revenue from sales of products because customers typically invest substantial time, money, and other resources researching their needs and available competitive alternatives before deciding to purchase two-way radio products. Typically, the larger the potential sale, the more time, money, and other resources that will be invested by customers. As a result, it may take many months after the first contact with a customer before a sale is actually completed. In addition, Impact relies on its channel partners to sell its products to end-customers and, therefore, sales efforts are vulnerable to delays at both the channel partner and the end-customer level. During these long sales cycles, events may occur that affect the size or timing of the order or even cause it to be cancelled, including:

- purchasing decisions may be postponed, or large purchases reduced, during periods of economic uncertainty;
- Impact or its competitors may announce or introduce new products or services;
- competitors may offer lower prices on similar products; or
- budget and purchasing priorities of customers may change.

If these events were to occur, sales of Impact's products may be cancelled or delayed, which would reduce revenues.

Foreign Currency Fluctuations

The majority of Impact's revenue and direct cost of sales is earned and incurred in U.S. dollars, while operating expenses are incurred in Canadian dollars. Fluctuations in the exchange rate between the U.S. dollar and the Canadian dollar may have a material adverse effect on the business, financial condition, and operating results.

Impact does not currently engage in transactional hedging but does attempt to hedge or mitigate the risk of currency fluctuations by actively monitoring and managing foreign currency holdings relative to foreign currency expenses.

Government Regulation Changes, or Changes in Industry Standards

Radio frequencies are subject to extensive regulation both nationally and internationally. The emergence or evolution of regulations and industry standards for communications products, through official standards committees or widespread use by operators, could require Impact to modify its products. This may be expensive and time-consuming. Each country has different regulations and procedures for the approval of wireless communications equipment and the uses of radio spectrum in association with that equipment. If new industry standards emerge that Impact does not anticipate, its products could be rendered obsolete.

Credit Risk

Impact is exposed to credit risk for accounts receivable in the event that counterparties do not meet their obligations. Impact attempts to mitigate credit risk to the extent possible by performing credit reviews. Both economic and geopolitical uncertainty can influence the ultimate collectability of these receivable amounts. Failure to collect outstanding receivables could have a material adverse effect on Impact's business, results of operations, and financial condition.

Intellectual Property Rights Infringement

Impact's success depends, in part, upon not infringing on intellectual property rights owned by others. A number of Impact's competitors and other third-parties have been issued patents and may have filed patent applications or may obtain additional patents and proprietary rights for technologies similar to those used by Impact in its products. Some of these patents may grant very broad protection to the owners of the patents.

Impact cannot determine with certainty whether any existing third-party patents or the issuance of any third-party patents would require it to alter its technology, obtain licenses, or cease certain activities. Impact may become subject to claims by third-parties that its technology infringes upon their intellectual property rights due to the growth of products in the target markets, the overlap in functionality of these products, and the prevalence of products.

Impact may become subject to these claims either directly or through indemnities against these claims that are routinely provided to customers and channel partners. Litigation may be necessary to determine the scope, enforceability, and validity of such third-party proprietary rights. Regardless of their merit, any such claims could:

- be time consuming to evaluate and defend;
- result in costly litigation;
- cause product shipment delays or stoppages;
- divert the attention and focus of management and technical personnel away from the business;
- subject Impact to significant damages;
- require Impact to enter into costly royalty or licensing agreements to avoid or settle infringement litigation; and
- require Impact to modify, rename, or stop using the infringing technology.

Impact may be prohibited from developing or commercializing certain technologies and products unless a license is obtained from a third-party. There can be no assurance that Impact will be able to obtain any such license on commercially favorable terms, or at all. If Impact does not obtain such a license, the business, results of operations, and financial condition could be materially adversely affected and Impact could be required to cease related business operations. Moreover, license agreements with third-parties may not include all intellectual property rights that may be issued to or owned by the licensors, and future disputes with these parties are possible. Current or future negotiations with third-parties to establish license or cross license arrangements, or to renew existing licenses, may not be successful and Impact may not be able to obtain or renew a license on satisfactory terms, or at all. If Impact cannot obtain required licenses, or if existing licenses are not renewed, litigation could result.

SCHEDULE D
INFORMATION CONCERNING ASTLEY GILBERT

THE BUSINESS OF ASTLEY GILBERT

General History and Developments

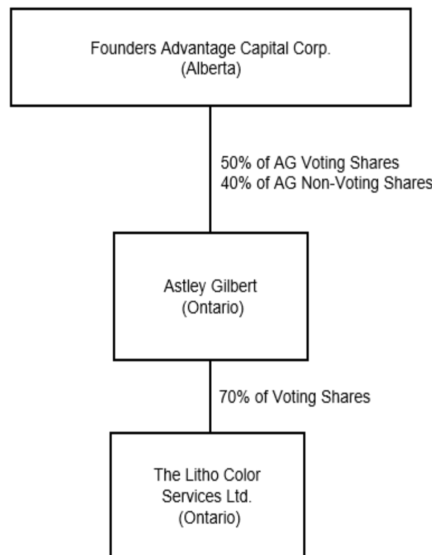
Astley Gilbert, founded in 1970, has 13 locations across Ontario offering non-traditional digital printing and imaging solutions to over 6,000 active customers in a wide range of industries. Astley Gilbert is a market leader for architectural, engineering and construction ("AEC") reproductive printing in Ontario, offering its customers same day AEC imaging in addition to online project management tools and onsite managed print services. Astley Gilbert's clients include some of the largest AEC firms in Ontario and Astley Gilbert's solutions are used in key infrastructure projects across Ontario. From airports to transit lines to commercial buildings, Astley Gilbert is the leading provider of drawings to all industry participants.

Founded in early 1970, Astley Gilbert has grown from a small company serving the on-demand document needs of the construction industry to a full-service print and imaging solutions provider to companies across a wide range of industries. The company expanded by adding more branches, more equipment and more expertise, all of which are supported by strong operational capabilities and a company-wide culture that focuses on customer satisfaction and doing whatever it takes to meet their needs.

In addition to its AEC solutions, Astley Gilbert provides digital print services, high-end brochures, variable data printing, large format graphic displays, online data storage and management solutions, warehousing and logistics and vehicle wraps. Astley Gilbert's customers include some of the largest retailers and product manufacturers in the country, which entities require various imaging services including in-store displays, signage and marketing materials.

Intercorporate Relationships

As at the date hereof, the corporate structure of Astley Gilbert is as follows:



Astley Gilbert's Service Offerings

LineMaster/Large Format Construction Prints (AEC) - With nearly 50 years' experience, AG believes it is the market leader in the AEC blueprint printing sector in the Province of Ontario. Construction drawings are the pictorial and written form of representation of any construction project, including details such as elevation, floor space, material details, outlets, lighting, building codes, and more. Drawings provide precise communication for every construction project. Approximately 42% of AG's 2017 revenues were derived from AEC drawings and workflow management.

Managed Print Services (MPS) – AG's MPS offering consists of placement, management, and optimization of print and imaging equipment in its customers' offices, job sites, and other facilities. MPS relieves AG's customers of the burden of owning and managing print devices and print networks and shifts their costs to a "per-use" basis. For MPS, revenue is recurring, contracted revenue with most contracts ranging from 3 to 5 years and AG is paid a single cost per unit of material used, often referred to as a "click charge." MPS sales are driven by the ongoing print needs of its customers at their facilities.

Work Flow Management and Version Control - AG has been providing document management and support services to the construction industry for nearly 20 years. AG's proprietary program, Invitely™, handles construction files and revisions electronically to reduce project tendering costs and eliminate errors. Subscribing to this service ensures the most current version of all drawings are organized and accessible to the entire project team. Invitely™ gives AG a competitive advantage as a recognized market leader for integrated online plan rooms, construction and document management, construction project tendering/bidding management, and secure project document control.

Offset Printing Services – AG's offset offering primarily revolves around it's 8-Unit, 40" Komori Offset Press provides the latest in Hybrid Ultra Violet Printing technology combined with state of the art quality controls providing speed, quality, and reliability that gives AG a competitive advantage over most of its competitors. Promoted to the commercial market, this press allows Astley Gilbert to provide print services to a wide range of clients including publications and catalogues, promotional materials, brochures, letterhead and manuals to name a few. The Hybrid UV printing process also allows the Company to provide gift and phone cards, repositionable vinyl wall graphics, high-gloss book covers and posters on synthetic substrates that were previously unattainable with traditional offset printing.

Grand Format Digital Colour Services (>36") - AG designs, produces, and installs grand format indoor/outdoor billboards, construction hoarding, and window signage using high-quality UV-resistant inks on a variety of materials and various sizes. From billboards to window signage and sandwich boards, AG designs, produces and installs any graphic in any size, for both indoor and outdoor media.

Small/Medium Format Digital Colour Services (<36") - AG's advanced digital colour printers deliver provide both print production power and high-resolution quality. To meet all levels of demand, there are no minimum quantities required for a production run; AG will print one to unlimited copies on any paper stock, single-sided or double-sided, for both indoor and outdoor configurations. Products include calendars, greeting cards, posters, catalogues and brochures, business cards, custom binders and tabs, and much more.

Docutech – AG offers traditional black and white small format (up to 11" x 17") printing for items such as personnel manuals and direct mail flyers.

Visual Merchandising and Display (Retail) - Using high quality materials, AG designs, produces and assembles a vast assortment of custom 2-D and 3-D displays in fully interactive or simple pop-up formats for trade show booths, retail window displays, props, custom décor, and more. The AG3D Studio, designs, develops and assembles prop, fixture, custom decor and seasonal trim packages This new and growing

division earned AG the gold award for Best in Show at Canada's 2016 National Design and Architecture Expo and Conference.

Vehicle Wraps – AG provides full colour fleet and car graphics which provides customers with a cost-effective means of advertising and creating a mass audience.

Photo Books - AG provides services to many of the largest online and photo book retailers. AG has the latest technology that allows them to serve any size client (from a single photo book or a full production order printed with the highest quality materials and near immediate turnaround times, offered in both hard and soft cover format).

Fulfillment - AG's comprehensive suite of services provides all elements of printing solutions, including inventory storage, kitting and packaging the marketing materials, and distribution.

Competition

Although AG has significant market share for AEC printing in Ontario, the printing industry is highly competitive with respect to all categories of products and regions. Furthermore, this industry is North American in scope, providing opportunities for a diverse set of competitors from both the United States and Canada. At this time, several of the industry's segments are facing challenges with overcapacity and secular shift to digital media which is impacting all geographic regions in North America, adding increased pricing pressure in the market. Some North American companies involved in those printing activities have greater capacity and financial resources than AG. AG competes in certain market segments with several large firms in North America, including LSC Communications, Inc., Transcontinental Inc., R.R. Donnelley & Sons Company, Quad/Graphics, Inc., St. Joseph Print Group Inc., Solisco Printers Inc., The Lowe-Martin Group, Advocate Printing & Publishing Inc., Friesens Corporation, Marquis Book Printing Inc. and many others.

AG management believes that the major competitive factors in the printing business are: quality, product innovation, the range of services offered, pricing, the availability of printing capacity with the appropriate equipment and state-of-the-art technology, delivery lead times, distribution capacity and customer service. The development of new printing technologies at reduced prices, especially digital presses, is also enabling small-niche printers to compete on specialized segments of the industry.

Over the past years, the Canadian retail landscape has also evolved as some U.S. retailers made their entry into the Canadian market or acquired Canadian retailers, whereas others were consolidated.

The ongoing digital transformation in the media and marketing industries has had a significant impact on the entire printing and publishing industry. Nonetheless, print products remain a key component of the marketing mix used by marketers, but their growth is limited by the increasing emphasis placed on new media and communication platforms such as mobile devices and digital channels. The printers who will emerge from this evolving market are those who possess efficient technologies in order to reduce their production costs and who provide a comprehensive set of integrated solutions.

Competitive Strengths

Astley Gilbert believes its success can be attributed to the following strengths:

- *Knowledge and Experience*: AG management believes they have the most AEC printing knowledge and experience in the Ontario AEC printing market. Construction professionals have highly specialized needs in document production, fulfillment, distribution, and archival services and AG has built significant knowledge in these areas over the last 47 years.

- *Industry Relationships*: AG's relationships with various Ontario construction firms span decades in many cases; and AG does business with nearly all of the top firms in the Ontario construction industry.
- *Multiple Locations*: AG has 13 locations across Ontario and a fleet of over 70 delivery vehicles, providing construction firms across Ontario with easy access and expedited delivery.
- *24 Hour Service*: AG is one of the only AEC printing companies in Ontario that operates a night shift, allowing customers access to AEC printing services 24 hours a day, 7 days a week.
- *Multiple Formats and Service Offerings*: AG has the ability to offer its customers multiple solutions, from blueprints to sales brochures to site signage and hoarding.

Geographic Distribution of Sales

Astley Gilbert has 13 locations across Ontario. As such, AG delivers its services predominantly in Canada, with particular concentration in the Province of Ontario, with marginal sales to the United States and internationally.

Cycles or Seasonal Aspects

Due to customer purchasing patterns and the cyclical nature of advertising campaigns, revenues tend to be somewhat higher in Q2 (spring) and Q4 (winter holiday season) than in the remainder of the year. Further, large one-time orders can and have occurred at various times throughout the year, causing irregular increases in revenues in some quarters.

Components

The primary raw materials AG uses are paper and ink. AG's operations consume energy, in particular, electricity, natural gas and oil. Fluctuations in raw materials and energy prices affect the demand for AG's services.

The current difficulties in the pulp and paper industry have resulted in a decrease in the supply of paper, which in turn could result in paper price increases. While paper costs are a pass-through to customers for AG printing operations, the increase in the price of paper can have a negative effect on AG’s printing operations if it changes the purchasing habits of our customers, in terms of the number of pages printed. In order to mitigate this risk, the Corporation has entered into agreements with its most important suppliers in order to ensure a stable flow of resources.

Furthermore, fluctuations in the price of oil, a core ingredient in the composition of ink, have a direct impact on AG's cost of goods sold. Also, fluctuations in the price of oil have an impact on gasoline prices. Any increase thereto would also negatively affect AG's distribution activities.

Environmental and Social Responsibility

AG is among a growing number of responsible companies that are concerned about the impact of industry on our environment. From printing plates that require no chemical processing and low VOC (Volatile Organic Compounds) inks, to the disposal and recycling of all materials, or the paper choices AG provides and the delivery vehicles AG uses (which are amongst the most fuel efficient available), AG is making a commitment to both its clients and the environment.

Astley Gilbert has also attained Forest Stewardship Council (FSC)® certification through the Rainforest Alliance. FSC is an international certification and labeling system dedicated to promoting responsible

forest management of the world's forests. This means that forests are evaluated to meet FSC's strict environmental and social standards. Fibre from certified forests is tracked all the way to the consumer through the FSC Chain of Custody system and wood, paper, and other forest products are sold with the FSC label by certified companies in the marketplace. FSC enables businesses and consumers to make informed choices about the forest products they buy and create positive change to keep our forests healthy for generations to come.

Credit Facilities

$6,000,000 operating demand loan

Astley Gilbert has a $6.0 million operating facility for the purpose of financing the working capital requirements of day-to-day operations. Borrowings under the facility bear interest at a rate equal to the prime rate plus 1.0% per annum, calculated monthly in arrears and payable on the last day of each month. The credit facility is secured by a general security agreement with a first charge over the assets of Astley Gilbert, subject to customary terms, conditions, covenants, and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.15:1.00 and a debt-to-EBITDA ratio of less than or equal to 2.00:1.00.

As at December 31, 2017, $3.5 million was outstanding on this operating facility.

AG term loan facilities

Astley Gilbert has two term loan facilities. AG Term Loan 1 matures on July 31, 2020 is repayable in monthly installments of $82 thousand a month and incurs interest at a fixed rate of 3.48% per annum. AG Term Loan 2 matures in October 2022 is repayable in monthly installments of $30 thousand a month, and incurs interest based on a floating rate of prime plus varying rates from 0.45% to 1.25% calculated quarterly based on total debt adjusted EBITDA ratio. The term facilities are secured by general security agreement with first charge over the assets of AG, subject to customary terms, conditions, covenants and other provisions. Financial covenants include the requirement to maintain a maximum debt to adjusted EBITDA less than 2.25:1, and maintain a Fixed Charge Coverage Ratio of not less than 120%. As at December 31, 2017, AG was in compliance with all such covenants.

As at December 31, 2017, $2.5 million was outstanding on AG Term Loan 1 and $2.5 million was outstanding on AG Term Loan 2.

AG-Litho $750,000 operating demand loan

AG-Litho has a $750,000 operating facility for the purpose of financing the working capital requirements of day-to-day operations. Borrowings under the facility bear interest at a rate equal to the prime rate plus 1.0% per annum, calculated monthly in arrears and payable on the last day of each month. The credit facility is secured by a general security agreement with a first charge over the assets of AG-Litho, subject to customary terms, conditions, covenants, and other provisions. Financial covenants include the requirement to maintain a debt service coverage ratio greater than or equal to 1.15:1.00 and a debt-to-EBITDA ratio of less than or equal to 2.00:1.00.

As at December 31, 2017, this facility did not have any amounts outstanding.

Employees

As at December 31, 2017, Astley Gilbert had a total of 311 employees and AG-Litho had 46 employees.

THE ASTLEY GILBERT TRANSACTION

The Astley Gilbert Transaction

On October 16, 2017, the Corporation announced it had entered into an arm's length agreement to complete the Astley Gilbert Transaction. The Astley Gilbert Transaction was completed on October 31, 2017 for cash consideration of $22.2 million from the Corporation plus a promissory note in favour of the vendors for an additional $2.5 million.

The Astley Gilbert Transaction provides the Corporation with 50% of any distributions paid by Astley Gilbert up to the Astley Gilbert Annual Threshold, with the Astley Gilbert Minority Securityholders receiving 50% of any distributions paid by Astley Gilbert up to the Astley Gilbert Annual Threshold. To the extent that any distributions are paid in a year in excess of the Astley Gilbert Annual Threshold, Astley Gilbert Minority Securityholders will receive 60% of such excess distributions with the Corporation receiving 40% of such excess distributions.

The Astley Gilbert Transaction did not constitute a "significant acquisition" for the Corporation as defined by applicable securities laws.

The Astley Gilbert Entities

In order to facilitate the Astley Gilbert Transaction, the Corporation acquired 2,599,500 Astley Gilbert Class C Shares (100%) and 2,080,000 Astley Gilbert Class E Shares (40%) from the Astley Gilbert Principals.

Effective October 27, 2017, Astley Gilbert acquired 70% of the outstanding securities of AG-Litho.

Upon completion of the Astley Gilbert Transaction, the corporate structure is as shown under the heading "Intercorporate Relationships" above.

Astley Gilbert Shares

There are 2,599,500 Astley Gilbert Class C Shares, 2,599,500 Astley Gilbert Class D Shares and 5,200,000 Astley Gilbert Class E Shares issued and outstanding.

Astley Gilbert Shareholders

The Astley Gilbert shareholders include the Corporation and the Astley Gilbert Minority Securityholders. The Corporation holds 2,599,500 Astley Gilbert Class C Shares and 2,080,000 Astley Gilbert Class E Shares and the Astley Gilbert Minority Securityholders hold 2,599,500 Astley Gilbert Class D Shares and 3,120,000 Astley Gilbert Class E Shares.

Astley Gilbert Shareholders Agreement

The Corporation, the Astley Gilbert Principals and Astley Gilbert are parties to the Astley Gilbert Shareholders Agreement which sets forth certain corporate governance and other matters relating to Astley Gilbert Entities.

Board Composition – The Astley Gilbert Shareholders Agreement provides that the composition of the board of Astley Gilbert is comprised of five individuals, with two nominees from the Astley Gilbert

Minority Shareholders (Wayne Wilbur and Ari Yakobson) and three nominees from the Corporation (Stephen Reid, James Bell and Amar Leekha).

Dividends - Within twenty (20) days following end of each quarter, Astley Gilbert distributes to the holders of Astley Gilbert Shares the distributable cash of Astley Gilbert, according to each shareholders' interests in Astley Gilbert.

The holders of Astley Gilbert Class C Shares and Astley Gilbert Class D Shares share equally on a pro rata basis on all distributions declared and paid by Astley Gilbert in respect of each fiscal year until such time as the sum of all distributions declared and paid on such Astley Gilbert Class C Shares and Astley Gilbert Class D Shares equals $6.7 million (referred to herein as the Astley Gilbert Annual Threshold) in such fiscal year, after which the holders of Astley Gilbert Class C Shares and Astley Gilbert Class D Shares are not entitled to any further distributions of any type from Astley Gilbert in respect of that fiscal year. Once the aggregate distributions declared and paid in respect of a fiscal year exceeds the Astley Gilbert Annual Threshold, the holders of Astley Gilbert Class E Shares share equally on a pro rata basis on any further distributions declared and paid by Astley Gilbert in respect of such fiscal year.

Special Board Decisions – The Astley Gilbert Shareholders Agreement provides that the following decisions of the board of directors of Astley Gilbert must be approved by a resolution passed either: (i) if the directors are voting at a meeting, by the affirmative vote of all of the directors of the board, regardless of the number of directors present at the meeting, or (ii) if the directors are acting by written resolution, by an instrument signed by all of the directors of the board:

- incurring any new or additional debt or other borrowings, creating or issuing any debt securities or debt instruments of Astley Gilbert;
- guaranteeing or agreeing to guarantee the obligations of any person other than any subsidiary of Astley Gilbert;
- granting loans to any person other than to the subsidiaries of Astley Gilbert;
- creating, altering, cancelling or otherwise changing the dividend policy of Astley Gilbert, or declaring or paying dividends in excess of, or otherwise contrary to, the dividend policy of Astley Gilbert;
- approving or otherwise making a special dividend, or causing Astley Gilbert to approve or otherwise make such special dividend;
- creating, altering, cancelling or otherwise changing any employee stock option or other equity incentive plan of Astley Gilbert;
- terminating Wilbur as President and Chief Executive Officer of Astley Gilbert;
- entering into any lease (or lease renewal) with a related party; and
- the exercise of any voting rights attached to the shares of AG-Litho held by Astley Gilbert.

Special Shareholder Decisions – The Astley Gilbert Shareholders Agreement provides that the following decisions with respect to Astley Gilbert must be approved by a resolution passed either: (i) if the vote takes place at a meeting of shareholders, by the affirmative vote of holders of not less than 75% of the shareholders holding Astley Gilbert Class C Shares and Astley Gilbert Class D Shares, regardless of the number of shareholders present at the meeting, or (ii) if the shareholders are acting by written resolution, by an instrument signed by holders of not less than 75% of the Astley Gilbert Class C Shares and Astley Gilbert Class D Shares:

- acquiring by way of a share or asset transaction (or series of transactions), commencing or investing in a business in a different industry than the business carried-on by Astley Gilbert;
- entering into, or taking steps to enter into, a merger, amalgamation or other form of business combination with any other person;
- granting any encumbrance over all or any portion of the property, assets or undertaking of Astley Gilbert or any of its subsidiaries;
- selling all or substantially all of the assets or undertaking of Astley Gilbert;
- amending the constating documents of Astley Gilbert or Threat4;
- changing the size of the Astley Gilbert board;
- creating or issuing any securities of Astley Gilbert having preferential or equal treatment as to dividends, returns of capital or sharing of assets on a liquidation as the existing issued and outstanding shares of Astley Gilbert;
- entering into, or taking steps to enter into any non-arm's length transactions with any shareholder.

Transfer of Astley Gilbert Shares – The Astley Gilbert Shareholders Agreement provides for a general prohibition of the transfer of Astley Gilbert Shares prior to October 31, 2021 and thereafter includes "Rights of First Refusal", "Tag-Along Rights" and "Drag-Along Rights" provisions restrictions on the transfer of securities of the Astley Gilbert.

Liquidity Event – The Astley Gilbert Shareholders Agreement provides that any time on or after October 31, 2021, Wayne Wilbur or the Corporation may (the "**Initiating Party**"), at its discretion, jointly elect to sell all, but not less than all, of its Astley Gilbert Shares, in which case, the following provisions will apply:

- the Initiating Party will give written notice to the other shareholders, as applicable (the "**Non-Initiating Party**"), and any other shareholders (the "**Non-Controlling Shareholders**") advising them that the Initiating Party is exercising its rights to trigger a sale of all Astley Gilbert Shares held by the Initiating Party (the "**Liquidity Notice**");
- the parties will cooperate with each other, and negotiate in good faith, for a period of fifteen (15) business days (or such longer or shorter period as may be mutually agreed to by them in writing) (the "**Negotiation Period**") to finalize the terms and conditions of the sale of all of the Initiating Party's Astley Gilbert Shares to the Non-Initiating Party. If the parties are able to reach an agreement before the expiry of the Negotiation Period, then the Initiating Party will sell their Astley Gilbert Shares on the terms and conditions so agreed;
- if the parties are not able to reach an agreement within the time required, then the Initiating Party may give the Non-Initiating Party written notice within five (5) business days of the expiry of the Negotiation Period that it is exercising its rights to trigger an auction process for the sale of Astley Gilbert, in which case, the following provisions will apply:
    - the Astley Gilbert Shareholders will form a committee of three members consisting of one person appointed by Wilbur, one person appointed by the Corporation and a third member appointed jointly by the Corporation and Wilbur (collectively, the "**Sale Process Committee**"), to manage, oversee and run an auction process for the sale of Astley Gilbert, either by way of a sale of all of the Astley Gilbert Shares, a sale of all of the assets and undertaking of Astley Gilbert, or by way of a merger, business combination, amalgamation or some other form of transaction, as determined by the Sale Process Committee (the "**Auction**");

- the Sale Process Committee will act as the main representative of the Astley Gilbert shareholders for purposes of making any decisions in respect of the Auction, and for acting as the main point of contact for any consultants, advisors or other professionals engaged in connection with the Auction, and will report on progress to the Astley Gilbert board and to the Astley Gilbert shareholders on a regular basis;
- the Sale Process Committee will work cooperatively with each other in an effort to make decisions by consensus, failing which, a majority vote of the Sale Process Committee will govern;
- the Sale Process Committee will use reasonable commercial efforts to conclude the solicitation of offers pursuant to the Auction within 12 months of the expiry of the Negotiation Period, and in connection therewith, the Sale Process Committee will make recommendations to the Astley Gilbert shareholders and the Astley Gilbert board as to the final structure, terms and conditions (including purchase price) of any proposed sale of Astley Gilbert under the Auction, having regard to the interests of all Astley Gilbert shareholders (the "**Sale Terms**");
- in the event the Sale Process Committee recommends Sale Terms, Astley Gilbert will cause such meetings of shareholders and directors, as applicable, to be held to approve the Sale Terms, and upon receiving the necessary approvals, the Astley Gilbert board will cause the sale of Astley Gilbert in accordance with the approved Sale Terms; and
- in the event the Sale Process Committee recommends Sale Terms and provided the Sale Terms are consistent for all holders of Astley Gilbert Shares of a particular class and treat all holders of Astley Gilbert Shares in an identical manner, the Astley Gilbert shareholders will vote their respective Astley Gilbert Class A Shares and will sign such written resolutions of the shareholders as may be necessary to vote in favour of the Sale Terms.

Liquidation Entitlement

In the event of a liquidity event of Astley Gilbert, all outstanding Astley Gilbert Class C Shares, Astley Gilbert Class D Shares and Astley Gilbert Class E Shares will, immediately prior to the effective time of such liquidity event, be transferred to Astley Gilbert in exchange for the issuance by Astley Gilbert of an aggregate of 2,600,000 Astley Gilbert Class F Shares to be allocated amongst each of the Astley Gilbert shareholders in accordance with the following formula:

(iii) to the Corporation, the greater of: (A) 1,040,000 Astley Gilbert Class F Shares; and (B) a number of Astley Gilbert Class F Shares equal to: (x) the sum of all dividends received by the Corporation since October 31, 2017; divided by (y) the sum of all dividends paid by the Corporation since October 31, 2017; multiplied by (z) 2,600,000; and;

(iv) to each of the Astley Gilbert Minority Shareholders other than the Corporation a number of Astley Gilbert Class F Shares equal to such shareholder's pro rata holdings of Astley Gilbert Class F Shares multiplied by the number of remaining Astley Gilbert Class F Shares (with the remaining number of Astley Gilbert Class F Shares being 2,600,000 Astley Gilbert Class F Shares less the Astley Gilbert Class F Shares issued to the Corporation).

<u>Conversion from a Corporation to a Limited Partnership</u> - The Astley Gilbert Shareholders Agreement provides that the parties will use commercially reasonable efforts to reorganize AG from a corporation to a limited partnership by April 30, 2019, whereby Astley Gilbert would convey all of its assets into a newly established limited partnership ("**AG LP**") in exchange for units of AG LP. The primary purpose for the

AG LP transaction structure is to cause the distributable amounts generated from operating income to be distributed to the securityholders on a "flow-through" basis. In connection with the conversion to AG LP, the Astley Gilbert Annual Threshold will be increased from $6.7 million to $9.0 million to reflect the removal of the corporate tax obligation.

DIRECTORS AND OFFICERS

As at the date hereof, the name, province or state, and country of residence, position or office held with Astley Gilbert and principal occupation for the immediately preceding five (5) years of each of the directors and executive officers of Astley Gilbert are as follows:

Name and Jurisdiction of Residence	Position with Astley Gilbert	Principal Occupations for Prior Five Years	Year first became Officer or Director of Astley Gilbert
Wayne Wilbur Ontario, Canada	Director President and CEO	President and Chief Executive Officer of Astley Gilbert (August, 2007 to present).	2007
Rino Dambrosio Ontario, Canada	Vice-President	Vice-President of Astley Gilbert (2017 to present). Astley Gilbert, Sales Team (1997 to 2017).	2017
Sofia Smith Ontario, Canada	Chief Financial Officer	Chief Financial Officer of Astley Gilbert (2017 to present). Chartered Professional Accountant since 1997.	2017
Ari Yakobson Ontario, Canada	Director	Corporate commercial and corporate finance lawyer with Wildeboer Dellelce LLP.	2017
Stephen Reid Alberta, Canada	Director	President and Chief Executive Officer and Director of the Corporation (February, 2016 to present). Senior Vice President of Business Development of Alaris Royalty Corp. (July, 2008 to March, 2015).	2017
James Bell Alberta, Canada	Director	General Counsel and Corporate Secretary of the Corporation (April, 2016 to present) and Chief Operating Officer of the Corporation (November, 2016 to present). General Counsel and Corporate Secretary of Olympia Financial Group Inc. and Olympia Trust Company (February, 2010 to April, 2016).	2017
Amardeep Leekha Alberta, Canada	Director	Sr. Vice President, Capital Markets of the Corporation (March, 2016 to present). Investment Banking, Scotiabank (2013 to 2016). Sr. Credit Manager, Risk Management and Associate Director of Corporate Banking, ATB Financial (2007 to 2010).	2017

RISK FACTORS RELATING TO ASTLEY GILBERT

The following is a brief discussion of those factors which may have a material Astley Gilbert on, or constitute risk factors in respect of, Astley Gilbert's business, assets or financial performance (which risk factors are in addition to the risk factors impacting the Corporation). To the extent that Astley Gilbert's business, assets, or financial performance are negatively impacted, this may have a material adverse effect on the Corporation's investment in Astley Gilbert and the Corporation's business, assets or financial performance.

AG is highly dependent on the architectural, engineering, construction and building owner/operator industry in the Province of Ontario (AEC).

We estimate that customers in the AEC industry in Ontario accounted for approximately ?% of AG's revenues in 2017; therefore, AG's results largely depend on the strength of that industry. AG's historical operating results reflect the cyclical and variable nature of the AEC industry. We believe that the industry generally experiences downturns several months after a downturn in the general economy, and that there may be a similar delay in the recovery of the AEC industry following a recovery of the general economy. A downturn in the AEC industry would diminish demand for some of AG's products and services, and would therefore negatively affect its revenues and have a material adverse effect on its business, operating results and financial condition.

A significant portion of AG's overall costs are fixed.

AG's 11 service centers, equipment and related support activities involve substantial fixed costs which cannot be adjusted quickly to respond to declines in demand for our services. As a consequence, its earnings could deteriorate in the face of declining revenues because its ability to reduce fixed costs in the short-term is limited. If AG failed to manage its fixed costs appropriately, or to maintain adequate cash reserves to cover such costs, it may suffer material adverse effects on its results of operations and financial condition.

Increase in foreign competition in the Canadian market

Competition is based on price, quality of products and services, lead times and the range of services offered. Some of the printing niches in which AG operates are highly competitive; in addition, the presence of US-based competitors could increase as a result, among other things, of their excess capacity. An increase in foreign competition in the Canadian market could have an adverse impact on AG's market share and financial results. To reduce this risk and remain competitive, AG continuously strives to improve operational efficiency, in particular by maximizing the utilization of its most productive equipment. Furthermore, AG continuously works to secure its customer relationships and to improve the quality of its products.

AG's ability to properly identify opportunities and complete acquisitions

AG's growth strategy is mainly based on its ability to complete acquisitions and on organic growth in existing operations. AG must be able to target attractive opportunities, at a reasonable value, and compete with private equity companies and other companies operating in the printing industry that are actively seeking acquisitions. The inability to properly identify opportunities and complete acquisitions could have an adverse impact on the development of this avenue of growth.

Change in consumption habits or loss of a major customer

Certain niches in which AG operates have customers representing a significant portion of its revenues. A change in consumption habits of a major customer or the loss of a major customer could have an adverse impact on AG's net earnings.

Integrating acquisitions could disrupt our operating activities

Acquisitions have been and continue to be a key element in AG's growth strategy. However, integrating acquisitions generally involves risks, and these risks may increase with the size, sector and type of acquisition. Integrating businesses could cause temporary disruptions to production and influence our personnel retention or our customer relationships. In addition, the identified synergies may not be fully realized or may take longer to realize.

An intrusion into AG's information systems could disrupt our operating activities, damage our reputation and result in legal actions

In the normal course of its activities, AG relies on the continuous and uninterrupted operation of its systems, data hosting centers, cloud computing systems and computer hardware. In addition, it receives, processes and transfers sensitive data, including confidential information about AG, its customers and its suppliers, as well as personal information about its employees.

If AG were to experience cyber threats, breaches, unauthorized accesses, viruses or other security breaches, human errors, sabotage or other similar events, it could have an adverse impact on its activities, including system disruptions or breakdowns. This could also have an adverse impact on results and cause considerable damage to AG's reputation and could potentially result in legal actions.

Cyberattack attempts occur more and more frequently, and their nature continuously evolves and becomes more refined, which increases the risk that AG's operations could be disrupted and its data be compromised. In addition, it is possible that such an event might not be detected quickly enough to limit the scope of the information that could be stolen or compromised. Furthermore, regulators' requirements with respect to protection against potential intrusions are becoming stricter. The obligation to comply with new requirements could also have a financial impact on AG. Customers' confidence in the security of the information held by AG and transactions is crucial to maintain our reputation and competitiveness on the market.

An operational disruption could affect AG's ability to meet deadlines

AG increasingly concentrates the production of certain products in high-volume plants and, in the event of a disaster at one of these facilities, it could miss production deadlines. AG's ability to meet deadlines could also be affected by major equipment failure, human error, labour disputes, transportation problems and supply difficulties. The magnitude of the impact of these risks on AG's results will depend on certain factors, including the nature of the disruption, its duration and the plant affected by the disrupting event. However, AG has implemented contingency plans for facilities that deliver products daily and holds insurance policies that could indemnify it against a portion of the costs related to certain disasters.

Inability to maintain or improve operational efficiency

Due to the strong trends that affect the printing industry, AG must continuously improve its operational efficiency to remain competitive. Regardless of the efficiency level it has already reached, there is no guarantee that AG will be able to do this on an ongoing basis. As well, the need to reduce operating expenses

could result in costs to downsize, close or consolidate facilities, or upgrade equipment and technology. Although there are always opportunities to improve operational efficiency at each plant and AG has experienced managers to develop and execute such improvement plans, the initiatives available to react to a volume decrease could be insufficient and have a less favourable impact on the fixed cost structure.

A significant increase in the cost of raw materials and energy consumed

Paper and ink are the primary raw materials used by the printing operations, and they represent a significant portion of AG's costs. In addition, AG's operations consume energy, more specifically electricity, natural gas and oil. A significant increase in raw materials and energy prices has an adverse impact on its operations.

Bad debts from certain customers

Certain factors, such as economic conditions and changes within certain industries, could expose AG to credit risk with respect to receivables from certain of its customers, thereby affecting its ability to collect in accordance with the established terms of payment. AG believes that it is protected against any concentration of credit through its diversity in products and customer base.

SCHEDULE E
THREE YEAR CORPORATE HISTORY FOR PREVIOUS OPERATIONS

Previous Mining Activities

The Corporation was initially engaged in the mining industry as a "junior resource company", and most recently had operations in Equatorial Guinea and operations related to the Michikamau Property located in Newfoundland and Labrador.

On May 11, 2011, the Corporation completed the acquisition of Ivory, which had entered into the Ivory Exploration Services Agreement pursuant to which Ivory funded and carried out an airborne geological survey of the 26,000 square kilometre continental region of Equatorial Guinea (the "**Survey**"). Ivory was then to deliver the Survey report in exchange for mining contracts to be granted for areas selected by the Ivory. The Survey report was delivered on October 3, 2012 entitling Ivory to receive mineral rights over an area of approximately 4,000 square kilometres, equivalent to 15% of the continental region of Equatorial Guinea. Concurrently, Ivory notified the Ministry of areas selected for mineral concessions.

Due to the fact that the selected mineral concessions were not granted, on June 12, 2014, Ivory submitted a Request for Arbitration against the Government of Equatorial Guinea pursuant to the rules of arbitration of the International Chamber of Commerce and the Ivory Exploration Services Agreement. However, on January 22, 2015, Ivory and the Government of Equatorial Guinea agreed upon the terms of the Ivory Settlement Agreement whereby Ivory relinquished all its rights and interests under the terms of the Exploration Services Agreement in exchange for US$31.5 million in cash and Ivory agreeing to withdraw its Request for Arbitration.

The Corporation now has no operations in Equatorial Guinea.

The Corporation also owned a property situated within the Michikamau in Newfoundland and Labrador (the "**Michikamau Property**"). In the year ended September 30, 2011, the Corporation impaired the full carrying value of the Michikamau Property as there had been no activity on the Michikamau Property within the preceding three years. The Corporation disposed of its interest in the Michikamau Property in August, 2015 for nominal consideration.

Change of Business

On April 10, 2015, the Corporation announced that, after a thorough review of the Corporation's resources and strategic options, and given the expertise and skill sets of the Corporation's directors, the Board had determined that the optimal allocation of the Corporation's working capital would be within the framework of an investment company. However, in light of the significant cash position of the Corporation, and after consulting its stakeholders, the Board believed that it was appropriate to also return $0.145 per Common Share of capital to the Shareholders. The Corporation's change of business to an investment company would constitute a "Change of Business" under Policy 5.2 of the TSXV and was conditional upon, among other things, the Corporation obtaining TSXV and Shareholder approval. As an investment company, the Corporation's primary focus would be to make investments in equity, debt or other securities of publicly traded companies or private businesses.

On April 20, 2015, the Corporation announced that, consistent with the proposed change of business of the Corporation under the rules of the TSXV, it had conditionally agreed to invest $10 million in subscription receipts offered by Polaris Infrastructure Inc. ("**Polaris**"). See "Activities as an Investment Company Prior to the Reid Transaction – Polaris Infrastructure Inc." below.

On April 30, 2015, the Corporation submitted to the TSXV an application for a proposed change of business of the Corporation from a junior resource company to an investment company. On June 25, 2015, the Corporation received TSXV and Shareholder approval of such change of business. At the special Shareholders' meeting where the change of business was approved, Shareholders also approved (i) a return of capital to Shareholders of $0.145 per share, (ii) a change of name of the Corporation to "FCF Capital Inc.", (iii) an amended and restated stock option plan and (iv) an amended and restated deferred share unit plan.

In conjunction with the change of business, the Corporation made an application to the Ontario Securities Commission to become a reporting issuer in Ontario. On July 17, 2015, the Corporation was deemed to be a reporting issuer in Ontario.

On July 7, 2015, as approved at the June 25, 2015 special Shareholders' meeting, the Corporation paid a return of capital to its Shareholders of $0.145 per share totaling $21,648,654.

Activities as an Investment Company Prior to the Reid Transaction

Polaris Infrastructure Inc.

In anticipation of its proposed change of business to an investment company, on April 30, 2015, the Corporation invested $10.0 million in subscription receipts of Polaris which later converted to 1,250,000 Polaris common shares (at a deemed price of $8.00 per share). Subsequent to the acquisition of such Polaris shares and prior to the year ended September 30, 2015, the Corporation acquired an additional 90,000 Polaris shares in the open market. Subsequent to September 30, 2015, the Corporation acquired an additional 46,500 Polaris shares. In February, 2016, the Corporation sold 1,250,000 Polaris Shares for net proceeds of $8.7 million and in May, 2016 sold its remaining 136,500 Polaris Shares for net proceeds of $1.1 million.

Vital Alert Communication Inc.

On December 23, 2015, the Corporation made an equity investment of US$2.0 million cash in Vital Alert Communication Inc. ("**Vital**"). The Vital investment resulted in the Corporation acquiring 25,999,568 voting preferred shares in the capital of Vital. In October, 2017, Vital shareholders approved a corporate reorganization which resulted in all preferred shares being converted to common shares and all shares being consolidated on a one (1) for 1,000 basis (whereby the Corporation now holds 25,999 common shares of Vital). Further, subsequent to the reorganization, Vital completed a $2.0 million convertible debenture offering (of which the Corporation purchased debentures in the principal amount of $371,306 in order to maintain its pro rata equity ownership in Vital).

SCHEDULE F
AUDIT COMMITTEE CHARTER

FOUNDERS ADVANTAGE CAPITAL CORP.

Objectives

The Audit Committee has been formed by the board of directors (the "**Board**") of Founders Advantage Capital Corp. (together with its subsidiaries, the "**Corporation**") to assist the Board in fulfilling its oversight responsibilities. The Audit Committee's primary duties and responsibilities are to:

- monitor the integrity of the Corporation's financial reporting process and systems of internal controls regarding finance, accounting, and securities laws compliance;
- assist Board oversight of: (i) the integrity of the Corporation's financial statements; and (ii) the Corporation's compliance with securities laws and regulatory requirements;
- monitor the independence, qualification and performance of the Corporation's external auditors; and
- provide an avenue of communication among the external auditors, management and the Board.

The Audit Committee will, at least annually, review and modify this mandate with regards to, and to reflect changes in, the business environment, industry standards on matters of corporate governance, additional standards which the Audit Committee believes may be applicable to the Corporation's business, the location of the Corporation's business and its shareholders and the application of laws and policies.

Composition

Audit Committee members must meet the requirements of applicable securities laws and of the stock exchanges on which the securities of the Corporation trade. The Audit Committee will be comprised of three or more directors as determined by the Board. A majority of the Audit Committee members shall be "independent" and each Audit Committee member shall be "financially literate", as those terms are defined in National Instrument 52-110 *Audit Committees* ("**NI 52-110**") of the Canadian Securities Administrators (as set out in Schedule A hereto), and as "financially literate" is interpreted by the Board in its business judgement. In order to be financially literate, a director must be, at a minimum, able to read and understand basic financial statements and at least one member shall have "accounting or related financial management expertise", meaning the ability to analyze and interpret a full set of financial statements, including the notes attached thereto, in accordance with Canadian generally accepted accounting principles recognized by the Chartered Professional Accountants of Canada from time to time and applicable to publicly accountable enterprises ("**GAAP**").

Audit Committee members shall be appointed annually by the Board. The Board may fill any vacancy in the membership of the Committee at any time. The Chair of the Audit Committee shall be appointed annually by the Board.

Meetings and Minutes

The Audit Committee shall meet at least quarterly, or more frequently if determined necessary to carry out its responsibilities.

A meeting may be called by the Chair of the Audit Committee, the Chief Executive Officer of the Corporation (the "**CEO**"), the Chief Financial Officer of the Corporation (the "**CFO**"), any member of the Audit Committee or the external auditors. A notice of time and place of every meeting of the Audit

Committee shall be given in writing to each member of the Audit Committee at least 24 hours prior to the time fixed for such meeting, unless waived by all members entitled to attend. Attendance of a member of the Audit Committee at a meeting shall constitute waiver of notice of the meeting except where a member attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting was not lawfully called.

A quorum for meetings of the Audit Committee shall require a majority of its members present in person or by telephone. If the Chair is not present at any meeting of the Audit Committee, one of the other members of the Audit Committee present at the meeting will be chosen to preside by a majority of the members of the Audit Committee present at that meeting.

Each of the CEO and the CFO shall be available to advise the Audit Committee, shall receive notice of meetings and may attend meetings of the Audit Committee at the invitation of the Chair on a non-voting basis. The Corporation's external auditors shall be invited to attend all meetings of the Audit Committee, on a non-voting basis. Other management representatives shall be invited to attend as necessary on a non-voting basis. Notwithstanding the foregoing, the Audit Committee shall hold *in camera* sessions, without management present, at each meeting unless decided unnecessary by the Audit Committee.

Decisions of the Audit Committee shall be determined by a majority of the votes cast.

The Audit Committee shall appoint a member of the Audit Committee, an officer of the Corporation or legal counsel to act as secretary at each meeting for the purpose of recording the minutes of each meeting. Minutes shall be kept of all meetings of the Committee and shall be signed by the Chair and the secretary of the meeting.

The Audit Committee shall make available to the Board a summary of all meetings and a copy of the minutes from such meetings. Where minutes have not yet been prepared, the Chair shall provide the Board with oral reports on the activities of the Audit Committee. All significant information reviewed and discussed by the Audit Committee at any meeting shall be referred to in the minutes and made available for examination by the Board upon request to the Chair.

Scope, Duties and Responsibilities

Mandatory Duties

Oversight in Respect of Financial Disclosure and Accounting Practices

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Review the Corporation's audit plan with the external auditors and management.

2. Prior to filing or public distribution, review, discuss with management and the external auditors and recommend to the Board for approval, the Corporation's audited annual financial statements and related press releases, interim financial statements and related press releases, annual information forms, management's discussion and analysis, financial statements required by regulatory authorities, financial information and any financial guidance proposed to be provided to analysts and rating agencies, all audited and unaudited financial statements included or incorporated by reference in prospectuses or other offering documents and all documents which may be included or incorporated by reference into a prospectus which contain financial information within the Audit Committee's mandate, including without limitation, the portions of the management proxy circular for any annual or special meeting of shareholders containing significant

financial information within the Audit Committee's mandate. This review should include discussions with management, and the external auditors of significant issues regarding accounting principles, practices and judgements.

3. Ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements, other than the public disclosure referred to in paragraph 2 above and periodically assess the adequacy of those procedures.

4. Be responsible for reviewing the disclosure contained in the Corporation's annual information form as required by Form 52-110F1 *Audit Committee Information Required in an AIF*, attached to NI 52-110. If proxies are solicited for the election of directors of the Corporation, the Audit Committee shall be responsible for ensuring that the Corporation's information circular includes a cross-reference to the sections in the Corporation's annual information form that contains the information required by Form 52-110F1.

5. Ensure the preparation and filing of each annual certificate in Form 52-109F1 and each interim certificate in Form 52-109F2 to be signed by each of the CEO and CFO of the Corporation in accordance with the requirements set forth under National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, as amended from time to time ("**NI 52-109**").

6. Oversee the establishment of a procedure to ensure the accuracy of the matters certified by the Corporation's certifying officers as required under NI 52-109 and make reasonable inquiries to ensure that interim and annual filings are true and accurate in all material respects, do not omit to state a material fact or contain any misrepresentations and ensure that all necessary information as required under NI 52-109 is disclosed in the Corporation's interim and annual filings.

7. In consultation with management, and the external auditors, consider the integrity of the Corporation's financial reporting processes and controls and the performance of the Corporation's internal financial accounting staff; discuss significant financial risk exposures and the steps management has taken to monitor, control and report such exposures; and review significant findings prepared by the external auditors together with management's responses.

8. Meet separately with each of management, and the external auditors to discuss difficulties or concerns, specifically: (i) any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to requested information, and any significant disagreements with management; and (ii) any changes required in the planned scope of the audit, and report to the Board on such meetings.

9. Discuss with management and the external auditors any proposed changes in major accounting policies, standards or principles, the presentation and impact of significant risks and uncertainties and key estimates and judgments of management that may be material to financial reporting.

10. Discuss with management the effect of any off-balance sheet transactions, arrangements, obligations and other relationships with unconsolidated entities or other persons that may have a material current or future effect on the Corporation's financial condition, changes in financial condition, results of operations, liquidity, capital expenditures, capital resources, or significant components of revenues and expenses.

11. Review with management and the external auditors significant financial reporting issues arising during the most recent fiscal period and the resolution or proposed resolution of such issues.

12. Review any problems experienced or concerns expressed by the external auditors in performing an audit, including any restrictions imposed by management or significant accounting issues on which there was a disagreement with management.

13. Confirm through discussions with management and the external auditors that GAAP and all applicable laws or regulations related to financial reporting and disclosure have been complied with.

14. Review any actual or anticipated litigation or other events, including tax assessments, which could have a material current or future effect on the Corporation's financial statements, and the disclosure of such in the financial statements.

15. Conduct an annual performance evaluation of the Audit Committee.

Oversight in Respect of Risk Management

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Review and monitor the principal risks that could affect the financial reporting of the Corporation.

2. Monitor the integrity of the Corporation's financial reporting process and system of internal controls regarding financial reporting and accounting compliance.

3. Provide an avenue of communication among the external auditors, management and the Board.

Oversight in Respect of Internal Controls

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Establish 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 and anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters.

2. Review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation.

3. The Audit Committee will be responsible for ensuring that management regularly evaluates the effectiveness of the Corporation's disclosure controls and procedures and causes the Corporation to disclose its conclusions about the effectiveness of the disclosure controls and procedures in accordance with all applicable legal and regulatory requirements. The terms "annual filings," "interim filings," "disclosure controls and procedures" and "internal control over financial reporting" shall have the meanings set forth under NI 52-109.

4. Monitor the quality and integrity of the Corporation's system of internal controls, disclosure controls and management information systems through discussions with management and the external auditors.

5. Be responsible for monitoring any changes in the Corporation's internal controls over financial reporting and for ensuring that any change that occurred during the Corporation's most recent interim period that has materially affected, or is reasonably likely to materially affect, the

Corporation's internal controls over financial reporting is disclosed in the Corporation's most recent annual or interim management's discussion and analysis.

6. Oversee investigations of alleged fraud and illegality relating to the Corporation's finances and any resulting actions.

7. Review and discuss with the CEO and CFO the procedures undertaken in connection with the CEO and CFO certifications for the annual and/or interim filings with applicable securities regulatory authorities.

8. Review disclosures made by the CEO and CFO to the Corporation during their certification process for annual and/or interim financial statements with applicable securities regulatory authorities about any significant deficiencies in the design or operation of internal controls which adversely affect the Corporation's ability to record, process, summarize and report financial data or any material weaknesses in the internal controls, and any fraud involving management or other employees of the Corporation who have a significant role in the Corporation's internal controls.

9. Review or satisfy itself that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted from the Corporation's financial statements and periodically assess the adequacy of those procedures.

Oversight in Respect of External Auditors

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Advise the external auditors of their accountability to the Audit Committee and the Board as representatives of the shareholders of the Corporation to whom the external auditors are ultimately responsible. The external auditors shall report directly to the Audit Committee. The Audit Committee is directly responsible for overseeing the work of the external auditors, shall review at least annually the independence and performance of the external auditors and shall annually recommend to the Board the appointment of the external auditors or approve any discharge of auditors when circumstances warrant.

2. Approve the fees and other compensation to be paid to the external auditors.

3. Pre-approve all non-audit services to be provided to the Corporation or its subsidiary entities by the Corporation's external auditors and all related terms of engagement.

4. On an annual basis, review and discuss with the external auditors all significant relationships they have with the Corporation that could impair the auditors' independence and obtain a report describing all relationships between the external auditors and the Corporation.

5. Review the external auditors audit plan and discuss scope, staffing, locations, and reliance upon management and general audit approach.

6. Consider the external auditors' judgments about the quality and appropriateness of the Corporation's accounting principles as applied in its financial reporting.

7. Be responsible for the resolution of disagreements between management and the external auditors.

8. Ensure that the external auditors are participants in good standing with the Canadian Public Accountability Board ("**CPAB**") in accordance with National Instrument 52-108 Auditor Oversight and participate in the oversight programs established by the CPAB from time to time and that the external auditors have complied with any restrictions or sanctions imposed by the CPAB as of the date of the applicable auditor's report relating to the Corporation's annual audited financial statements.

9. When there is to be a change of external auditors, review all issues and provide documentation related to the change, including the information to be included in the Notice of Change of Auditor and documentation required pursuant to National Instrument 51-102 Continuous Disclosure Obligations (or any successor instrument) of the Canadian Securities Administrators and the planned steps for an orderly transition period.

10. Review all reportable events, including disagreements, unresolved issues and consultations, as defined by applicable securities policies, on a routine basis, whether or not there is to be a change of external auditors.

<u>Oversight in Respect of Other Items</u>

Pursuant to the requirements of NI 52-110 and other applicable laws, the Audit Committee will:

1. Review with management at least annually the financing strategy and plans of the Corporation.

2. Review the appointments of the Chief Financial Officer and any key financial managers who are involved in the financial reporting process.

3. Enquire into and determine the appropriate resolution of any conflict of interest in respect of audit or financial matters which are directed to the Committee by any member of the Board, a shareholder of the Company, the external auditors or management.

4. Review and reassess the adequacy of the Audit Committee's mandate at least annually and submit the mandate to the Board for approval.

5. On at least an annual basis, review, with the Corporation's counsel, any legal matters that could have a significant impact on the Corporation's financial statements, the Corporation's compliance with applicable laws and regulations, and inquiries received from regulators or governmental agencies.

6. Perform any other activities consistent with this mandate, the Corporation's by-laws, and other governing law as the Audit Committee or the Board deems necessary or appropriate.

7. Maintain minutes of meetings and periodically report to the Board on significant results of the foregoing activities.

Communication, Authority to Engage Advisors and Expenses

The Audit Committee shall have direct access to such officers and employees of the Corporation, to the Corporation's external auditors and to any other consultants or advisors, as well as to such information respecting the Corporation as it considers necessary to perform its duties and responsibilities.

Any employee may bring before the Audit Committee, on a confidential basis, any concerns relating to matters over which the Audit Committee has oversight responsibilities.

The Audit Committee has the authority to engage the external auditors, independent counsel and other advisors as it determines necessary to carry out its duties and to set the compensation for any auditors, counsel and other advisors, such engagement to be at the Corporation's expense. The Corporation shall be responsible for all other expenses of the Audit Committee that are deemed necessary or appropriate by the Audit Committee in order to carry out its duties.

Adopted by the Board of the Corporation.