



DOMINION LENDING CENTRES INC.

ANNUAL INFORMATION FORM

For the financial year ended December 31, 2021

Dated March 29, 2022

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PRELIMINARY NOTES

Throughout this annual information form ("**AIF**"), Dominion Lending Centres Inc. is referred to as the "**Corporation**". All information contained herein is as at March 29, 2022, 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;

"**Astley Gilbert**" means Astley Gilbert Limited;

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

"**CDC**" means Core Business Distributable Cash;

"**Club16**" means, collectively, Club16 Limited Partnership (a limited liability partnership formed pursuant to the laws of British Columbia) and Club16 GP Ltd. (the sole general partner of the limited partnership);

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

"**Core Business Distributable Cash**" has the meaning ascribed to such term in the Preferred Shares and generally reflects the cash flow from the Core Business Operations;

"**Core Business Operations**" means the operations of the Corporation excluding the Non-Core Assets and the reporting issuer functions of the Corporation;

"**Corporation**" means Dominion Lending Centres Inc., a corporation subsisting under the ABCA;

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

"**DLC**" or the "**DLC Group**" means, collectively, the Corporation, MCC, MA and Newton and their affiliates;

"**DLC Acquisition**" means the acquisition completed by the Corporation on December 31, 2020, whereby the Corporation acquired all of the limited partnership units of DLC LP that it did not already own, for 26,774,054 Preferred Shares of the Corporation;

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

"**DLC LP**" means Dominion Lending Centres Limited Partnership, the legal entity which held the DLC Group before being wound-up effective January 1, 2021;

"**DLC Purchase Agreement**" means the purchase and sale agreement dated October 5, 2020 among the Corporation, KayMaur and certain other vendors which provides for the DLC Acquisition and the Inversion Rights Termination Transaction;

"**Finastra**" means Finastra Inc., an international third-party financial technology company that offers a mortgage broker connectivity platform in Canada and is a leading source for Canadian mortgage broker data and statistics;

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

"**Inversion Rights**" means the rights set out in the limited partnership units of DLC LP that entitled KayMaur and certain other holders to a disproportionate share of free cash flow above a set threshold amount;

"**Inversion Rights Termination Consideration**" means an amount equal to \$15,000,000, comprised of a cash payment of \$7,500,000 and 4,285,714 Common Shares (valued at \$1.75 per share);

"**Inversion Rights Termination Transaction**" means the transaction between the Corporation, KayMaur and the other vendors whereby the Corporation paid the Inversion Rights Termination Consideration in exchange for the termination of the Inversion Rights;

"**Investors Rights Agreement**" means the agreement dated December 31, 2020 among the Corporation and the Preferred Shareholders which provides for certain governance matters relating to the Corporation;

"**KayMaur**" means KayMaur Holdings Inc., an entity beneficially owned and controlled by Gary Mauris and Chris Kayat (both of whom are executive officers of the Corporation and founders of the DLC Group);

"**MA**" means MA Mortgage Architects Inc., a wholly-owned subsidiary of the Corporation;

"**MCC**" means MCC Mortgage Centre Canada Inc., a wholly-owned subsidiary of the Corporation;

"**Newton**" means Newton Connectivity Systems Inc., a wholly-owned subsidiary of Newton Holdco;

"**Newton Acquisition**" means the acquisition completed by the Corporation on February 28, 2022 pursuant to the Newton Purchase Agreement, whereby the Corporation acquired the remaining 30% interest in Newton Holdco that it did not already own in exchange for \$16,865,000 cash and 1,853,247 Common Shares;

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

"**Newton Purchase Agreement**" means the purchase and sale agreement dated February 15, 2022 among the Corporation, Next4 Holdings Inc. and certain others which provides for the Newton Acquisition;

"**Non-Core Assets**" means the Corporation's ownership interest in Club16 and Impact;

"**Old FAC**" or "**FAC**" means Founders Advantage Capital Corp. prior to its amalgamation with DLC Inc. on January 1, 2021;

"**Old DLC Inc.**" or "**DLC Inc.**" means Dominion Lending Centres Inc. prior to its amalgamation with FAC on January 1, 2021;

"**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 non-voting and non-convertible series 1, class B preferred shares in the capital of the Corporation;

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

"**RSU**" means a restricted share unit issued pursuant to the RSU Plan, with each unit entitling the holder thereof to be paid the cash equivalent of one Common Shares without the payment of any additional amount or exercise price;

"**RSU Plan**" means the restricted share unit plan of the Corporation dated April 23, 2019;

"**Sagard**" means Sagard Holdings Manager LP;

"**Sagard Credit Facility**" means the credit facility agreement between the Corporation and Sagard, dated May 31, 2017, as amended and restated as at January 1, 2021, whereby Sagard agreed to provide the Corporation with a senior secured credit facility (which credit facility was refinanced by the TD Credit Facility on December 22, 2021);

"**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, 2023 upon payment of the exercise price of \$1.4375 per share;

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

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

"**TD**" means The Toronto-Dominion Bank;

"**TD Credit Facility**" means the credit facility agreement between the Corporation and TD, dated December 22, 2021, as amended, whereby TD agreed to provide the Corporation with a senior secured credit facility;

"**TSX**" means the Toronto Stock Exchange; 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:

- the expectation that COVID-19 will negatively impact earnings of the Corporation's Non-Core Assets;
- the strong growth outlook for DLC, including further development of financial technology products by Newton;

- the expectation that DLC will increase its organic market share and that it will achieve growth on the number of mortgages funded annually;
- the belief that as mortgage regulations make borrowing more difficult, more Canadians will use mortgage brokers to assist them in securing a mortgage;
- the intent of DLC to continue to add additional Franchisees to its network of mortgage brokers;
- the expectation that additional DLC Group brokers will adopt Newton's connectivity solutions; and
- mortgage brokers increasing their market share of the total Canadian mortgage market.

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 extent and duration of COVID-19;
- changes in health outbreaks and impacts on market conditions;
- the Corporation's ability to obtain financing on acceptable terms or at all;
- the performance of the DLC Group in line with the Corporation's expectations;
- the continuation of existing Canadian mortgage lending and mortgage brokerage laws; and
- the absence of material decreases in the aggregate Canadian mortgage lending business.

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 B – Information Concerning Club16 – Risk Factors Relating to Club16" and "Schedule C – Information Concerning Impact Communications – Risk Factors Relating to Impact". 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 the Corporation 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, 2021 for a reconciliation of EBITDA to its nearest IFRS measure.

COVID-19

On March 11, 2020 the World Health Organization ("**WHO**") declared the COVID-19 outbreak a pandemic (the "**Pandemic**" or "**COVID-19**"). As a result, all levels of government in Canada have implemented public health measures including social distancing. COVID-19 has not had a negative material impact on the DLC Group.

The course of the COVID-19 pandemic is highly uncertain. COVID-19 is expected to negatively impact earnings of the Corporation's Non-Core Assets into the foreseeable future and could impact cash flows of the Corporation. The ultimate impact of the pandemic on the Corporation's future operations and financial performance is currently unknown and will be dependent on a number of unpredictable factors outside of the knowledge and control of management, including: the duration and severity of the pandemic; the impact of the pandemic on economic growth and financial and capital markets; and governmental responses and restrictions. These uncertainties may continue to persist beyond the point where the initial outbreak of the COVID-19 virus has subsided. The potential impact of the COVID-19 pandemic has been considered by management in making judgments, estimates and assumptions used in the preparation of the Corporation's financial statements, but the inherent risks and uncertainties resulting from the pandemic may result in material changes to such judgments, estimates and assumptions in future financial periods as additional information becomes available.

CORPORATE STRUCTURE

Names and Incorporation

The Corporation's name is "Dominion Lending Centres Inc.". 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. Since February 3, 2022, the Common Shares have been listed on the TSX under the symbol "DLCG" (prior thereto the Common Shares were listed on the TSXV).

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 affected 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. All Common Share amounts referenced herein are reported on a post-consolidation basis.

By articles of amendment dated November 6, 2020, the Corporation amended its articles to create the Preferred Shares.

By articles of amalgamation dated January 1, 2021, the Corporation amalgamated with Dominion Lending Centres GP Inc. to form "Founders Advantage Capital Corp."

By articles of amalgamation dated January 1, 2021, the Corporation amalgamated with Dominion Lending Centres Inc. to form "Dominion Lending Centres Inc."

Intercorporate Relationships

The chart below sets out the material subsidiary entities of the Corporation that comprise the Core Business Operations and the Non-Core Assets (we have not included entities that represent less than 10% of the consolidated assets and revenue of the Core Business Operations).

Parent Entity	Subsidiary Entity	Ownership %	Subsidiary Governing Legislation
<i>Core Business Operations</i>			
Dominion Lending Centres Inc.	MCC Mortgage Centre Canada Inc.	100%	British Columbia
	MA Mortgage Architects Inc.	100%	Canada
	10017078 Canada Inc.	100%	Canada
10017078 Canada Inc.	Newton Connectivity Systems Inc.	100%	Canada
<i>Non-Core Assets</i>			
Dominion Lending Centres Inc.	Club16 Limited Partnership	58%	Alberta
	Cape Communications International Inc.	52%	British Columbia

GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History

On December 31, 2020, the Corporation completed the DLC Acquisition and Inversion Rights Termination Transaction as discussed below and completed a corporate reorganization to focus on the Core Business Operations. Prior to the DLC Acquisition, the Corporation had been an investment issuer (operating as FAC since February 2016), during which time it completed four investments in DLC Inc., Club16, Impact

and Astley Gilbert (subsequently sold on September 30, 2019). The Corporation's investment in the DLC Group was the Corporation's largest and most successful investment.

2022

On February 28, 2022, the Corporation completed the Newton Acquisition, whereby it acquired the 30% of Newton Holdco that it did not already own in exchange for \$16,865,000 cash and 1,853,247 Common Shares at a deemed value of \$3.85 per Common Share.

2021

On December 22, 2021, the Corporation entered into the TD Credit Facility and repaid all amounts outstanding under the Sagard Credit Facility.

On November 29, 2021, the Corporation launched a substantial issuer bid (the "SIB"), whereby it offered to acquire up to 3,000,000 Common Shares at a price of \$3.75 per share. The SIB closed on January 11, 2022 and the Corporation acquired and cancelled an aggregate of 1,781,790 Common Shares at a total cost of \$6,681,713.

On January 13, 2021, the Corporation implemented a normal course issuer bid ("NCIB") commencing on January 18, 2021 and ending on January 17, 2022. During the fiscal year ended December 31, 2021, the Corporation acquired and cancelled an aggregate of 296,100 Common Shares pursuant to the NCIB.

The Corporation amalgamated with Dominion Lending Centres Inc. on January 1, 2021 and the combined entity now operates as Dominion Lending Centre Inc. Effective January 8, 2021, the Common Shares commenced trading on the TSXV under the symbol "DLCG" (the Common Shares commenced trading on the TSX on February 3, 2022 and ceased trading on the TSXV on the same date).

Effective January 1, 2021, the Corporation completed the following management changes:

- Gary Mauris became the Chief Executive Officer and Executive Chairman;
- Chris Kayat became the Executive Vice-Chairman;
- James Bell and Eddy Coccioallo were each appointed Co-President of the Corporation. Mr. Bell is responsible for legal matters, public company operations and management of Non-Core Assets while Mr. Coccioallo is responsible for DLC Group mortgage origination operations.
- Robin Burpee and Geoff Hague were each appointed Co-Chief Financial Officer of the Corporation. Ms. Burpee is responsible for public company and Non-Core Asset financial management while Mr. Hague is responsible for financial management of the DLC Group mortgage origination operations.

2020

On December 31, 2020, the Corporation completed the DLC Acquisition with KayMaur and certain minority holders pursuant to the DLC Purchase Agreement, whereby the Corporation acquired all of the limited partnership units of DLC LP that it did not already own, for 26,774,054 Preferred Shares of the Corporation.

On December 31, 2020, the Corporation completed a private placement of 4,285,714 Common Shares at \$1.75 per share for aggregate gross proceeds of \$7,500,000 (the "**2020 Private Placement**") concurrent with the closing of the DLC Acquisition. Upon completion of the 2020 Private Placement, the Corporation

completed the Inversion Rights Termination Transaction by paying KayMaur and the other vendors the Inversion Rights Termination Consideration to terminate the Inversion Rights.

Following completion of the DLC Acquisition, the Corporation entered into the following governance amending agreements relating to its Non-Core Assets effective December 31, 2020:

- The Corporation and the principals of Club16 entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's Club16 board nominees from five (5) representatives to four (4) representatives. As such, the Club16 principals have two (2) board representatives, and the Corporation has two (2) board representatives.
- The Corporation and the principal of Impact entered into an amending agreement to amend the terms of the shareholders agreement to reduce the Corporation's board nominees from two (2) representatives to one (1) representative. As such, the Impact principal has one (1) board representative, and the Corporation has one (1) board representative.

On June 29, 2020, Club16 completed a private placement of 273 class A limited partnership units to the founder and operating partner of Club16 for proceeds of \$999,180. As a result, the Corporation's ownership interest in Club16 decreased from 60% to 58%. The proceeds from the Club16 offering were used to fund the opening of two new clubs.

2019

On September 30, 2019, the Corporation completed the sale of its 50% interest in Astley Gilbert for aggregate gross proceeds of \$17.0 million (comprised of: (i) a cash payment of \$14.2 million; and (ii) the assumption by Astley Gilbert of a \$2.8 million interest-bearing promissory note previously issued by the Corporation).

On May 27, 2019, Robin Burpee was appointed the Corporation's Chief Financial Officer.

On March 12, 2019, the Corporation suspended its quarterly dividend of \$0.0125 per Common Share. The Corporation also amended the Sagard Credit Facility to require the Corporation to repay debt at par with all excess free cashflow. In consideration for the amendments, the Corporation paid Sagard a cash fee of 1.5% of the principal loan balance outstanding and repriced the Sagard Warrants to \$1.4375 per share (half of which were previously exercisable at \$3.508 per share and half were exercisable at \$3.965 per share).

On January 30, 2019, James Bell was appointed the Corporation's President and Chief Executive Officer.

Significant Acquisitions

The Corporation did not complete any "significant acquisitions" (as defined by applicable securities laws) during the financial year ended December 31, 2021.

DESCRIPTION OF THE BUSINESS

The Corporation is a Canadian mortgage brokerage franchisor and data connectivity provider. The DLC Group includes the Corporation and its three main subsidiaries being, MCC, MA and Newton. The DLC Group has operations in all 10 provinces in Canada.

Following the completion of the DLC Acquisition on December 31, 2020, the Corporation has operated as "Dominion Lending Centres Inc." and focused on the mortgage origination business and operations of the DLC Group (being the Core Business Operations). The Corporation will continue to hold its interests in

the Non-Core Assets, but management will focus on DLC's business and operations for the foreseeable future.

Gary Mauris and Chris Kayat started DLC in 2006 and have since grown the DLC Group to become Canada's leading mortgage franchise system originating over \$78 billion in mortgages in 2021. Management of the Corporation believe there is a strong growth outlook for DLC, including the further development of financial technology products by DLC's subsidiary, Newton.

The DLC Group

The mortgage broker franchise business of DLC is carried on under the "Dominion Lending Centres", "Mortgage Architects" and "The Mortgage Centre" brands. The mortgage brokerage industry software and service business is carried on under the name "Newton Connectivity Systems".

Dominion Lending Centres Inc.

Dominion Lending Centres Inc. has offered and engaged in the mortgage brokerage business as a franchisor since January 2006. DLC is the franchisor for the mortgage brokerage business that engages in business under the trade names "Dominion Lending Centres" and "Dominion Lending".

As at December 31, 2021, Dominion Lending Centres Inc. has 207 Franchisees.

MA Mortgage Architects Inc.

MA Mortgage Architects Inc. has offered and engaged in the mortgage brokerage business as both a registered brokerage and a franchisor since December, 2015; however, it acquired its mortgage brokerage business and all of its 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 the registered brokerage and franchisor for the mortgage brokerage business that engages in business under the trade name "Mortgage Architects".

As at December 31, 2021, MA has 194 Franchisees and teams.

MCC Mortgage Centre Canada Inc.

MCC Mortgage Centre Canada Inc. has offered and engaged in the mortgage brokerage business as a franchisor since June, 2013; however, it acquired its mortgage brokerage business and all of its staff from CIBC Mortgages Inc. on June 24, 2013 (CIBC Mortgages Inc. having acquired the business from FirstLine Trust on October 31, 1995). MCC is the franchisor for the mortgage broker business that engages in business under the name "The Mortgage Centre".

As at December 31, 2021, MCC has 130 Franchisees.

Newton Connectivity Systems Inc.

Newton Holdco, which is a wholly-owned subsidiary of the Corporation, 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. On February 1, 2017, the Company changed its name to Newton Connectivity Systems Inc.

Newton is a financial technology company and 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. Velocity connects mortgage brokers to lenders. 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 provides end-to-end services to automate the entire mortgage application, approval, underwriting and funding process; and additional services to provide brokers with the management of daily operations and access to data resources.

The operating platform provides services through various lender and broker facing products. Lender facing products provide encrypted exchange networks to connect brokers with lenders and third parties. These include web-based services connecting brokers on Velocity to lenders and third-party suppliers, which allow for direct submission of mortgages to lenders and underwriting platforms to deliver digital credit applications from brokers to lenders. Broker facing products automatically manage all the revenue and distributions to brokers through Velocity; with additional services to match lender-verified products to a client's criteria and automation of the payroll process. Further, Newton provides services to third-party users through the Velocity platform, ranging from consumer credit reports to borrower banking information.

Newton is one of two leading providers of a connectivity platform between Canadian lenders and mortgage brokers. Newton earns revenues from three streams: fees paid by Canadian lenders based on funded volumes of mortgages; monthly subscription fees from non-DLC Group brokers; and third-party supplier fees on a transaction basis. Historically, a single competitor has dominated the lender connectivity marketplace and Newton has held had a small percentage of the marketplace. DLC anticipates it can increase Newton's market share by having more DLC Group mortgage brokers use the Newton platform.

The DLC Group has grown its broker adoption of Newton during the year ended December 31, 2021. The increase in the DLC Group's brokers adopting Newton has contributed to the increase in Newton funded mortgage volumes.

As the Corporation holds a controlling ownership interest in Newton (100% interest in Newton Holdco since February 28, 2022 and a 70% interest prior thereto), its financial results are consolidated and included within the Core Business Operations' operating results.

Currently, Newton has entered into an agreement with a third-party connectivity provider (the "**Host**"), whereby Newton is obligated to fund a minimum annual funded mortgage volume through the Host's connectivity platform. The agreement expires at the end of June, 2022. With the expiration of the agreement, the DLC Group expects that most of Newton's volumes will be sent direct to lenders using Newton's own connectivity bridges and will likely cease using the Host as an intermediary.

The Canadian Mortgage and Mortgage Brokerage Industry

According to the Bank of Canada, as at December 31, 2021, Canada's chartered banks held over \$1.379 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-payments, incentives or other matters. Interest rates are typically renegotiated every three (3) 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 and to achieve growth on the number of mortgages funded annually. In an effort to accomplish its 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. 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, 2021 to December 31, 2021	Dollar Volume of DLC Broker Mortgage Submissions ⁽¹⁾	DLC's % of Mortgage Broker Market
British Columbia	\$37.0 billion	54.6%
Prairie Provinces	\$18.8 billion	46.4%
Ontario	\$57.9 billion	34.6%
Quebec	\$5.4 billion	20.7%
Atlantic Provinces	\$3.0billion	46.8%
Unknown Regions	\$0.03 billion	72.9%
CANADA	\$122.1 billion	39.7%

Note:

- (1) While the Corporation only earns revenue on mortgages that are actually funded, the industry tracks market share based on mortgage application submissions (irrespective of whether the submission was successfully funded or not) through Finastra as market statistics are not available as to mortgage applications that are funded.

The table below provides the DLC Group's market share (by brand) in the mortgage brokerage market in each region of Canada:

January 1, 2021 to December 31, 2021	Regional Market Share ⁽¹⁾				Regional Mortgage Broker Firm Rankings ⁽²⁾		
	DLC ⁽³⁾	MCC	MA	Total	DLC ⁽³⁾	MCC	MA
British Columbia	39.5%	6.0%	9.1%	54.6%	1 st	4 th	3 rd
Prairie Provinces	23.0%	14.8%	8.6%	46.4%	1 st	2 nd	6 th
Ontario	13.2%	12.1%	9.3%	34.6%	2 nd	4 th	5 th
Quebec	11.2%	0.2%	9.3%	20.7%	2 nd	9 th	3 rd
Atlantic Provinces	8.7%	36.5%	1.6%	46.8%	5 th	1 st	9 th
CANADA	20.1%	10.6%	9.0%	39.7%	1 st	4 th	5 th

Notes:

- (1) Based on total submitted mortgage volumes as recorded through Finastra.
(2) Regional rankings of mortgage brokers as provided by Finastra.
(3) For the purposes of this table, the term "DLC" refers to only the DLC brand as a franchisor and does not include MCC or MA.

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. As Guideline B-20 made mortgage borrowing more difficult for many Canadians, management believes more Canadians turned to mortgage brokers to help navigate the complex rules.

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:* Many 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.
- *Technology:* Utilizing Newton and other available technology, mortgage brokers have the ability to more seamlessly accept client demographic and credit information to quickly and efficiently disseminate credit applications to various lenders across Canada. Further, consumers have adopted virtual conferencing technologies such as Zoom and Microsoft Teams as well as other online technologies (such as e-signatures) given the impacts of COVID-19. Technology provides the mortgage broker and client with the ability to efficiently access home-specific and third-party data such as appraisals, credit reports and related credit application information in a highly-efficient and cost-effective manner.

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:

- The DLC Group brands have created more significant brand recognition than that of its competition;
- The DLC Group 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;
- The DLC Group's aggregate mortgage volume permits it to negotiate competitive mortgage rates on behalf of its Franchisees;
- The DLC Group 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; and
- The DLC Group offers three mortgage brands that offer different operational models which allows us to recruit top talent and place those individuals with the brand style and culture that will allow them to thrive.

Geographic Distribution of Sales

The DLC Group has operations in all 10 provinces in Canada. The DLC network includes ~7,750 agents, ~530 Franchisees and teams, and over 1,000 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.

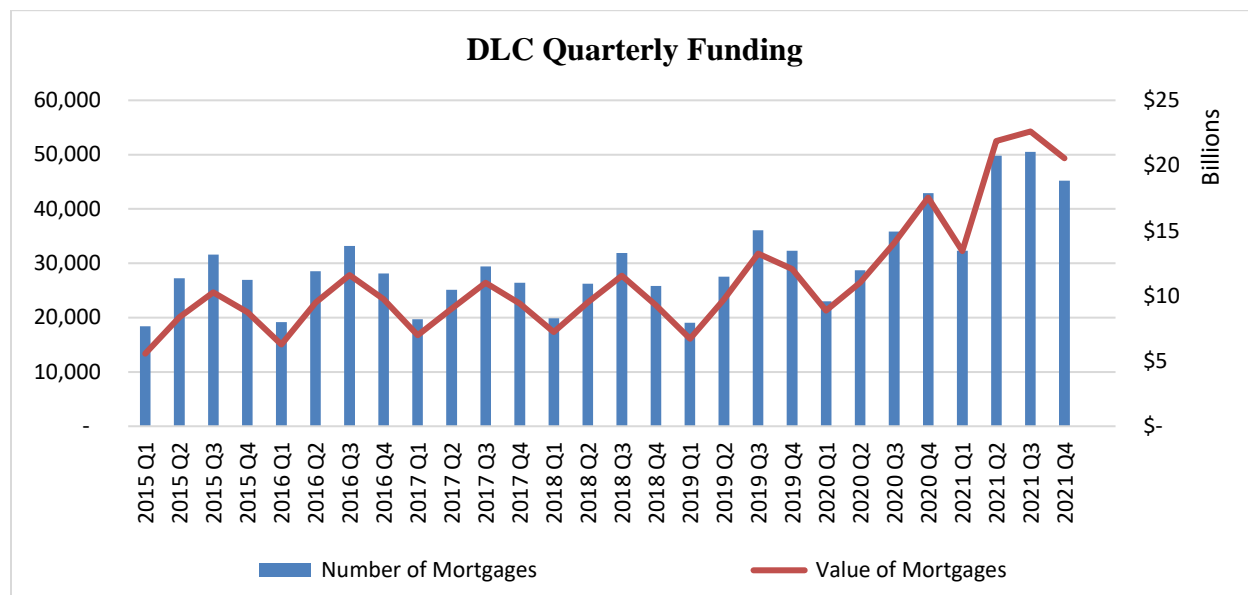
Sources of Revenue

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 and other monthly 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 (other monthly fees are recognized in the same manner). Connectivity fee revenue relates to agreements made with certain lenders and suppliers to earn bonuses based on the volume of mortgages funded or on broker activity. Connectivity fee revenue is comprised of two streams: lender bonus revenues and Newton's revenues. Lender bonuses are agreements made with certain preferred lenders to earn income based on volume of mortgage funded and certain other criteria. Newton's revenues are earned through three channels: fees paid by Canadian lenders based on funded volumes of mortgages, monthly subscription fees from non-DLC Group brokers and third-party supplier fees on a transaction basis. 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:



As reflected in the above graph, DLC mortgage activity 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.

Based on market data, approximately 45% of mortgage volumes are from new mortgages on home purchases, 35% from mortgage renewals and 20% from mortgage re-financings. Although mortgage activity is certainly impacted by cyclical fluctuations in home sales, the impact is mitigated by the 55% of this activity 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 re-financings 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, being "Dominion Lending Centres". MA and MCC also offer mortgage

broker franchises under the brands "Mortgage Architects" or "The Mortgage Centre", as applicable. The following disclosure relates exclusively to the DLC brand (as MA and MCC are similar but are not exactly the same).

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.

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 or 10 years, as well as two additional consecutive renewal terms. 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 leased premises; 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 losing 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 typically 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 mortgage broker.

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 and their mortgage brokers 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 usually 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 laws, and to obtain and maintain all necessary permits, licenses, authorizations or other permissions necessary or otherwise required to operate the Franchised Business.

Credit Facilities

The TD Credit Facility is comprised of three senior term credit facilities (collectively, the "Senior Credit Facilities") and a junior term credit facility (the "Junior Credit Facility").

The Senior Credit Facilities provide the Corporation with a \$5.0 million revolving working capital credit line; a \$10.0 million revolving acquisition credit line; and a \$7.6 million term loan to fund the Corporation's SIB and pro rata (40%) dividend to Preferred Shareholders. The Senior Credit Facilities are for a three (3) year term and are secured by a first charge over all of the Corporation's "core business assets". Interest on the Senior Credit Facilities is based on the prime borrowing rate plus an additional amount determined based on the Corporation's total leverage. As at the date hereof, the interest rate is equal to the prime borrowing rate. As at December 31, 2021, the aggregate balance gross of debt issuance costs, owing under the Senior Credit Facilities was \$6.2 million (excluding amounts drawn in 2022 to fund the SIB and the Newton Acquisition). All costs and expenses associated with the Senior Credit Facilities are allocated to the Core Business.

The Junior Credit Facility provided the Corporation with a term loan to facilitate the repayment of all indebtedness of the Corporation under the Sagard credit facility on December 22, 2021 and to terminate all

existing foreign currency forward contracts. The Junior Credit Facility is for a three (3) year term and is secured by a first charge over all of the Corporation's "non-core business assets" and a junior security interest over the Corporation's "core business assets" (subject to certain security-sharing rights of the Preferred Shareholders). Interest on the Junior Credit Facility is based on the prime borrowing rate plus an additional amount determined based on the Corporation's total leverage. As at the date hereof, the interest rate on the Junior Credit Facility is prime plus 75 bps. As at December 31, 2021, the aggregate balance, gross of debt issuance costs, owing under the Junior Credit Facilities was \$30.6 million. All costs and expenses associated with the Junior Credit Facilities are allocated to the Non-Core Business.

Annual financial covenants for both facilities include the requirement to maintain an interest coverage ratio of not less than 3.00:1.00 and an adjusted total debt-to-BITDA ratio of less than 2.75:1.00. As at December 31, 2021, the Corporation was in compliance with all such covenants.

Employees

As at December 31, 2021, the Corporation had 138 employees (67 employees at DLC Inc., 9 employees at MCC, 24 employees at MA and 38 employees at Newton).

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 March 29, 2022, there were 46,429,298 Common Shares issued and outstanding as fully paid and non-assessable and 26,774,054 Preferred Shares issued and outstanding.

Common Shares

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.

Preferred Shares

The Series 1, class B Preferred Shares were created pursuant to articles of amendment dated November 6, 2020 and were issued in connection with the DLC Acquisition.

The following is a summary of the principal terms of the Preferred Shares. The Preferred Shares participate in the economic performance of the Core Business (being DLC) and do not have any economic entitlement to the performance of the Non-Core Assets (being Club16 and Impact).

Voting Rights

The Preferred Shares do not have voting rights, except as may be mandated in certain instances by applicable law, and are not convertible into Common Shares. Notwithstanding this, the Preferred Shareholders are entitled to nominate 40% of the Corporation's directors pursuant to the Investors Rights Agreement (as discussed further below). Further, certain corporate decisions such as incurring additional debt or completing a new acquisition of a Non-Core Asset will be subject to approval by the Preferred Shareholders. See "*Investors Rights Agreement*" below.

Dividend Rights

The holders of Preferred Shares are entitled to dividends based on Core Business Distributable Cash. "**Core Business Distributable Cash**" is defined in the terms attached to the Preferred Shares and is intended to serve as a proxy for the distributable free cash flow of the DLC Group, being equal to 95% of the following in any given fiscal year: (i) adjusted cash flows from operating activities (excluding non-cash working capital); (ii) cash flows from investing activities, and (iii) adjusted cash flows from financing activities attributable to the Core Business during a given fiscal year, less: (i) taxes attributable to the Core Business; and (ii) other adjustments approved by the Board of the Corporation and the Majority Preferred Shareholder in writing with specific reference to the applicable fiscal year. The enumerated components of Core Business Distributable Cash will be calculated on the basis of stand-alone financial statements of the Core Business which must be maintained by the Corporation for each fiscal year, as required under the terms of the Investors Rights Agreement.

The Preferred Shares are entitled to an annual cumulative dividend (the "**Annual Series 1 Dividend**") in an amount equal to 40% of the Core Business Distributable Cash.

The Annual Series 1 Dividend shall be paid to Preferred Shareholders within 120 days of the end of each fiscal year. Throughout the course of the fiscal year, the Corporation shall declare and pay an interim monthly cash dividend to the Preferred Shareholders in an amount determined by the board that represents a good-faith estimate of the monthly instalment of the Annual Series 1 Dividend (the "**Interim Monthly Dividends**"). The Corporation will be entitled to retain payments equal to 60% of Core Business Distributable Cash concurrently with the payment of the Interim Monthly Dividends, which amounts will be paid into a separate bank account segregated from the Core Business Operations.

If the Interim Monthly Dividends declared and paid on the Preferred Shares in respect of any particular Fiscal Year exceed the Annual Series 1 Dividend amount on the Preferred Shares for that same fiscal year, then the difference will be deducted and withheld from the Interim Monthly Dividends otherwise payable on the Preferred Shares for the next following fiscal year, until offset in full. Similarly, if the Interim Monthly Dividends declared and paid on the Preferred Shares in respect of any particular fiscal year are less than the Annual Series 1 Dividend amount on the Preferred Shares for that same fiscal year, then the difference will be paid on the Preferred Shares in the subsequent fiscal year, in accordance with the rights, privileges, restrictions and conditions attached to the Preferred Shares.

Liquidation Rights

In the event of a liquidation, dissolution or winding-up of the Corporation's assets and property, or the sale of the Core Business Operations, the Preferred Shareholders shall be entitled to receive the amount equal to any accrued but unpaid Annual Preferred Share Dividend plus an amount equal to 40% of the net proceeds of any liquidation event or the sale of the Core Business Operations.

Investors Rights Agreement

The investors rights agreement is an agreement between the Corporation and the holders of the Preferred Shares dated December 31, 2020 (the "**Investors Rights Agreement**"). This agreement grants certain governance rights to the Preferred Shareholders. A summary of the governance rights granted to the Preferred Shareholders under the Investors Rights Agreement is set out below. The Investors Rights Agreement will remain in effect until the Corporation and holders of not less than 80% of the Preferred Shares agree to termination.

A copy of the Investors Rights Agreement is attached as a schedule to the DLC Purchase Agreement which was filed on the Corporation's SEDAR profile on October 5, 2020 and is available for review at

www.sedar.com. Summaries of the key terms and conditions included in the Investors Rights Agreement are set out below.

Board Nomination Rights

Any Preferred Shareholder directly holding over 80% of the Preferred Shares (a "**Majority Preferred Shareholder**") will have the ongoing right to nominate 40% (rounded up or down to the nearest whole number provided that, in no circumstance, shall the Majority Preferred Shareholder be entitled to nominate 50% or more of the directors as a result of any such rounding) of the members of the board of directors. As at the date hereof, KayMaur holds in excess of 80% of the Preferred Shares and Gary Mauris, Chris Kayat and James Bell are the initial nominees of KayMaur to the Board.

Further, the Investors Rights Agreement stipulates that at least one of the nominated directors of KayMaur must be invited to participate in all meetings of the audit committee of the Corporation.

Preferred Shareholder Approvals

Additionally, the following decisions (the "**Special Shareholder Decisions**") undertaken by either the Corporation or any of its subsidiaries must be approved in writing by any Majority Preferred Shareholder:

- (1) incurring any material new or additional debt or other borrowings, creating or issuing any debt securities or debt instruments in respect of the DLC Group, that would result in the DLC Group having a consolidated debt-to-equity ratio in excess of 2 to 1;
- (2) guaranteeing or agreeing to guarantee the obligations of any person other than the members of the DLC Group;
- (3) granting loans to any person other than members of the DLC Group;
- (4) terminating any of the executives or senior management of the DLC Group (excluding Chris Kayat or Gary Mauris);
- (5) reducing the directors' and officers' insurance coverage provided for under the Investors Rights Agreement;
- (6) acquiring by way of a share or asset transaction (or series of transactions), commencing or investing in a business other than the DLC Group (other than investments in Impact, Club16, Vital Alert or the Non-Core Businesses);
- (7) entering into, or taking steps to enter into, a merger, amalgamation or other form of business combination with any other person, provided however, the foregoing: (i) shall not apply to any amalgamation, arrangement or take-over bid involving the Corporation, the effect of which provides for the acquisition of solely the common shares of the Corporation; and (ii) shall not limit the authority of the directors of the Corporation to respond to any take-over bid for the shares of the Corporation in such manner as determined by the directors of the Corporation;
- (8) granting any material encumbrance over all or any portion of the property, assets or undertaking of the Corporation or any of its wholly-owned or partially-owned subsidiaries, other than as permitted by the Investors Rights Agreement;
- (9) expanding the business of the DLC Group to jurisdictions outside of Canada;
- (10) selling or otherwise transferring any one or more members of the DLC Group, or all or substantially all of the assets of any one or more members of the DLC Group;

- (11) amending the constating documents of the Corporation or any other member of the DLC Group;
- (12) restructuring any one or more members of the DLC Group;
- (13) changing the size of the Board or any DLC Board;
- (14) creating or issuing any shares in the capital of the Corporation that have preferential or equal treatment to the Preferred Shares as to dividends, returns of capital or sharing of assets on liquidation as the current outstanding shares of the Corporation and each subsidiary of DLC;
- (15) amalgamating Impact, Club16 or Vital Alert with the Corporation, or entering into any transaction or series of transactions that would result in the business carried on by Impact, Club16 or Vital Alert being carried on by the Corporation; or
- (16) entering into, or taking steps to enter into, any non-arm's length transactions other than in respect of Impact, Club16, Vital Alert or the Non-Core Businesses.

Special Board Decisions

Any decision of the Board to make a net debt repayment from Core Distributable Business Cash must be approved by at least a majority of the directors then in office, which approval must include the nominees of the Majority Preferred Shareholder.

Restrictions on Transfers

The Preferred Shareholders cannot transfer Preferred Shares except in accordance with the Investors Rights Agreement, provided that Preferred Shareholders may transfer all or a portion of their Preferred Shares to an affiliated entity, so long as that entity holds at least 25% of the issued and outstanding Preferred Shares following the transfer. Any transferee of the Preferred Shares must agree to be bound by the Investors Rights Agreement prior to the transfer being effective.

In the event a Preferred Shareholder enters into an agreement with a third-party purchaser or receives a *bona fide* offer from a third party purchaser, to sell all or any portion of the Preferred Shareholder's Preferred Shares, the Corporation has a right of first refusal to buy the shares on the same terms as the third party purchaser was prepared to purchase the shares.

DIVIDENDS

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 and paid 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, March 30, 2018, June 29, 2018 and September 28, 2018 and December 28, 2018. On March 12, 2019, the Corporation announced that it suspended the payment of its quarterly dividend of \$0.0125 per Common Share to provide the Corporation with more flexibility to pay down debt and allow certain investees to retain more cash to take advantage of growth opportunities.

The Preferred Shareholders are entitled to the Annual Series 1 Dividend in an amount equal to 40% of the Core Business Distributable Cash. See "Description of Capital Structure – Preferred Shares – Dividend Rights".

MARKET FOR SECURITIES

The Common Shares commenced trading on the TSX on February 3, 2022 under the symbol "DLCG". The Common Shares had traded on the TSXV under the symbol "DLCG" since January 8, 2021 until the corporation graduated to the TSX on February 3, 2022.

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).

<u>Period</u>	<u>High (\$)</u>	<u>Low (\$)</u>	<u>Volume (Shares)</u>
<i>2021</i>			
January	4.10	3.06	2,319,148
February	3.75	3.35	682,304
March	4.05	3.45	1,390,098
April	4.45	3.60	1,294,700
May	4.55	3.76	727,027
June	4.04	3.21	755,918
July	4.10	3.25	312,163
August	3.74	3.00	306,012
September	3.49	3.06	612,333
October	3.26	2.88	195,038
November	3.73	2.81	1,299,434
December	3.85	3.46	759,472

Prior Sales

During the financial year ended December 31, 2021 and the period thereafter up to March 29, 2022, the Corporation issued the following securities:

<u>Date</u>	<u>Type of Transaction</u>	<u>Number and Type of Securities</u>	<u>Price</u>	<u>Proceeds</u>
February 28, 2022	Newton Acquisition	1,853,247 Common Shares	\$3.85	Assets

DIRECTORS AND OFFICERS

Name, Occupation and Security Holding

As of March 29, 2022, 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	Present Position with the Corporation and Principal Occupation for last five years	Director since
Gary Mauris British Columbia, Canada	Executive Chairman and Chief Executive Officer of the Corporation (January, 2021 to present) Chief Executive Officer of DLC Group (2006 to present)	June 20, 2016

Chris Kayat British Columbia, Canada	Executive Vice-Chairman of the Corporation (January, 2021 to present) Executive Vice-President of DLC Group (2006 to present)	December 22, 2017
James Bell ⁽⁴⁾ Alberta, Canada	Co-President of the Corporation (January, 2021 to present) President and Chief Executive Officer of FAC (January, 2019 to December, 2020); Interim Chief Financial Officer of FAC (October, 2018 to January, 2019); General Counsel and Corporate Secretary of FAC (April, 2016 to January, 2019); Chief Operating Officer of FAC (November, 2016 to January, 2019)	February 23, 2016
Trevor Bruno ⁽¹⁾⁽²⁾⁽³⁾ British Columbia, Canada	Vice-President and Chief Legal Officer of Belcorp Industries Inc. (2016 to present)	June 11, 2020
Ron Gratton ⁽¹⁾⁽²⁾⁽³⁾⁽⁵⁾ Alberta, Canada	Businessman and Chartered Professional Accountant Interim Chief Financial Officer of the Corporation (June, 2017 to January, 2018 and January, 2019 to May, 2019)	April 16, 2016
J.R. Kingsley Ward ⁽²⁾⁽³⁾ Ontario, Canada	Chairman and Managing Partner of VRG Capital Corp. (2011 to present); President of Vimy Ridge Group Ltd. (January, 1991 to present)	April 16, 2016
Dennis Sykora ⁽¹⁾ Alberta, Canada	Businessman, Lawyer and Chartered Professional Accountant	January 25, 2018
Eddy Coccio Ontario, Canada	Co-President of the Corporation (January, 2021 to present) President of DLC Inc. (December, 2018 to December, 2020); President of MCC (2008 to 2018)	N/A
Geoff Hague British Columbia, Canada	Co-Chief Financial Officer of the Corporation (January, 2021 to present) Chief Financial Officer of DLC Inc. (January, 2014 to December, 2020)	N/A
Robin Burpee Alberta, Canada	Co-Chief Financial Officer of the Corporation (January, 2021 to present) Chief Financial Officer of FAC (May, 2019 to December, 2020); Controller of FAC (August, 2017 to May, 2019)	N/A
Dustin Woodhouse British Columbia, Canada	President of MA Mortgage Architects Inc. (March, 2019 to Present) Mortgage Agent and Industry Consultant (March, 2011 to March, 2019).	N/A

Rich Spence Ontario, Canada	President of MCC Mortgage Centre Canada Inc. (September, 2018 to present) Manulife Canada, Canadian Division Sales, AVP (January, 2013 to June, 2018)	N/A
Geoff Willis British Columbia, Canada	President of Newton Connectivity Systems Inc. (December, 2016 to present)	N/A
Dong Lee Ontario, Canada	Chief Operating Officer of the Corporation (January 2021 to present) Chief Operating Officer of DLC Inc. (September 2018 to December 2020) President of MA Mortgage Architects Inc. (August 2016 to March 2019) Vice President of Operations of MA Mortgage Architects Inc. (April 2005 to August 2016)	N/A
Slawomir Kownacki British Columbia, Canada	Chief Technology Officer of the Corporation (February 2022 to present)	N/A

Notes:

- (1) Member of the Audit Committee.
- (2) Member of the Compensation Committee.
- (3) Member of the Corporate Governance Committee.
- (4) Mr. Bell is a director of Just Energy Group Inc. ("**Just Energy**"), a retail energy provider listed on the TSX and the NYSE. On March 9, 2021, Just Energy sought and received creditor protection under the Companies' Creditors Arrangement Act ("**CCAA**") and similar protection under Chapter 15 of the Bankruptcy Code in the United States. Just Energy remains in CCAA as it addresses liquidity issues caused by an extreme winter weather event in Texas in February, 2021.
- (5) Mr. Gratton acted as one of the managing directors of Welded Construction, L.P. ("**Welded**") by virtue of being a director of a private limited liability company that is one of two general partners of Welded. Welded is a US based partnership operating in the pipeline construction business and Welded filed a petition under Chapter 11 of Title 11 of the US Bankruptcy Code on October 22, 2018.

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

As of March 29, 2022, all of the directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 32,641,437 Common Shares representing approximately 70.3% of the 46,429,298 Common Shares issued and outstanding and 25,432,674 Preferred Shares representing approximately 95% of the 26,774,054 Preferred Shares issued and outstanding.

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.

See additional risk factors specific to Club16 and Impact in Schedules B and C, respectively.

Canadian Real Estate Market

The performance of DLC is dependent upon the number and quality 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 and the amount of associated lender volume bonuses.

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, extent and duration of public health orders, 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 and to increase the number and volume of mortgages funded by each broker). 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 Franchisee operates. Any one of the above-mentioned factors could result in the exit of mortgage brokers from the industry or 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.

DLC's senior executives 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 senior executives.

Lack of Control Over Franchisees

Franchisees are independent business operators and their mortgage brokers are independent contractors, and, as such, they are not employees of DLC, 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.

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 entering into the industry, 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 therefore to DLC's 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.

DLC may be threatened by cyber-attacks, breaches of network, computer viruses or other security breaches, human errors, sabotage, or other similar events, which could have an adverse impact on its activities, including system disruptions or breakdowns, loss of data, or intellectual property theft. This could also have an adverse impact on financial performance and cause considerable damage to reputation and could potentially result in legal actions. If DLC's information technology systems were to fail and were unable to recover in a timely way, DLC might be unable to fulfill critical business functions, which could have a material adverse effect on its business, financial condition, and results of operations.

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 meaningful 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.

Ability to Secure Adequate Financing

The Corporation may 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 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.

Common Shares Sensitive to Market Fluctuations

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 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as set out below, 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, 2021 or during the subsequent period up to the date hereof.

In February, 2019, DLC Inc. received a statement of claim (the "**MPP Claim**") filed in the Ontario Superior Court of Justice by two individual plaintiffs (the "**MPP Plaintiffs**"). The MPP Plaintiffs are seeking certification of the MPP Claim under the Class Proceedings Act (Ontario) and are seeking an order for damages of \$800 million. The MPP Claim relates to a product called Mortgage Protection Plan ("**MPP**"), which is a mortgage creditor insurance product underwritten by The Manufacturers Life Insurance Company ("**Manulife**"), formerly administered by Benesure Canada Inc. ("**Benesure**"), and offered through Credit Security Insurance Agency Inc. ("**CSIA**"). The MPP Claim alleges that Benesure is an unlicensed insurer and that the Core Business Operations is liable for distributing the MPP product through the DLCCG network. The Corporation is contractually indemnified from Benesure, Manulife and CSIA for any costs, expenses, damages or liability arising from the offering of MPP through the DLCCG network of brokers. It is the Corporation's assessment that the MPP Claim is without merit (and includes an indemnification). We note that Benesure, Manulife and other parties were subject to a BC class action lawsuit commenced in 2013 relating to the MPP product which failed to be certified in 2016. In November 2020, the Supreme Court of British Columbia did certify the class (as all residents of Canada that purchased the MPP product, except for residents of Quebec) and ordered that the settlement agreement reached by the parties was binding on the class (the "**November 2020 Decision**"). The November 2020 Decision was a favourable development for the Corporation as the MPP Claim against the Corporation is expected to be resolved by the class settlement agreement. The November 2020 Decision was appealed. In January 2022, the Court of Appeal for British Columbia dismissed the MPP Plaintiff's application for leave to appeal and upheld the November 2020 Decision. Since serving the Corporation with the original claim in February 2019, the MPP Plaintiffs have not taken any further actions to advance their claim against the Corporation.

In July 2021, the Core Business Operations was served with a Notice of Civil Claim (the "**Franchisee Claim**") filed in the Supreme Court of British Columbia by a franchisee and its principal (collectively, the "**Franchisee Claimant**"). Pursuant to the Franchisee Claim, the Franchisee Claimant alleges various misconduct by the Corporation as a franchisor, all of which the Corporation denies. The Franchisee Claimant is seeking certification of the Franchisee Claim under the Class Proceedings Act (British Columbia) and is seeking statutory damages for breach of the Franchise Act (British Columbia) and rescission of franchise agreements between DLC and the potential class members. It is the Corporation's assessment that the Franchisee Claim is without merit and the Corporation is seeking to enforce the arbitration provisions set out in the applicable franchise agreement with the Franchisee Claimant.

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as set out below, none of the directors, executive officers, or persons or companies that beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Common Shares, nor any associates or affiliates 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.

KayMaur (which is beneficially owned and controlled by Gary Mauris and Chris Kayat) was party to the DLC Acquisition and the Inversion Rights Termination Transaction as discussed herein. Belcorp Industries Inc. was the sole subscriber in the 2020 Private Placement that funded the Inversion Rights Termination Consideration. Mr. Bruno, a director of the Corporation, is an executive officer of Belcorp.

Geoff Willis, President of Newton, was party to the Newton Purchase Agreement and received (directly or indirectly) 25% of the consideration paid under the Newton Acquisition as he was a director, officer and shareholder of the vendor in the transaction.

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 NI 52-110, the Corporation is required to disclose certain information with respect to its Audit Committee, as summarized below.

Charter

The text of the Corporation's Audit Committee charter is attached hereto as Schedule "A" and is also available for review on the Corporation's website.

Composition of the Audit Committee

The Audit Committee currently consists of Dennis Sykora (Chair), Ron Gratton and Trevor Bruno, all of whom are financially literate. Messrs. Sykora, Gratton and Bruno are all considered independent.

Notwithstanding that Mr. Gratton served as Interim Chief Financial Officer from July 1, 2017 until February 28, 2018 and from January 30, 2019 to May 27, 2019, the Board continues to consider Mr. Gratton "independent" as defined by NI 52-110. 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 service to find 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 and Audit Committee Chair 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.

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. In his capacity as a director of the McCaig family office, Mr. Gratton serves on a number of Boards and is chair of the audit committee of several of those Boards.

Trevor Bruno

Mr. Bruno is a corporate lawyer with over 20 years of experience and is an experienced executive. Mr. Bruno is Vice President and Chief Legal Officer for the Belkorp Group of Companies. He is involved in all aspects of operational, investment, divestiture and management decisions and provides legal support for all business operations at Belkorp. Prior to joining Belkorp in 2016, Mr. Bruno spent 10 years at Intrawest where he served in numerous of roles, including President of Intrawest's hospitality and timeshare division (2012-2016), Vice President of Corporate Development (2009-2012) and legal counsel (2007-2009). Prior thereto, Mr. Bruno also spent more than 5 years practicing at Sidley Austin LLP in New York. Mr. Bruno obtained a Bachelor of Law and B.Sc. from the University of British Columbia and is called to the bar in New York and British Columbia.

Reliance on Certain Exemptions

Since the commencement of the Corporation's most recently completed financial year ended December 31, 2021, 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. As the Corporation was a "venture issuer" until February 3, 2022 (as defined in NI 52-110) it had relied on the exemption contained in section 6.1 of NI 52-110, which exempts it from the requirements of Part 3 (*Composition of Audit Committee*) and 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 preapproved 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 to be performed by the external auditor that are not reasonably expected to exceed 5% in aggregate of the total fees expected to be paid to the external auditor during the fiscal year are deemed by the Audit Committee to have been pre-approved.

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 years ended December 31, 2021 and December 31, 2020 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⁾
2021	\$400,000	Nil	\$38,200	Nil
2020	\$506,000	Nil	\$57,500	Nil

Notes:

- (1) The aggregate fees billed by the Corporation's auditor for audit fees. Included within the audit fees are the aggregate fees associated with the statutory audits of the Corporation's subsidiaries. The statutory audit fees included for Club16 and Impact was an annual \$35,000 for each entity, in the years ended December 31, 2021 and 2020. The statutory audit fees for the DLC Group was \$277,500 and \$210,000 for each of the years ended December 31, 2021 and 2020, respectively.
- (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 restructurings, private placements, prospectus filings and the filing of business acquisition reports.

TRANSFER AGENT AND REGISTRAR

The Corporation's transfer agent and registrar is Olympia Trust Company, at Suite 2200, 125 – 9th Avenue S.E., Calgary, Alberta, T2G 0P6.

AUDITORS

The auditors of the Corporation are Ernst & Young LLP, located at 2200 – 215 2nd Street SW, Calgary, Alberta, T2P 1M4. Ernst & Young LLP was appointed as auditors of the Corporation on August 7, 2018.

MATERIAL CONTRACTS

The Corporation entered into the following material agreements within the year ended December 31, 2021 or subsequent to such date:

- the TD Credit Facility; and
- the Newton Purchase Agreement.

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

Ernst & Young LLP, Chartered Professional Accountants, located at 2200 – 215 2nd Street SW, Calgary, Alberta, T2P 1M4 were appointed auditor of the Corporation effective August 7, 2018. Ernst & Young 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 AUDIT COMMITTEE CHARTER

Objectives

The Audit Committee has been formed by the board of directors (the "**Board**") of Dominion Lending Centres Inc. (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.

Oversight in Respect of Other Items

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.

SCHEDULE B
INFORMATION CONCERNING CLUB16

GLOSSARY

In this Schedule "B", the following terms shall have the meanings set forth in the definitions below:

"**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 58% of such distributions and the Club16 Minority Securityholders receiving 42% 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 and as amended on December 31, 2020, 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 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 and the Club16 Principals in connection with the Club16 Transaction; and

"**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 Club16 and She's Fit! fitness clubs from the Club16 Predecessors,

which was completed on December 20, 2016 (with the Corporation's interest reducing to 58% in June, 2020).

THE BUSINESS OF CLUB16

General History and Developments

Club16's business model is focused on providing members with premium value for excellent fitness facilities. Club16 has 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 more than 91,000 members (December 31, 2021) across its 16 locations in the Greater Vancouver Area.

Ownership Interest

As at the date hereof, the Corporation owns 58% of the Class A LP Units and 30% of the Class B LP Units.

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 gym users of all fitness levels 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 \$8.98 bi-weekly, the Regular membership includes unlimited access to one Club16 location. For \$13.98 bi-weekly, 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. Because the clubs are typically 20,000+ square feet and non-essential amenities such as pools, saunas, and day care centers 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 strong club-level EBITDA margins and free cash flow. 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 16 locations all operating in the Greater Vancouver Area in the province of British Columbia:

<u>Club Type</u>	<u>Location</u>	<u>Club Size (sq. ft.)</u>
Club16	Abbotsford	29,329
Club16	Brentwood	28,000
Club16	Central City	24,047
Club16	Coquitlam	27,879
Club16	Downtown	17,554
Club16	Langley	32,981
Club16	Maple Ridge	20,075
Club16	Newton	25,708
Club16	North Vancouver	21,988
Club16	Richmond	28,984
Club16	South Burnaby	19,959
Club16	South Surrey	21,845
Club16	Tsawwassen	20,000
She'sFit!	Metrotown	11,284
She'sFit!	North Delta	10,790
She'sFit!	Surrey	9,451

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 bi-weekly 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.

- Administration revenue is earned when a membership fee is uncollected when due.
- 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.

COVID-19

COVID-19 had a material impact on Club16. Club16 was required to temporarily close all clubs from March 17, 2020 to May 31, 2020 and again from December 23, 2021 to January 19, 2022 and has subsequently seen a reduction in members. In an effort to ensure the health and safety of staff and members, Club16 adopted enhanced cleaning measures and reconfigured club equipment to ensure adequate social

distancing. Membership growth is expected to remain challenged until COVID-19 transmission rates are reduced and mass gathering restrictions are lifted.

THE CLUB16 TRANSACTION

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 provided 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. On June 29, 2020, Club16 completed a private placement of 273 class A limited partnership units to the founder and operating partner of Club16 for proceeds of \$999,180. As a result, the Corporation's ownership interest in Club16 decreased from 60% to 58%. The proceeds from the Club16 offering were used to fund the opening of two new clubs.

On December 31, 2020, the Corporation and the Club16 Principals entered into an amending agreement to amend the terms of the Club16 GP Shareholders Agreement to reduce the Corporation's Club16 board nominees from three (3) representatives to two (2) representatives. As such, the Club16 Principals have two (2) board representatives, and the Corporation has two (2) board representatives.

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 4,273 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 10,274 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 below.

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.

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.

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 its 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, public health orders, 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. 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.

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; 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.

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.

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 capital 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.

SCHEDULE C
INFORMATION CONCERNING IMPACT COMMUNICATIONS

GLOSSARY

In this Schedule "C", the following terms shall have the meanings set forth in the definitions below:

"**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 Shareholders Agreement**" means the shareholder agreement among the Corporation, Impact and the Impact Principals, dated March 1, 2017, as amended, 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; and

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

THE BUSINESS OF IMPACT

General History and Developments

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.

Ownership Interest

As at the date hereof, the Corporation owns 52% of the Class A Shares and 35% of the Class B Shares.

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. Its 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 its 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.

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 88% of sales in 2021.

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 headquarters.

Sources of Revenue

All revenue is generated from the sale of Impact's two-way radio accessory products. For 2021, approximately 59% of sales were generated from the sale of surveillance kits, 32% was generated from the sale of speaker microphones, 5% was generated from the sales of headsets, and 4% was generated from the sale of two-way radio chargers, 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.

COVID-19

COVID-19 had a material impact on Impact as the cancellation of concerts, sporting events, and hospitality functions have reduced sales. Impact is likely to face continued headwinds until COVID-19 restrictions are lifted.

THE IMPACT TRANSACTION

The Impact Transaction

The Impact Transaction was completed on March 1, 2017 for cash consideration of \$12.0 million from the Corporation. In addition, the Corporation paid an additional \$0.7 million on September 1, 2017 in respect to certain post-closing adjustments, resulting in an aggregate purchase price of \$12.7 million.

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.

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.

On December 31, 2020, the Corporation and the Impact Principals entered into an amending agreement to amend the terms of the Impact Shareholders Agreement to reduce the Corporation's board nominees from two (2) representatives to one (1) representative. As such, the Impact Principals have one (1) board representative and the Corporation has one (1) board representative.

On January 1, 2022, Impact granted an option to Mark Olsen (Impact's President) entitling him to acquire 52 Impact Class A Shares at a price of \$1.00 per share (the "**Olsen Option**"). The Olsen Option vests over a five-year period and expires on December 31, 2031. The intent of the Olsen Option is to align the executive with the Impact shareholders by providing him a 5% equity interest in Impact. The Olsen Option does not entitle the holder to acquire Impact Class B Shares.

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

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. In the event of such issues, often they 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 Impact's 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.

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.

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.