

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise.

This prospectus supplement, together with the accompanying short form base shelf prospectus dated October 19, 2021 to which it relates, as amended or supplemented, and each document incorporated by reference into this prospectus supplement and the short form base shelf prospectus, as amended or supplemented, constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities.

This prospectus supplement constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities offered hereby have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws. Accordingly, these securities may not be offered or sold by the Underwriters within the United States of America except in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus supplement and the accompanying short form base shelf prospectus dated October 19, 2021 does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby within the United States. See "Plan of Distribution".

Information has been incorporated by reference in this prospectus supplement and the accompanying short form base shelf prospectus dated October 19, 2021 from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of Quarterhill Inc. at 25 King Street West, Suite 1101, Toronto, Ontario, Canada, M5L 2A1, and are also available electronically at [www.sedar.com](http://www.sedar.com).

PROSPECTUS SUPPLEMENT  
TO THE SHORT FORM BASE SHELF PROSPECTUS DATED OCTOBER 19, 2021

New Issue

October 22, 2021



QUARTERHILL INC.

\$50,000,000

6.0% Convertible Unsecured Subordinated Debentures due October 30, 2026

This Prospectus Supplement, together with the short form base shelf prospectus dated October 19, 2021 to which it relates (the "Prospectus"), qualifies the distribution (the "Offering") of \$50,000,000 aggregate principal amount of 6.0% convertible unsecured subordinated debentures (the "Debentures") of Quarterhill Inc. (the "Company", "us" or "we") in denominations of \$1,000 and multiples thereof at a price of \$1,000 per Debenture (the "Offering Price"). The Debentures will bear interest at an annual rate of 6.0% payable semi-annually in arrears on April 30 and October 31 of each year (or the immediately following business day if any interest payment date is not a business day), with the first interest payment occurring on April 30, 2022 and the last interest payment occurring on October 30, 2026. The first interest payment on the Debentures will include accrued and unpaid interest for the period from and including the date of closing of the Offering to, but excluding, April 30, 2022. The maturity date of the Debentures is October 30, 2026 (the "Maturity Date"). The payment of the principal and accrued interest on the Debentures will be subordinated in right of payment to the prior payment in full of all the Company's existing and future senior indebtedness. On the Maturity Date, the Debentures may, at our option, be repaid in cash or in the form of common shares of the Company (the "Common Shares"). Please see "Description of Debentures Being Distributed" for further particulars concerning the Debentures.

**Debenture Conversion Privilege**

Each Debenture will be convertible into Common Shares at the option of the holder at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and, if called for redemption, the last business day immediately preceding the date fixed by the Company for redemption of the Debentures, at a conversion price of \$3.80 per Common Share (the "Conversion Price") (representing a conversion premium of approximately 35% to a reference price of \$2.82 per Common Share), representing a conversion rate of approximately 263 Common Shares per \$1,000 principal amount of Debentures, subject to adjustment in certain events in accordance with the trust indenture governing the Debentures. Holders converting their Debentures will, in addition to the applicable number of Common Shares to be received on conversion, receive accrued and unpaid interest, if any, thereon for the period from the last Interest Payment Date (as defined herein) on their Debentures to, but excluding, the date of conversion. Further particulars concerning the conversion privilege are set out under "Description of Debentures Being Distributed – Conversion Privilege".

The Company is a corporation amalgamated under the *Canada Business Corporations Act* and its head and registered office is located at 25 King Street West, Toronto, Ontario, Canada, M5L 2A1. We are a growth-oriented company in the Intelligent Transportation System industry as well as, through our Wi-LAN Inc. subsidiary, a leader in intellectual property licensing. Please see "Summary Description of the Business" for more details.

The outstanding Common Shares are listed and posted for trading on the Toronto Stock Exchange (the "TSX") under the symbol "QTRH". The TSX has conditionally approved the listing of the Debentures (including the Debentures issuable pursuant to the exercise of the Over-Allotment Option (as defined herein)) being distributed under this Prospectus Supplement under the symbol

"QTRH.DB", and the Common Shares issuable upon conversion (and in certain circumstances, upon redemption or maturity) of the Debentures, on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022. On October 20, 2021, the date on which the Offering was announced, the closing price of the outstanding Common Shares on the TSX was \$2.82. On October 21, 2021, the last trading day prior to the date of this Prospectus Supplement, the closing price of the outstanding Common Shares on the TSX was \$2.73.

**There is no market through which the Debentures may be sold and purchasers may not be able to resell Debentures purchased under this Prospectus Supplement. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "Forward-Looking Statements" and "Risk Factors".**

The Debentures will not be redeemable prior to October 31, 2024, except in the event of the satisfaction of certain conditions after a Change of Control (as defined herein) has occurred. On and after October 31, 2024 and prior to October 31, 2025, the Debentures will be redeemable by the Company, in whole or in part, from time to time at the Company's sole option, at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice, provided that the Current Market Price (as defined herein) as of the date on which notice of redemption is given is not less than 125% of the Conversion Price then in effect. On or after October 31, 2025 and prior to the Maturity Date, the Debentures will be redeemable, in whole or in part, at the Company's sole option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

Subject to any required regulatory approvals and provided that no Event of Default (as defined herein) has occurred and is continuing, the Company may, at its option, elect to satisfy its obligation to pay, in whole or in part, the principal amount of and premium (if any) on the Debentures that are to be redeemed or that have matured, as the case may be, on not more than 60 days' and not less than 40 days' prior notice, by issuing and delivering to the holders of Debentures that number of freely-tradeable Common Shares obtained by dividing the principal amount of the Debentures that are to be redeemed or that have matured, as the case may be, by 95% of the Current Market Price (as defined herein) as of the date fixed for redemption or the Maturity Date, as applicable. Any accrued and unpaid interest thereon will be paid in cash. See "Description of Debentures Being Distributed – Payment upon Redemption or Maturity". In addition, subject to any required regulatory approvals and provided that no Event of Default has occurred and is continuing, the Company may elect from time to time to satisfy all or part of its interest payment obligations under the Debentures by issuing and delivering a sufficient number of freely-tradeable Common Shares to the Debenture Trustee (as defined herein) for sale, with the proceeds used to satisfy the obligation to pay interest on the Debentures. See "Description of Debentures Being Distributed – Share Interest Payment Option".

Upon the occurrence of a Change of Control, the Company will be required to make an offer to purchase, within 30 days following the Change of Control, all of the Debentures then outstanding for a price equal to 100% of the principal amount thereof plus accrued and unpaid interest thereon to, but excluding, the date of purchase. Holders of Debentures may accept this offer in whole or in part. See "Description of Debentures Being Distributed – Change of Control of the Company".

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**Offering Price: \$1,000 per Debenture**

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	<u>Price to Public</u>	<u>Underwriters' Fee <sup>(1)</sup></u>	<u>Net Proceeds to the Company <sup>(2)</sup></u>
Per Debenture	\$1,000	\$40	\$960
Total <sup>(3)</sup>	\$50,000,000	\$2,000,000	\$48,000,000

- Notes:**
- (1) We have agreed to pay the Underwriters a fee equal to 4.0% of the aggregate gross proceeds of the Offering, equal to \$40.00 per Debenture, including any Debentures sold pursuant to the exercise of the Over-Allotment Option (as defined herein). See "Plan of Distribution".
  - (2) Before deducting the expenses of the Offering, estimated to be \$600,000, which, together with the Underwriters' fee, will be payable from the proceeds of the Offering.
  - (3) We have granted to the Underwriters an option to purchase up to an additional \$7,500,000 aggregate principal amount of the Debentures at a price of \$1,000 per Debenture (the "Over-Allotment Option") exercisable at the Underwriters' sole option and without obligation, in whole or in part, at any time up to 30 days after the closing of the Offering, to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, then the "Price to Public", "Underwriters' Fee" and "Net Proceeds to the Corporation" (before deducting the estimated expenses of the Offering) will be \$57,500,000, \$2,300,000 and \$55,200,000, respectively. This Prospectus Supplement and the accompanying Prospectus also qualifies for distribution the grant of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus Supplement and the accompanying Prospectus, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases. See "Plan of Distribution".

<u>Underwriters' Position</u>	<u>Maximum Size</u>	<u>Exercise Period</u>	<u>Exercise Price</u>
Over-Allotment Option	\$7,500,000 aggregate principal amount of Debentures	Up to 30 days after the closing of the Offering	\$1,000 per Debenture

Raymond James Ltd., Canaccord Genuity Corp., CIBC World Markets Inc., Cormark Securities Inc., ATB Capital Markets Inc., M Partners Inc. and Stifel Nicolaus Canada Inc. (collectively, the "Underwriters"), as principals, conditionally offer the Debentures, subject to prior sale, if, as and when issued by the Company and accepted by the Underwriters in accordance with the conditions

contained in the underwriting agreement referred to under "*Plan of Distribution*" and subject to the approval of certain legal matters on the Company's behalf by Norton Rose Fulbright Canada LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP.

The Offering Price and the terms of the Debentures were determined by negotiation between the Company and the Underwriters with reference to prevailing market conditions. The Underwriters propose to offer the Debentures initially at the Offering Price. **After a reasonable effort has been made to sell all of the Debentures at the Offering Price, the Underwriters may subsequently reduce the selling price to investors from time to time in order to sell any of the Debentures remaining unsold. Any such reduction will not affect the net proceeds received by us. See "Plan of Distribution".**

Subscriptions for the Debentures will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without notice. It is intended that the closing of the Offering will occur on or about October 27, 2021 or such other date as may be agreed upon by us and the Underwriters (the "**Closing Date**"), but in any event not later than November 3, 2021.

Certificates representing the aggregate principal amount of the Debentures will be issued in registered form only to CDS Clearing and Depository Services Inc. ("**CDS**") and will be deposited with CDS on the Closing Date. No certificates evidencing the Debentures will be issued to purchasers, except in certain limited circumstances, and registration will be made in the depository service of CDS. Purchasers of Debentures will receive only a customer confirmation from the registered dealer who is a CDS participant and from or through whom a beneficial interest in the Debentures is purchased.

The Underwriters may, in connection with the Offering and subject to applicable laws, effect transactions which stabilize or maintain the market price for the Debentures at levels other than those which might otherwise prevail in the open market. Such transactions, if commenced, may be discontinued at any time. See "*Plan of Distribution*".

**CIBC World Markets Inc., is, directly or indirectly, a subsidiary of, or is otherwise affiliated with, a Canadian chartered bank which is a lender to the Company and/or one of its subsidiaries under a revolving credit facility. Consequently, the Company may be considered to be a connected issuer of CIBC World Markets Inc. under applicable Canadian securities legislation. See "*Relationship Between the Company and Certain Underwriters*" and "*Use of Proceeds*".**

**The Debentures are not "deposits" within the meaning of the *Canada Deposit Insurance Company Act (Canada)* and are not insured under the provisions of such statute or any other legislation.**

Investing in the Debentures involves certain risks that should be considered by a prospective purchaser. Prospective purchasers should carefully consider the risk factors described herein under the heading "*Risk Factors*" and elsewhere in this Prospectus Supplement and in the documents incorporated by reference in this Prospectus Supplement. See "*Risk Factors*".

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## IMPORTANT INFORMATION ABOUT THIS PROSPECTUS SUPPLEMENT

This document consists of two parts. The first part is this Prospectus Supplement, which describes the specific terms of the Debentures that are being offered and the method of distribution of such Debentures, and also supplements and updates certain information contained in the Prospectus and the documents incorporated by reference therein. The second part, the Prospectus, gives more general information, some of which may not apply to the Debentures being offered under this Prospectus Supplement. This Prospectus Supplement is deemed to be incorporated by reference into the Prospectus solely for the purposes of this Offering.

Readers should rely only on the information contained in this Prospectus Supplement and the Prospectus (including the documents incorporated by reference herein and therein). The Company and the Underwriters have not authorized any other person to provide prospective investors with different information and any such information should not be relied upon. The Company and the Underwriters are not making an offer to sell the Debentures in any jurisdiction where it is unlawful. The information appearing in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein is accurate only as of their respective dates. Our business, properties, financial condition, results of operations and prospects may have changed since those dates.

Unless the context otherwise permits, indicates or requires, all references in this Prospectus Supplement to the "Company", "we", "our", "us" and similar expressions are references to Quarterhill Inc. and the business carried on by it. All dollar amounts and financial information in this Prospectus Supplement, the Prospectus and any document incorporated by reference herein and therein is presented in Canadian dollars unless otherwise indicated. The financial statements incorporated by reference in this Prospectus Supplement and in the Prospectus have been prepared in accordance with International Financial Reporting Standards, as issued by the International Accounting Standards Board, and as adopted by the Chartered Professional Accountants of Canada ("**IFRS**").

## FORWARD-LOOKING STATEMENTS

Certain statements contained in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein, constitute forward-looking statements or information within the meaning of applicable securities laws. These statements relate to future events or our future performance. All statements other than statements of historical fact may be forward-looking statements. Forward-looking statements are often, but not always, identified by the use of words such as "seek", "anticipate", "plan", "continue", "estimate", "expect", "may", "will", "project", "predict", "potential", "targeting", "intend", "could", "might", "should", "believe" and similar expressions (including negative and grammatical variations). These statements involve known and unknown risks, uncertainties and other factors that may cause actual results or events to differ materially from those anticipated in such forward-looking statements.

As well as those factors discussed in the section entitled "*Risk Factors*" in this Prospectus Supplement and the Prospectus, including the documents incorporated by reference herein and therein, these risks and uncertainties include, among other things: impacts as a result of COVID-19; the nature of our investments; economic and market conditions; future financial needs; acquisition and strategic transaction risks; contingent liabilities through acquisition; deficient procedures and internal controls of acquired businesses; the nature of our operating structure; our ability to recruit and retain qualified personnel; the ability to manage growth and new strategic priorities; reputational risks; competitive market pressures; borrowing risks; the performance of our operating subsidiaries; intellectual property claims; risk of patent and copyright infringement; litigation risks; cybersecurity risks; global climate change; pandemics; political, social and economic risks; operating subsidiaries' business and industry risks; international business risks; trade policy restrictions; currency fluctuations; fluctuations in revenue and operating results; high value of goodwill and intangible assets; the possibility that the Company may not declare or pay a dividend; risk of shareholder activism; the unpredictability and volatility of the market price of the Common Shares and Debentures; high financial reporting and legal and accounting public company expenses; changes in legislation; changes in financial accounting or taxation standards; failure to maintain an effective system of internal controls; potential unenforceability of judgments obtained in U.S. courts; the Company's forecasted financial results may vary from actual financial performance; changes to our tax assets or liabilities; tax consequences of acquiring, investing in, and disposing of the Common Shares and the Debentures; the market for and market price of the Common Shares and the Debentures; limited sources of borrowing; Canadian laws could delay or deter a change of control; limitations on the ownership and repurchases of shares of the Company; credit risk; and liquidity risk; and currency risk. Readers are cautioned that the foregoing list is not exhaustive.

While the Company believes that the expectations reflected in the forward-looking statements contained in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein, are reasonable, no assurance can be given that these expectations will prove to be correct, and such forward-looking statements included, or incorporated by reference, in such documents should not be unduly relied upon. These statements speak only as of the date of this Prospectus Supplement, the Prospectus or as of the date specified in the documents incorporated by reference herein and therein, as the case may be. Except as required by law, the Company does not assume any obligation to update the aforementioned forward-looking statements. Our actual results could differ materially from those anticipated in the aforementioned forward-looking statements, as applicable, including as a result of the risk factors set forth in the section entitled "*Risk Factors*" and elsewhere in this Prospectus Supplement and our filings with the securities regulatory authorities which are available on the System for Electronic Document Analysis and Retrieval ("**SEDAR**") at [www.sedar.com](http://www.sedar.com).

## DOCUMENTS INCORPORATED BY REFERENCE

Information has been incorporated by reference in this Prospectus Supplement and the Prospectus from documents filed with securities commissions or similar regulatory authorities in each of the provinces and territories of Canada, except for the Province of Quebec. Copies of these documents may be obtained on request without charge from the secretary of the Company at our head office located at 25 King Street West, Toronto, Ontario, Canada, M5A 2L1 or by accessing these documents from SEDAR at [www.sedar.com](http://www.sedar.com).

This Prospectus Supplement is incorporated by reference into the Prospectus as of the date hereof and only for the purposes of the Offering. Other documents are also incorporated or deemed to be incorporated by reference into the Prospectus and reference should be made to the Prospectus for full details. See "*Documents Incorporated by Reference*" in the Prospectus.

The following documents of the Company filed with the securities commissions or similar regulatory authorities in each of the provinces and territories of Canada are specifically incorporated by reference into, and form an integral part of, this Prospectus Supplement:

- (a) Quarterhill's audited consolidated financial statements as at December 31, 2020 and 2019 and January 1, 2019 and for the years ended December 31, 2020 and 2019, and the related notes thereto and the independent auditor's report thereon;
- (b) Quarterhill's Management's Discussion and Analysis for the years ended December 31, 2020 and 2019;
- (c) Quarterhill's Annual Information Form, dated March 19, 2021, for the year ended December 31, 2020 (the "**AIF**");
- (d) Quarterhill's Management Information Circular dated March 19, 2021 in connection with the annual general meeting of the shareholders of Quarterhill held on April 14, 2021;
- (e) Quarterhill's unaudited interim condensed consolidated financial statements as at June 30, 2021 and for the three and six-month periods ended June 30, 2021 and 2020, together with the related notes thereto;
- (f) Quarterhill's Management's Discussion and Analysis as at June 30, 2021 and for the three and six-month periods ended June 30, 2021 and 2020;
- (g) Quarterhill's Material Change Report dated August 24, 2021 in which the Company announced it had entered into a definitive agreement to acquire the outstanding equity value of Electronic Transaction Consultants, LLC for total cash consideration of \$150.0 million plus transaction-related expenses, which acquisition was expected to close in September 2021;
- (h) Quarterhill's Material Change Report dated September 10, 2021 in which the Company announced that it had closed the previously announced acquisition of 100% of the outstanding equity of Electronic Transaction Consultants, LLC, the \$150.0 million purchase price of which was satisfied by \$75.0 million of the Company's cash on hand and \$75.0 million of newly established syndicated debt facilities provided by a syndicate of banks; and
- (i) the term sheet dated October 20, 2021 filed on SEDAR in connection with the Offering.

Documents referenced in any of the documents incorporated by reference in this Prospectus Supplement but not expressly incorporated by reference therein or herein and not otherwise required to be incorporated by reference therein or herein are not incorporated by reference in this Prospectus Supplement. Any documents of the type required by National Instrument 44-101 – *Short Form Prospectus Distributions* ("**NI 44-101**") to be incorporated by reference in a short form prospectus, including any annual information form, annual financial statements and the auditors' report thereon, interim financial statements, management's discussion and analysis of financial conditions and results of operations, material change reports (except confidential material change reports), business acquisition reports and information circulars, filed by us with securities commissions or similar authorities in Canada after the date of this Prospectus Supplement but before the termination of the distribution of the Debentures under the Offering shall be deemed to be incorporated by reference in this Prospectus Supplement.

Notwithstanding anything herein to the contrary, any statement contained in this Prospectus Supplement, the Prospectus or in a document incorporated or deemed to be incorporated by reference herein or therein shall be deemed to be modified or superseded, for the purposes of this Prospectus Supplement and the Prospectus, to the extent that a statement contained herein, therein or in any other subsequently filed document which also is, or is deemed to be, incorporated by reference herein or therein modifies or supersedes such statement. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document or statement which it modifies or supersedes. The making of such a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made. Any statement so modified or superseded shall not be deemed to constitute a part of this Prospectus Supplement or the Prospectus, except as so modified or superseded.

## MARKETING MATERIALS

Any "template version" of "marketing materials" (as defined in National Instrument 41-101 – *General Prospectus Requirements*) filed with the securities commission or similar regulatory authority in each of the provinces of Canada, other than Québec, in connection with this Offering after the date of this Prospectus Supplement and before the termination of the distribution of Debentures or Common Shares under this Prospectus Supplement (including any amendments) is deemed to be incorporated by reference into this Prospectus Supplement. Any template version of marketing materials is not part of this Prospectus Supplement to the extent that the contents of the template version of marketing materials have been modified or superseded by a statement contained in this Prospectus Supplement or any amendment.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, based on the provisions of the *Income Tax Act* (Canada) and the regulations thereunder (collectively, the "**Tax Act**") in force as of the date hereof, provided the Common Shares are listed on a "designated stock exchange" as defined in the Tax Act (which currently includes the TSX) on the Closing Date, the Debentures will, as at the Closing Date, and the Common Shares issuable upon conversion, redemption or maturity of the Debentures would, if issued on such date, be qualified investments under the Tax Act for trusts governed by registered retirement savings plans ("**RRSPs**"), registered retirement income funds ("**RRIFs**"), deferred profit sharing plans (except, in the case of the Debentures, a trust governed by a deferred profit sharing plan for which any employer is the Company, or is an employer that does not deal at arm's length with the Company for purposes of the Tax Act), registered disability savings plans ("**RDSPs**"), registered education savings plans ("**RESPs**") and tax-free savings accounts ("**TFSAs**" and, collectively, "**Plans**"). The Debentures will also be qualified investments for such Plans if the Debentures are listed on a designated stock exchange (which currently includes the TSX).

Notwithstanding the foregoing, if a Debenture and/or a Common Share issuable upon the conversion, redemption or maturity of a Debenture is a "prohibited investment" for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA, the annuitant, holder or subscriber thereof, as applicable, will be subject to a penalty tax as set out in the Tax Act. The Debentures or Common Shares issuable upon the conversion, redemption or maturity of such Debentures will not be a "prohibited investment" for a RRSP, RRIF, RESP, RDSP or TFSA provided the annuitant, holder or subscriber thereof, as applicable, deals at arm's length with the Company for the purposes of the Tax Act and does not have a "significant interest" (as defined in the Tax Act for purposes of the prohibited investment rules) in the Company. In addition, a Common Share issuable upon the conversion, redemption or maturity of a Debenture will not be a "prohibited investment" if such Common Share, is "excluded property" (as defined in the Tax Act for purposes of the prohibited investment rules) for a trust governed by a RRSP, RRIF, RESP, RDSP or TFSA. Prospective holders of Debentures or Common Shares issuable upon the conversion, redemption or maturity of a Debenture who intend to hold the Debentures or Common Shares in a Plan should consult their own tax advisors regarding their particular circumstances.

## QUARTERHILL INC.

Quarterhill is a growth-oriented Canadian company operating in the intelligent transportation system and intellectual property licensing industries. Quarterhill is working to acquire and manage attractive technology companies in the intelligent transportation systems industry (the "**ITS Industry**") and its adjacent markets to become a global leader in this space. More specifically, we are seeking out acquisition opportunities in the ITS Industry that provide a foundation for growth and that have reasonable valuations, recurring and re-occurring revenues, predictable cashflows and gross profit, intimate customer relationships and dedicated management teams among other considerations. In appropriate circumstances, we may also divest certain assets if favourable conditions for such a divestiture are presented.

## SUMMARY DESCRIPTION OF THE BUSINESS

The ITS Industry is a developing, multi-disciplinary technology area growing alongside, among other things, existing analog and digital technologies, population growth, burgeoning public and private vehicle ownership, environmental and economic concerns, national security interests and the availability and connectedness of fixed, mobile and handheld equipment and networks.

An "intelligent transportation system" is a combination of information and communication technologies applied in transportation networks and infrastructure to facilitate vehicle-to-vehicle and vehicle-to-infrastructure communication and the collection and transfer of information. Intelligent transportation systems can enhance safety, traffic management and environmental performance of roadways, railways, aviation and maritime transportation. The ITS Industry comprises companies that offer various intelligent transportation system products, solutions and services, many of which companies both collaborate and compete with one another.

The ITS Industry benefits different means of transportation, including roadways, railways, aviation and maritime, with its capability of providing improved safety, mobility and efficiency across these transportation networks. For any jurisdiction, enabling population mobility safely and efficiently while minimizing negative environmental impact is a key priority. Quarterhill management believes there is a multi-trillion U.S. dollar gap between infrastructure funding and infrastructure needs in the United States alone, and that intelligent transportation systems can provide and are providing a growing source of revenues for governments at all levels to help bridge that gap through both traditional tolling and emerging user-funded infrastructure programs. Leveraging residents with intelligent transportation systems can also save their time, help make economic progress and make cities more efficient. Intelligent

transportation systems aim to reduce traffic congestion and greenhouse emissions, increase safety, reduce travel time and make the travel experience more convenient.

Based on market research, Quarterhill management believes the global ITS Industry market is expected to grow from more than US\$51 billion in 2019 to exceeding US\$69 billion by 2025, at a compound annual growth rate of more than 14% between 2020 and 2025<sup>1</sup>. Factors such as infrastructure stimulus spending, increasing concern for public safety, traffic congestion problems, initiatives taken by governments for effective traffic management, increasing concerns about protecting the environment and the development of smart cities across the world appear to be the current major driving forces for the ITS Industry.

Our current ITS Industry operating subsidiaries are International Road Dynamics (together with its subsidiaries, collectively, "**IRD**") and Electronic Transaction Consultants, LLC ("**ETC**").

IRD provides a portfolio of integrated hardware and software solutions to detect, measure and analyze a variety of transportation metrics. IRD has established a network of operations, relationships and installed systems in strategic geographic regions around the world using its technologies including its Weigh-In-Motion and vehicle measurement technologies that detect, classify and weigh vehicles at highway speeds. IRD's product offerings include automated systems for commercial vehicle operations at truck weigh stations, border crossings, highway traffic data collection and highway toll collection systems around the world for such customers as government transportation agencies, traffic engineering consultants and operators, city and municipal agencies, concessionaires, and industrial, mining and transportation companies.

ETC has been a leading provider of tolling and mobility systems for more than 20 years to some of the largest tolling authorities in the United States, including to tolling authorities in California, Illinois and Texas. ETC's flexible riteSuite™ software platform enables authorities to customize operations to their specific needs, with features that include "All Electronic Tolling", dynamic pricing, agency interoperability, hosted mobility solutions and machine learning. ETC's platform processes more than two billion transactions annually representing more than US\$3.0 billion in toll billings across more than 1,500 toll lanes in the United States. ETC's back-office, reporting and inter-operability technology complements IRD's widely deployed lane-embedded sensors and toll audit systems.

Our intellectual property licensing subsidiary, Wi-LAN Inc. ("**WiLAN**"), is a leading technology innovation and licensing company that partners with its customers to unlock the value of intellectual property through various patent monetization models. Since its founding in 1993, through internal technology development, acquisitions and strategic partnerships with third parties, WiLAN currently owns, directly or indirectly, more than 4,700 patents and patent applications in many different countries, for many of which it has granted licenses to more than 350 companies in many technology markets around the world.

A cycle of innovation and commercialization of innovative technology drives the creation of products, services, markets and, ultimately, economic value. The commercialization of technology has helped to establish a large market for licensing patented inventions to the designers, manufacturers and/or sellers of products and services that use these inventions in their products and services. Both directly and through its wholly owned subsidiaries, WiLAN develops, acquires and commercializes innovative patented technologies that it believes hold value and also works with third party partners to monetize such patents in various ways which often involve sharing revenues and the financial risk associated with licensing these patents with third party partners. From time to time, WiLAN also sells selected patents as an alternative means of monetization.

Current WiLAN patent portfolios include patents relating to memory interface technologies, semiconductor manufacturing and packaging technologies, medical, industrial and automotive applications, computer gaming, intelligent personal assistant technologies, enhanced image processing, streaming video technologies, non-volatile Flash memory, DRAM and other memory technologies as well as semiconductor analog circuitry technologies.

WiLAN's license agreements generally grant rights to patents that are relevant to a licensee's products and services as well as granting releases for past sales of relevant products and services. Related license consideration payments may be one-time lump-sum payments, a series of set payments based on fixed-prices made over a specified period or running royalties based on a price per-unit and/or a percentage of product sales or service revenues reported by licensees. The consideration for a license may vary significantly with different licensees because there are many factors that may make different rates and other terms appropriate. Although WiLAN prefers to negotiate license agreements without litigation, to ensure it receives fair consideration for the use of its patented technologies, WiLAN may, in appropriate circumstances, rely on litigation to enforce its patent rights against appropriate infringers with the ultimate goal of signing license agreements.

Quarterhill's principal and registered office is located at 25 King Street West, Suite 1101, Toronto, Ontario, Canada, M5L 1A1. Additional information about our business is included in the documents incorporated by reference into this Prospectus.

## RECENT DEVELOPMENTS

On September 1, 2021, Quarterhill announced that it had completed its previously announced acquisition of ETC. Through this acquisition, Quarterhill believes it has now gained a solid position in the United States highway tolling market where ETC currently services some of the largest highway transportation authorities including in parts of Texas, California and Illinois.

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<sup>1</sup> "Intelligent Transportation System Market with COVID-19 Impact Analysis – Global Forecast to 2025", MarketsandMarkets, June 2020, p. 36

For financial reporting purposes, ETC will be included in our intelligent transportation systems business segment together with IRD. The Company expects that, going forward, ETC will generate annualized revenue of between \$95.0 to \$120.0 million, which expectations are subject to the risks described in this Prospectus Supplement under the heading "Risk Factors" and, among other factors, are also based on our current understanding of:

- ETC's current long-term fixed-price contracts with customers;
- ETC's estimates on change orders from existing contracts based on discussions with its customers and past experience with those customers;
- future growth from new contracts and/or customers for which ETC is currently bidding; and
- future growth from new contracts and/or customers of which ETC is aware may be available for ETC to bid on pursuant to requests for proposals that ETC expect will be issued in the next few years.

#### USE OF PROCEEDS

The net proceeds to the Company from the issue and sale of the Debentures, after payment of the Underwriters' fee of \$2,000,000 and the expenses of the Offering estimated to be \$600,000, will be approximately \$47,400,000. If the Over-Allotment Option is exercised in full, the net proceeds to the Company (after payment of the Underwriters' fee of \$2,300,000 and the expenses of the Offering estimated to be \$600,000) will be approximately \$54,600,000.

The Company intends to use the full amount of the net proceeds of the Offering to support growth through potential acquisitions and to provide additional working capital to support the continued operations of the business.

The Company intends to use the net proceeds of the Offering as stated above. There may, however, be circumstances that are not known at this time where, for sound business reasons, a reallocation of the net proceeds may be advisable for business reasons that management believes are in the Company's best interests. The Company intends to add the net proceeds of the Offering which it does not immediately use to its working capital. The actual amount that the Company spends in connection with each of the intended uses of proceeds will depend on a number of factors, including those referred to under the heading "Risk Factors" below.

#### EARNINGS COVERAGE RATIOS

The following pro forma earnings coverage ratios are calculated for the 12-month periods ended December 31, 2020 and June 30, 2021, and are derived from the audited financial information of the Company for the 12-month period ended December 31, 2020 and the unaudited financial information of the Company for the three and six month periods ended June 30, 2021.

After giving effect to the Offering, and before any exercise of the Over-Allotment Option, the Company's pro forma consolidated income (loss) before net financing costs and income taxes for the 12-month periods ended December 31, 2020 and June 30, 2021 were \$9,151,000 and \$7,576,000, respectively. After giving effect to the Offering, and before any exercise of the Over-Allotment Option, the pro forma net financing costs for the 12-month periods ended December 31, 2020 and June 30, 2021 were \$2,886,000 and \$2,873,000, respectively, resulting in a pre-tax earnings coverage ratio of 3.17 and 2.64 times, respectively.

The pro forma earnings coverage ratios set forth above: (i) have been prepared in accordance with Canadian disclosure requirements using financial information that was prepared in accordance with IFRS; (ii) give effect to the issuance of the Debentures under this Prospectus Supplement as of the beginning of the applicable period; (iii) assume there are no additional earnings derived from the use of the net proceeds of the Offering; and (iv) do not purport to be indicative of earnings coverage ratios for any future periods.

#### CONSOLIDATED CAPITALIZATION

There have been no material changes in the share and loan capital of the Company since June 30, 2021, except that between July 1, 2021 and October 21, 2021, (i) the Company has issued 105,895 Common Shares upon the exercise of previously granted stock options of the Company and upon the vesting of previously granted restricted stock units of the Company and (ii) the Company's wholly-owned subsidiary, Quarterhill ITS (as defined below), has entered into the ITS Credit Agreement described below. Set forth in the table below is the capitalization of the Company as at June 30, 2021 and as at June 30, 2021 (after giving effect to the Offering).

	Outstanding as at June 30, 2021	Outstanding as at June 30, 2021 (after giving effect to the Offering)
<b>Common Shares</b>	113,748,590 Common Shares	113,748,590 Common Shares
<b>Shareholders' Equity</b>	\$250,890,000	\$250,890,000
<b>Debentures</b>	Nil	\$50,000,000 <sup>(1) (2) (3)</sup>
<b>Credit Facilities</b>	\$0	\$0 <sup>(4)</sup>
<b>Total Capitalization</b>	113,748,590 Common Shares \$250,890,000	113,748,590 Common Shares \$300,890,000

- Notes:
- (1) Excludes up to \$7,500,000 principal amount of Debentures which may be issued on exercise of the Over-Allotment Option. See "Plan of Distribution".
  - (2) Represents the face value of the Debentures without deducting the fair value of the conversion option (being the equity component of the Debentures). In accordance with IFRS, the Debentures will be included as a liability, net of the fair value of the conversion feature, which will be included as equity, and net of

issue costs. The portion of the Debentures classified as a liability will be accreted by a charge to the interest expense over the term.

(3) This amount assumes that the full principal would be characterized as debt.

(4) Includes the Company's Credit Facility (as defined below). See "Description of Debentures Being Distributed – Subordination".

On September 1, 2021, the Company's wholly-owned subsidiary Quarterhill ITS Inc. ("**Quarterhill ITS**") (as borrower) entered into a credit agreement with a Canadian chartered bank, the other financial institutions from time to time party thereto as additional lenders and the administrative agent (the "**ITS Credit Agreement**"). On September 16, 2021, the ITS Credit Agreement was amended, pursuant to which amendments another Canadian chartered bank agreed to become party to the ITS Credit Agreement as an additional lender. The credit facilities extended by the ITS lenders to Quarterhill ITS under the ITS Credit Agreement (collectively, the "**ITS Credit Facilities**") were used to pay a portion of the purchase price for ETC and for other general corporate purposes. The total commitments of the ITS lenders under the ITS Credit Facilities are US\$65 million (which includes a US\$15 million revolving facility). The commitments of the ITS lenders under the ITS Credit Facilities may be increased by US\$25 million by way of an accordion feature, subject to satisfaction of certain conditions set forth in the ITS Credit Agreement. The ITS Credit Facilities are secured by a general security agreement over all of Quarterhill ITS's assets and guaranteed by each of IRD and ETC as secured by general security agreements over all of each of their respective assets. As at each of September 1, 2021 and October 21, 2021, US\$60 million was outstanding under the ITS Credit Facilities. As at the date of this Prospectus Supplement, Quarterhill ITS is in compliance with the terms of the ITS Credit Facilities and no breach of the ITS Credit Facilities has been waived by the ITS lenders.

### SUMMARY DESCRIPTION OF COMMON SHARES

The Company is authorized to issue an unlimited number of Common Shares. As at the date of this Prospectus Supplement, there are 113,822,818 Common Shares issued and outstanding. For more details on the attributes and characteristics of the Common Shares, please refer to the AIF.

### DESCRIPTION OF DEBENTURES BEING DISTRIBUTED

The following is a summary of the material attributes and characteristics of the Debentures and is subject to, and qualified in its entirety by, reference to the terms of the trust indenture between the Company and Computershare Trust Company of Canada (the "**Debenture Trustee**"), as trustee, to be dated as of the Closing Date (the "**Indenture**"). The Debentures will be created and issued pursuant to the Indenture, which shall set forth the terms and conditions relating to the Debentures. This summary does not purport to be complete and for full particulars, reference should be made to the Indenture. When used in this Prospectus Supplement, the following terms have the respective meanings set forth below:

"**Change of Control**" means (i) the acquisition by any person, or group of persons acting jointly or in concert (within the meaning of Multilateral Instrument 62-104 - *Take-Over Bids and Issuer Bids*), of voting control or direction of an aggregate of 50% or more of the outstanding Common Shares or (ii) the sale of all or substantially all of the Company's assets, but shall not include a sale, merger, reorganization, arrangement, combination or other similar transaction if the previous holders of Common Shares hold at least 50% of the voting control or direction in such merged, reorganized, arranged, combined or other continuing entity (and in the case of a sale of all or substantially all of the assets, in the entity which has acquired such assets) immediately following the completion of such transaction;

"**Current Market Price**" means the volume weighted average trading price (as reported by the TSX) per Common Share for the 20 consecutive trading days ending on the fifth trading day immediately preceding the date of determination on the TSX (or, if the Common Shares are not listed thereon, on such stock exchange on which the Common Shares are listed as may be selected by the board of directors and approved by the Debenture Trustee or, if the Common Shares are not listed on any stock exchange, then on the over-the-counter market; **provided** further that if the Common Shares are not then listed on any stock exchange or traded on any over-the-counter market, then the Current Market Price shall be the fair market value of the Common Shares as at such date as determined by an independent Investment Dealer selected by the Company);

"**Interest Payment Date**" means, in respect of the Debentures, April 30 and October 31 in each year while the Debentures are outstanding (or the immediately following business day if any interest payment date is not a business day), with the first interest payment occurring on April 30, 2022; and

"**Investment Dealer**" means any one of the five largest Canadian investment dealers by capital as determined by the Investment Industry Regulatory Organization of Canada or any successor thereof;

### Debentures, Interest Rate and Maturity

The Debentures will be issued under and governed by the Indenture and will be in the aggregate principal amount of \$50,000,000 (plus up to an additional \$7,500,000 aggregate principal amount of Debentures which may be issued upon exercise of the Over-Allotment Option). We may, from time to time, without the consent of the holders of the Debentures, issue additional debentures of the same series or of a different series under the Indenture, in addition to the Debentures offered hereby.

The Debentures will be dated as of the closing of the Offering and will mature on October 30, 2026. The Debentures are repayable in full on the Maturity Date, subject to the prior redemption thereof. The Debentures will be issuable only in denominations of \$1,000 and integral multiples thereof. There will be 50,000 Debentures issued, subject to up to an additional 7,500 Debentures being issued

pursuant to the exercise of the Over-Allotment Option. At the closing of the Offering, the Debentures will be available for delivery in book-entry form only, subject to certain exceptions, through the facilities of CDS. Subject to certain exceptions, holders of beneficial interests in Debentures will not have the right to receive physical certificates evidencing their ownership of Debentures. See "Book-Entry, Delivery and Form". No fractional Debentures will be issued.

The Debentures will bear interest from and including the date of issue at 6.0% per annum. Interest is payable semi-annually, in arrears, on April 30 and October 31 in each year (or the immediately following business day if any interest payment date is not a business day), with the first interest payment occurring on April 30, 2022. The first interest payment will include interest accrued from, and including, the Closing Date to, but excluding, April 30, 2022.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the Company's option and subject to applicable regulatory approval, by delivery of Common Shares as further described under "Payment upon Redemption or Maturity" and "Redemption and Purchase". The interest on the Debentures will be payable in lawful money of Canada or, at the Company's option and subject to applicable regulatory approval, by delivery of Common Shares to the Debenture Trustee to sell for cash proceeds to satisfy the interest in accordance with the Indenture as described under "Share Interest Payment Option".

The Debentures will be direct obligations of the Company and will not be secured by any mortgage, pledge, hypothecation or other charge and will be subordinated to our other liabilities as described under "Subordination". The Indenture does not and will not restrict us from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging our properties to secure any indebtedness.

### **Conversion Privilege**

Each Debenture will be convertible into fully paid, non-assessable and freely-tradeable Common Shares, at the option of the holder, at any time prior to the close of business on the earlier of the last business day immediately preceding the Maturity Date and, if called for redemption, the last business day immediately preceding the date fixed for redemption of the Debentures by the Company, at the Conversion Price, subject to adjustment upon the occurrence of certain events as described in the Indenture. No adjustment to the Conversion Price will be made for distributions on Common Shares issuable upon conversion or for interest accrued on Debentures surrendered for conversion; however, holders converting their Debentures will receive accrued and unpaid interest thereon for the period from and including the date of the last Interest Payment Date to, but excluding, the date of conversion, and such holders shall become holders of record of Common Shares on the business day immediately after the date of conversion. Notwithstanding the foregoing, no Debenture may be converted on an Interest Payment Date or during the five business days preceding any such Interest Payment Date. Holders of Debentures surrendered for conversion on an Interest Payment Date or during the five preceding business days shall not become the holders of record of Common Shares until the business day following such Interest Payment Date.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price upon the occurrence of certain events, including: (a) the subdivision or redivision of the outstanding Common Shares into a greater number of Common Shares; (b) the reduction, combination or consolidation of the outstanding Common Shares into a smaller number of Common Shares; (c) the issuance of Common Shares or securities convertible into or exchangeable for Common Shares to the holders of all or substantially all of the outstanding Common Shares by way of a dividend or distribution (other than pursuant to any distribution re-investment or share purchase plans or similar arrangements); (d) the fixing of a record date for the issuance of options, rights or warrants to all or substantially all of the holders of Common Shares entitling them to acquire Common Shares or securities convertible into Common Shares at less than 95% of the then Current Market Price; (e) the fixing of a record date for the distribution to all or substantially all the holders of its outstanding Common Shares of (i) shares of any class other than Common Shares (other than pursuant to any distribution re-investment or share purchase plans or similar arrangements), (ii) rights, options or warrants (excluding rights, options or warrants entitling the holders thereof for a period of not more than 45 days to subscribe for or purchase Common Shares or securities convertible or exchangeable into Common Shares), (iii) evidences of its indebtedness, or (iv) other assets (including cash dividends or distributions paid in the ordinary course in an amount greater than \$0.0125 per Common Share per fiscal quarter). There will be no adjustment of the Conversion Price in respect of any event described in the foregoing (a), (b), (c), (d) or (e) if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Company will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%. However, the Company will carry forward any adjustments that are less than 1% of the Conversion Price and take them into account when determining subsequent adjustments.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision as outlined immediately above) of the Common Shares or in the case of any consolidation, amalgamation, arrangement or merger of the Company with or into any other entity, or in the case of any sale or conveyance of the properties and assets of the Company as, or substantially as, an entirety to any other person or other entity, or a sale or conveyance of the property and assets of the Company as an entirety or substantially as an entirety to any other person or other entity, or a liquidation, dissolution or winding-up of the Company, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive and shall accept the number of Common Shares, shares or other securities, or other property of the Company or of the person or other entity resulting from such merger, amalgamation or consolidation, or to which such sale or conveyance may be made, as the case may be, on the exercise of the conversion right of the Debentures that such holder would be entitled to receive if, on the record date or the effective date thereof, as the case may be, it had been the holder of the number of Common Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization,

consolidation, amalgamation, arrangement or merger, sale or conveyance or liquidation, dissolution or winding-up.

No fractional Common Shares will be issued on conversion of the Debentures but in lieu thereof we shall satisfy fractional interests by a cash payment equal to the fractional interest which would have been issuable multiplied by the Conversion Price.

### **Redemption and Purchase**

Other than as noted below in the event of the satisfaction of certain conditions after a Change of Control, the Debentures will not be redeemable prior to October 31, 2024. On and after October 31, 2024, and prior to October 31, 2025, the Debentures will be redeemable, in whole or in part, from time to time at Quarterhill's sole option at a price equal to the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of redemption, on not more than 60 days' and not less than 30 days' prior written notice, provided that the Current Market Price as of the date on which notice of redemption is given is not less than 125% of the Conversion Price then in effect. On or after October 31, 2025 and prior to the Maturity Date, the Debentures will be redeemable, in whole or in part, at the Company's sole option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or by lot in such manner as the Debenture Trustee deems equitable, subject to compliance with applicable securities legislation and any required consent of the TSX or such other recognized stock exchange upon which the Common Shares are listed.

The Company may at any time and from time to time, purchase Debentures in the market or by tender or private contract, subject to compliance with all applicable laws and regulatory requirements and any necessary regulatory or other approvals, provided, however, that if an Event of Default (as defined below) has occurred and is continuing, the Company will not have the right to purchase the Debentures by private contract. All Debentures so purchased shall be cancelled and no Debentures shall be issued in substitution therefor. If, upon an invitation for tenders, more Debentures are tendered at the same lowest price that the Company is prepared to accept, the Debentures to be purchased by the Company shall be selected by the Debenture Trustee, in such manner (which may include selection by lot, selection on a *pro rata* basis, random selection by computer or any other method) as the Debenture Trustee considers appropriate, from the Debentures tendered by each tendering Debentureholder who tendered at such lowest price.

### **Payment upon Redemption or Maturity**

On redemption or at maturity, the Company will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount required to repay the principal amount of the outstanding Debentures which are to be redeemed or which have matured, together with accrued and unpaid interest thereon to, but excluding, the redemption date or Maturity Date, as the case may be.

Quarterhill may, at its option, on not more than 60 days' and not less than 40 days' prior notice, and subject to applicable regulatory and/or stock exchange approvals and provided that no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of and premium (if any) on the Debentures that are to be redeemed or that are to mature, as the case may be, by issuing and delivering freely tradeable Common Shares to the holders of the Debentures (the "**Share Payment Option**"). Any accrued and unpaid interest thereon will be paid in cash. The number of Common Shares to be issued in respect of each Debenture will be determined by dividing the principal amount of the Debentures that are to be redeemed or that have matured by 95% of the Current Market Price as of the date fixed for redemption or the Maturity Date, as the case may be. A holder of Debentures shall be treated as a holder of record of Common Shares immediately after the close of business on the redemption date or the Maturity Date, as the case may be.

No fractional Common Shares will be issued on redemption or maturity but in lieu thereof the Company shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest, less applicable taxes required to be withheld.

### **Restriction on Share Payment**

The Company shall not, directly or indirectly (through a subsidiary or otherwise), undertake or announce any rights offering, issuance of securities, subdivision of the Common Shares, dividend or other distribution on the Common Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which: (a) the number of securities to be issued; (b) the price at which securities are to be issued, converted or exchanged; or (c) any property or cash that is to be distributed or allocated, is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly, (i) the exercise or potential exercise of the Share Payment Option, or (ii) the Current Market Price determined in connection with the exercise or potential exercise of the Share Payment Option.

### **Share Interest Payment Option**

The Company may elect, by notice (the "**Share Interest Payment Notice**") to the Debenture Trustee, from time to time, subject to regulatory and/or stock exchange or marketplace approvals and provided that no Event of Default has occurred and is continuing, to satisfy all or part of its obligation to pay interest on the Debentures (the "**Interest Obligation**") on any Interest Payment Date by issuing and delivering a sufficient number of Common Shares to the Debenture Trustee for sale in accordance with the Indenture

in order to raise funds to satisfy all or part of an Interest Obligation on the applicable Interest Payment Date (the "**Share Interest Payment Election**"), in which event holders of Debentures will be entitled to receive a cash payment equal to the Interest Obligation payable in respect of which the Share Interest Payment Election was made from the proceeds of the sale of such Common Shares. The Share Interest Payment Notice shall provide that all or a portion of the Interest Obligation may be paid by the Company in Common Shares and if only a portion of the Interest Obligation is to be paid in Common Shares, the Share Interest Payment Election shall state such portion to be paid in Common Shares and such portion to be paid in cash. The Indenture provides that, upon such election, the Debenture Trustee shall have the power to: (i) accept delivery of the Common Shares from the Company and process the Common Shares in accordance with the Share Interest Payment Election; (ii) accept bids with respect to, and consummate sales of, such Common Shares, each as the Company shall direct in its absolute discretion through the investment banks, brokers or dealers identified by the Company; (iii) invest the proceeds of such sales in accordance with the provisions of the Indenture and use such proceeds to pay the Interest Obligation in respect of which the Share Interest Payment Election was made; and (iv) perform any other action necessarily incidental thereto as directed by the Company in its absolute discretion.

The Indenture sets forth the procedures to be followed by the Company and the Debenture Trustee in order to effect the Share Interest Payment Election. If a Share Interest Payment Election is made, the sole right of a holder of Debentures in respect of the Interest Obligation in respect of which the Share Interest Payment Election was made will be to receive cash from the Debenture Trustee out of the proceeds of the sale of Common Shares (plus any cash amount received by the Debenture Trustee from us attributable to any fractional Common Shares) in full satisfaction of the Interest Obligation, and the holder of such Debentures will have no further recourse to the Company in respect of the Interest Obligation.

Neither the making of the Share Interest Payment Election by the Company nor the consummation of sales of Common Shares will: (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in the aggregate amount equal to the interest payable on such Interest Payment Date; or (b) entitle such holders to receive any Common Shares in satisfaction of the Interest Obligation.

### **Subordination**

The payment of the principal of, and interest on, the Debentures will be subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness (as hereinafter defined) and indebtedness to trade creditors of the Company, including indebtedness under our present and future bank credit facilities and any other secured creditors. "**Senior Indebtedness**" is defined in the Indenture as any and all indebtedness of the Company (other than the Debentures) (whether outstanding as at the date of the Indenture or thereafter incurred) and including, any and all mortgages, debentures, charges or other encumbrances or financings in respect of the personal or real property of the Company, which in each or all cases by the terms of the instrument creating or evidencing such indebtedness, is not expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each Debenture issued under the Indenture will rank *pari passu* with each other debenture of the same series issued under the Indenture and with all other present and future subordinated and unsecured indebtedness of the Company except for sinking fund provisions (if any) applicable to different series of debentures or similar obligations of the Company. The Debentures will not limit the Company's ability to incur additional indebtedness, including indebtedness that ranks senior to the Debentures, or from mortgaging, pledging or charging its real or personal properties to secure any indebtedness or other financing.

The Indenture provides that in the event of any dissolution, winding up, total liquidation or reorganization of the Company (whether in bankruptcy, insolvency or receivership proceedings, or upon an "assignment for the benefit of creditors" or any other marshalling of the assets and liabilities of the Company, or otherwise), then those holders of Senior Indebtedness, including any indebtedness to trade creditors, will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon.

As at the date hereof, the Company is a borrower under an existing revolving credit facility (the "**Credit Agreement**") with a total commitment of \$8 million or its US\$ equivalent (the "**Credit Facility**"). The Credit Facility is used for day to day working capital requirements of the Company and for other general corporate purposes. The Credit Facility is secured by a general security agreement over all of the Company's assets and guaranteed by each of WILAN and the Company's other subsidiaries that are not part of its ITS Industry group and which guarantees are secured by general security agreements over all of each of their respective assets. As at June 30, 2021, \$0 million was outstanding under the Credit Facility. As at the close of business on October 21, 2021, a total of \$0 million was outstanding under the Credit Facility. The Debentures will be subordinated and postponed in right of payment to the prior payment in full of all indebtedness under the Credit Facility.

### **Change of Control of the Company**

Within 30 days following the occurrence of a Change of Control, the Company shall be required to make an offer in writing to the holders of Debentures to, at the holder's election, purchase the Debentures then outstanding (the "**Debenture Offer**") at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest (the "**Debenture Offer Price**").

The Indenture contains notification and repurchase provisions requiring that the Company give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly mail to each holder of Debentures a written notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered to the Company pursuant to the Debenture Offer, the Company will have the right to redeem all the remaining Debentures at the Debenture Offer Price. Notice of such redemption must be given by the Company to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and promptly thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to the Debenture Offer.

### **Cash Change of Control of the Company**

If a Change of Control occurs in which 10% or more of the consideration for the Common Shares in the transaction or transactions constituting a Change of Control consists of:

- (a) cash;
- (b) equity securities that are not traded or intended to be traded immediately following such transactions on a stock exchange; or
- (c) other property that is not traded or intended to be traded immediately following such transactions on a stock exchange

(any of (a), (b) or (c), a "**Cash Change of Control**"), then, subject to regulatory approval, during the period beginning on the 10<sup>th</sup> trading day before the anticipated date on which the Change of Control becomes effective (the "**Effective Date**") and ending on the 30<sup>th</sup> day after the change of control purchase offer is delivered, holders of Debentures will be entitled to convert their Debentures at a new conversion price (the "**Change of Control Conversion Price**") instead of the Conversion Price.

The Change of Control Conversion Price shall be calculated as follows:

$COCCP = ECP / (1 + (CP \times (c/t)))$  where:

COCCP is the Change of Control Conversion Price;

ECP is the Conversion Price in effect on the Effective Date (Change of Control date);

CP (conversion premium) = 34.7%;

c = the number of days from and including the Effective Date to but excluding October 31, 2025; and

t = the number of days from and including the closing date of the Offering to but excluding October 31, 2025.

If the Change of Control Conversion Price calculated in accordance with the formula above is less than any discount to market price permitted by regulators, the Change of Control Conversion Price shall be deemed to be that implied by the maximum permitted discount to market price.

Notwithstanding the foregoing, in no event will the total number of Common Shares issuable upon conversion of the Debentures exceed 355 Common Shares per \$1,000 principal amount of Initial Debentures, subject to adjustments in the same manner as the Conversion Price under the Indenture.

### **Events of Default**

The Indenture provides that an "**Event of Default**" in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to the Debentures: (a) failure for 15 days to pay interest on the Debentures when due; (b) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (c) default in the observance or performance of any material covenant or condition of the Indenture by the Company and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee to the Company specifying such default and requiring the Company to rectify the same; (d) certain events of bankruptcy, insolvency or reorganization of the Company under bankruptcy or insolvency laws as described in the Indenture; (e) if a resolution is passed for the winding-up or liquidation of the Company except as permitted under the Indenture; or (f) if any proceedings with respect to the Company are taken with respect to a compromise or arrangement, with respect to creditors of the Company generally, under the applicable legislation of any jurisdiction.

If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon prior funding and indemnity and the request of holders of not less than 25% of the principal amount of the Debentures then outstanding under the Indenture, declare the principal of, and premium, if any, and accrued interest on all such outstanding Debentures and all other moneys outstanding under the Indenture to be immediately due and payable. In certain cases, the Debenture Trustee or the holders of more than 66 $\frac{2}{3}$ % of the principal amount of the Debentures then outstanding under the Indenture may, on behalf of the holders of all such outstanding Debentures, waive an Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe, provided that no act or omission of either the Debenture Trustee or of the holders of Debentures will extend to or be taken in any manner whatsoever to affect any subsequent Event of Default or the rights resulting therefrom.

## Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made for the debentures issued under the Indenture which is a "take-over bid" for the debentures within the meaning of Multilateral Instrument 62-104 – *Take-Over Bids and Issuer Bids* and, within the time provided in the offer or within 120 days after the date the offer is made, not less than 90% of the outstanding principal amount of the debentures issued under the Indenture (other than debentures beneficially owned or controlled at the date of the take-over bid by or on behalf of the offeror, any associates or affiliates of the offeror or any person acting jointly or in concert with the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the debentures held by holders of debentures who did not accept the offer on the same terms offered by the offeror.

## Consolidation, Mergers or Sales of Assets

The Indenture provides that the Company may not enter into any transaction or series of transactions whereby all or substantially all of its undertaking, property or assets would become the property of any other person or entity (the "**Successor**") whether by way of reorganization, consolidation, amalgamation, arrangement, merger, transfer, sale or otherwise, unless:

- (a) prior to or contemporaneously with the consummation of such transaction, the Company and the Successor shall have executed such instruments and done such things as, in the opinion of legal counsel to the Debenture Trustee or in the opinion of legal counsel to the Company that is acceptable to the Debenture Trustee, are necessary or advisable to establish that upon the consummation of such transaction:
  - (i) the Successor will have assumed all our covenants and obligations under the Indenture in respect of the debentures issued under the Indenture;
  - (ii) the debentures issued under the Indenture, including the Debentures, will be valid and binding obligations of the Successor entitling the holders thereof, as against the Successor, to all the rights of holders of the debentures under the Indenture; and
  - (iii) in the case of a Successor organized otherwise than under the laws of the Province of Ontario, such Successor shall attorn to the jurisdiction of the courts of the Province of Ontario;
- (b) such transaction, in the opinion of the legal counsel of the Debenture Trustee or legal counsel of the Company that is acceptable to the Debenture Trustee acting reasonably, shall be on such terms as to substantially preserve and not impair any of the rights and powers of the Debenture Trustee or of the holders of debentures issued under the Indenture; and
- (c) no condition or event shall exist as to the Company (at the time of such transaction) or the Successor (immediately after the time of such transaction) and after giving full effect thereto or immediately after the Successor shall become liable to pay the principal monies, premium, if any, interest and other monies due or which may become due under the Indenture, which constitutes or would constitute an Event of Default under the Indenture.

Upon the assumption of the Company's obligations by such Successor in such circumstances, subject to certain exceptions, the Company shall be discharged from all obligations under the Indenture and the Debentures. Although such transactions are permitted under the Indenture, certain of the foregoing transactions occurring could constitute a Change of Control, which would provide holders of the Debentures with the right to require the Company to repurchase their Debentures at a price equal to 100% of the principal amount of such Debentures plus accrued and unpaid interest thereof, as described above under "*Change of Control of the Company*". An assumption of the Company's obligations under the Indenture and the Debentures by such Successor might be deemed for Canadian federal income tax purposes to be an exchange of such debentures for new debentures by the holders thereof, resulting in recognition of gains or losses for such purposes and possibly other adverse tax consequences to the holders. Holders of Debentures should consult their own tax advisors regarding the tax consequences of such an assumption.

## Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions that will make binding on all holders of Debentures resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66 2/3% of the principal amount of the Debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 2/3% of the principal amount of the Debentures then outstanding. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

## Book-Entry, Delivery and Form

It is anticipated that, except in certain limited circumstances, the Debentures will be issued in "book-entry only" form and must be purchased or transferred through a participant in the depository service of CDS (a "**Participant**"). On the closing of the Offering, the Debenture Trustee will cause the Debentures to be delivered to CDS and registered in the name of its nominee. The Debentures will be evidenced by a single book-entry only certificate. Registration of interests in and transfers of the Debentures will be made only through the depository service of CDS.

Except as described below, a purchaser acquiring a beneficial interest in the Debentures (a "**Beneficial Owner**") will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser's interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a Participant. Such purchaser will receive a confirmation of purchase from the registered dealer from whom Debentures are purchased.

Neither the Company, the Debenture Trustee nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the beneficial ownership of the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records of CDS or any Participants relating to the Debentures; or (c) any advice or representation made or given by or with respect to CDS and relating to the rules governing CDS or any action to be taken by CDS or at the direction of its Participants. The rules governing CDS provide that it acts as the agent and depository for the Participants. As a result, Participants must look solely to CDS and Beneficial Owners must look solely to Participants for the payment of the principal and interest on the Debentures paid by or on behalf of the Company to CDS.

As indirect holders of Debentures, investors should be aware that they (subject to the situations described below): (a) may not have Debentures registered in their name; (b) may not have physical certificates representing their interest in the Debentures; (c) may not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) they are required to be so issued by applicable law; (b) the book-entry only system ceases to exist; (c) the Company or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depository with respect to the Debentures or CDS ceases to be eligible to be a depository and the Company has not yet appointed a qualified successor at the time; (d) the Company, at its option, decides to terminate the book-entry only system through CDS; or (e) after the occurrence of an Event of Default, Participants acting on behalf of Beneficial Owners representing, in the aggregate, not less than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continuation of a book-entry only system through CDS is no longer in their best interest, provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of Participants and Beneficial Owners, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter we will recognize the holders of such Debenture Certificates as debentureholders under the Indenture.

## **Payments**

As long as CDS or its nominee is the registered holder of Debentures, CDS or its nominee will be considered the sole legal owner of such Debentures for the purposes of receiving payments of interest and principal on such Debentures and for all other purposes under the Indenture and such Debentures. Interest payments on Debentures registered in the name of CDS or its nominee will be made by electronic funds transfer or other means acceptable to the Debenture Trustee by no later than 10:00 a.m. (Toronto, Ontario local time) on the day interest is payable and delivered to CDS or its nominee, as the case may be.

The Company understands that CDS or its nominee, upon receipt of any payment of interest or principal in respect of the Debentures registered to CDS or its nominee, will credit Participants' accounts, on the date interest or principal is payable, with payments in amounts proportionate to their respective beneficial interest in the principal amount of such Debentures as shown in the records of CDS or its nominee. The Company also understands that payments of interest and principal by Participants to owners of beneficial interest in such Debentures held through such Participants will be governed by standing instructions and customary practices and will be the responsibility of the Participants. The Company's responsibility and liability in respect of payments on Debentures registered in the name of CDS or its nominee is limited solely and exclusively to making payment of any interest and principal due on such Debentures to CDS or its nominee.

Except in certain limited circumstances, interest paid on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be required to be paid by cheque drawn on the Company and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Common Shares, if applicable, and the interest due, at maturity or on a redemption date, will be required to be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Common Shares, if applicable, and the interest due, at maturity or on a redemption date, will be required to be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

The Company or the Debenture Trustee will make any withholdings or deductions from all payments on the Debentures in respect of taxes required by law or by the interpretation or administration thereof and will remit the full amount withheld or deducted to the relevant taxing authority in accordance with applicable law.

## **Governing Law**

The Indenture and the Debentures will be governed by and construed in accordance with the laws of the Province of Ontario and

the laws of Canada applicable therein. The Company will submit to the non-exclusive jurisdiction of any court of the Province of Ontario for purposes of all legal actions and proceedings instituted in connection with the Indenture and the Debentures.

## PLAN OF DISTRIBUTION

Under an agreement (the "**Underwriting Agreement**") dated October 22, 2021 between Quarterhill and the Underwriters, the Company has agreed to sell and the Underwriters have agreed to purchase on the Closing Date, subject to the terms and conditions contained therein, \$50,000,000 aggregate principal amount of Debentures at a price of \$1,000 per Debenture payable in cash to us against delivery. In connection with the Offering, Quarterhill has agreed to pay the Underwriters a fee of \$40 per \$1,000 principal amount of Debentures issued by us (or 4.0% of the total gross proceeds of the Offering) for aggregate consideration of \$2,000,000 for their services performed in connection with the Offering, upon completion of the Offering. The obligations of the Underwriters under the Underwriting Agreement are several and not joint and may be terminated at their discretion upon the occurrence of certain stated events, including, among others: (a) there shall have occurred, be discovered by the Underwriters or announced by the Company any material change or change in a material fact or a new material fact arises or is discovered (other than a change or fact related solely to the Underwriters), in each case which has not been publicly disclosed as of the date hereof and which, in the opinion of the Underwriters (or any of them), has or would reasonably be expected to have a significant adverse effect on the market price or value of the Debentures or the Common Shares; (b) any inquiry, action, suit, proceeding or investigation (whether formal or informal) (including matters of regulatory transgression or unlawful conduct), is commenced, announced, threatened or any order is made by any governmental authority or the TSX in relation to the Company, or any law or regulation is enacted or changed, in each case which, in the reasonable opinion of the Underwriters, operates to prevent or restrict the trading or distribution of the Debentures or the Common Shares or materially and adversely affects or will materially and adversely affect the market price or value of the Debentures, the Common Shares or any other securities of the Company; (c) there should develop, occur or come into effect or existence any event, action, state, condition or major financial occurrence of national or international consequence (including matters caused by, related to or resulting from any material adverse development in or related to the COVID-19 pandemic after the date of the Underwriting Agreement) or any law or regulation or a change thereof which, in the reasonable opinion of the Underwriters (or any of them), seriously adversely affects, or will or could reasonably be expected to seriously adversely affect, the financial markets or the business, operations or affairs of the Company and its subsidiaries, taken as a whole; or (d) there is any breach or failure by the Company to comply with any conditions of the Underwriting Agreement. Subject to certain exceptions contained in the Underwriting Agreement, if an Underwriter fails to purchase the Debentures which it has agreed to purchase, the other Underwriters may, but are not obligated to, purchase such Debentures. The Underwriters are, however, obligated to take up and pay for all the Debentures if any Debentures are purchased under the Underwriting Agreement.

The Offering Price and the terms of the Debentures was determined by negotiation between the Company and the Underwriters with reference to prevailing market conditions. All fees payable to the Underwriters will be paid on account of services rendered in connection with the Offering and will be paid from the proceeds of the Offering.

The Company has also granted the Underwriters the Over-Allotment Option, exercisable at the Underwriters' sole option and without obligation, in whole or in part, at any time and from time to time up to 30 days after the Closing Date, to purchase up to an additional \$7,500,000 aggregate principal amount of the Debentures at a price of \$1,000 per Debenture on the same terms as set out above to cover over-allotments, if any. If the Over-Allotment Option is exercised in full, the price to the public, Underwriters' fee and net proceeds to the Company (before payment of the estimated expenses of the Offering) will be \$57,500,000, \$2,300,000 and \$55,200,000, respectively. This Prospectus Supplement and the accompanying Prospectus also qualifies for distribution the grant of the Over-Allotment Option and the distribution of any Debentures pursuant to the exercise of the Over-Allotment Option. A purchaser who acquires Debentures forming part of the Underwriters' over-allocation position acquires those securities under this Prospectus Supplement, regardless of whether the over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

There is no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus Supplement. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "*Forward-Looking Statements*" and "*Risk Factors*". The TSX has conditionally approved the listing of the Debentures (including the Debentures issuable pursuant to the exercise of the Over-Allotment Option) being distributed under this Prospectus Supplement under the symbol "QTRH.DB", and the Common Shares issuable upon conversion (and in certain circumstances, upon redemption or maturity) of the Debentures, on the TSX. Listing will be subject to Quarterhill fulfilling all of the listing requirements of the TSX on or before January 18, 2022.

In connection with the Offering, the Underwriters may effect transactions which stabilize or maintain the market price of the Common Shares at levels other than those which otherwise might prevail on the open market, including stabilizing transactions, short sales, purchases to cover positions created by short sales, imposition of penalty bids, and syndicate covering transactions.

Stabilizing transactions consist of bids or purchases made for the purpose of preventing or retarding a decline in the market price of the Debentures while the Offering is in progress. These transactions may also include making short sales of the Debentures, which involve the sale by the Underwriters of a greater number of Debentures than they are required to purchase in the Offering. Short sales may be "covered short sales", which are short positions in an amount not greater than the Over-Allotment Option, or may be "naked short sales", which are short positions in excess of that amount.

The Underwriters may close out any covered short position either by exercising the Over-Allotment Option, in whole or in part, or

by purchasing Debentures in the open market. In making this determination, the Underwriters will consider, among other things, the price of Debentures available for purchase in the open market compared to the price at which they may purchase Debentures through the Over-Allotment Option. The Underwriters must close out any naked short position by purchasing Debentures in the open market. A naked short position is more likely to be created if the Underwriters are concerned that there may be downward pressure on the price of the Debentures in the open market that could adversely affect investors who purchase in this Offering.

As a result of these activities, the price of the Common Shares may be higher than the price that otherwise might exist in the open market. If these activities are commenced, they may be discontinued by the Underwriters at any time. The Underwriters may carry out these transactions on the TSX, in the over-the-counter market, or otherwise.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, during the period of distribution, bid for or purchase Debentures or Common Shares. The foregoing restriction is, however, subject to exceptions. These exceptions include a bid or purchase permitted under the rules of applicable regulatory authorities and the Universal Market Integrity Rules (UMIR) for Canadian Marketplaces, relating to market stabilization and market balancing activities and a bid or purchase on behalf of a customer where the order was not solicited.

The Underwriters propose to offer the Debentures initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Debentures offered by this Prospectus Supplement at the Offering Price, the offering price may be decreased, and further changed from time to time, by the Underwriters to an amount not greater than the Offering Price and, in such case, the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by the purchasers for the Debentures is less than the gross proceeds paid by the Underwriters to us. Any such reduction to the Offering Price will not affect the net proceeds received by the Company.

The Debentures offered hereby (and the Common Shares issuable upon the conversion, redemption or at maturity of the Debentures) have not been and will not be registered under the U.S. Securities Act, or any securities or "blue sky" laws of any of the states of the United States. Accordingly, the Debentures may not be offered or sold within the United States except in accordance with an exemption from the registration requirements of the U.S. Securities Act provided by Rule 144A thereunder and exemptions under applicable state securities laws. In addition, until 40 days after the commencement of this Offering, an offer or sale of Debentures within the United States by a dealer (whether or not participating in this Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than pursuant to an available exemption from the registration requirements of the U.S. Securities Act.

This Prospectus Supplement does not constitute an offer to sell or a solicitation of an offer to buy any of the Debentures offered hereby (or underlying Common Shares) in the United States.

The Company has agreed to indemnify each of the Underwriters and their respective affiliates and their respective directors, officers, employees, partners and agents against certain liabilities.

The Company has agreed that, subject to certain stated exceptions set forth in the Underwriting Agreement, it will not, directly or indirectly, without the prior written consent of Raymond James Ltd. on behalf of the Underwriters, which consent may not be unreasonably withheld or delayed, issue, offer, sell, contract to sell, grant or sell any option to purchase, hypothecate, pledge, transfer, assign, purchase any option or contract to sell, lend, swap or enter into any agreement to transfer the economic consequences of, or otherwise dispose of or deal with, whether through the facilities of a stock exchange, by private placement or otherwise any Common Shares or any other securities of the Company held by them, directly or indirectly, at any time prior to the expiry of 90 days following the closing of the Offering.

Subscriptions for Debentures will be received subject to rejection or allotment, in whole or in part, and the right is reserved to close the subscription books at any time without prior notice. The Debentures will be issued in "book-entry only" form and must be purchased or transferred through a Participant in the depository service of CDS. See "*Description of Debentures Being Distributed – Book-Entry, Delivery and Form*".

#### PRIOR SALES

During the 12-month period preceding the date of this Prospectus Supplement, the Company has not issued any Common Shares, or securities that are convertible into or exchangeable for Common Shares, except as described in the following table:

Date of Issuance and Issue Type	Number and Type of Securities Issued	Price per Security
December 8, 2020 – Issuance upon vesting of previously issued performance stock units	7,323 Common Shares	\$2.72
December 15, 2020 – Issuance upon exercise of previously issued stock options	240,000 Common Shares	\$2.33
December 18, 2020 – Issuance upon exercise of previously issued stock options	103,993 Common Shares	\$2.38
January 14, 2021 – Issuance upon exercise of previously issued stock options	72,084 Common Shares	\$1.85
March 11, 2021 – Issuance upon exercise of previously issued stock options	23,334 Common Shares	\$1.81
March 15, 2021 – Grant of stock options	Stock options to purchase up to 100,000 Common Shares	\$2.59
March 15, 2021 – Grant of restricted stock units	Restricted stock units with respect to up to 556,721 Common Shares	N/A
March 15, 2021 – Issuance upon vesting of previously issued performance stock units	41,312 Common Shares	\$2.59

Date of Issuance and Issue Type	Number and Type of Securities Issued	Price per Security
March 15, 2021 – Issuance upon vesting of previously issued restricted stock units	92,794 Common Shares	\$2.59
May 10, 2021 – Grant of stock options	Stock options to purchase up to 352,887 Common Shares	\$2.39
May 27, 2021 – Issuance upon exercise of previously issued stock options	6,667 Common Shares	\$1.81
June 14, 2021 – Issuance upon exercise of previously issued stock options	31,667 Common Shares	\$1.81
August 9, 2021 – Issuance upon vesting of previously issued restricted stock units	14,093 Common Shares	\$2.27
August 24, 2021 – Issuance upon exercise of previously issued stock options	3,334 Common Shares	\$2.01
August 30, 2021 – Issuance upon exercise of previously issued stock options	21,500 Common Shares	\$1.81
September 1, 2021 – Grant of stock options	Stock options to purchase up to 1,625,000 Common Shares	\$2.70
October 8, 2021 – Issuance upon exercise of previously issued stock options	18,334 Common Shares	\$1.81
	16,667 Common Shares	\$2.16
October 14, 2021 – Issuance upon exercise of previously issued stock options	300 Common Shares	\$2.16

### TRADING PRICE AND VOLUME

The following table summarizes the high and low prices of the Common Shares and volume of trading on the TSX on a monthly basis for the 12-month period prior to the date of this Prospectus Supplement:

Month	Volume	High Trading Price	Low Trading Price
October 2020	13,021,000	\$2.75	\$1.80
November 2020	7,679,000	\$2.87	\$2.51
December 2020	4,946,400	\$2.81	\$2.49
January 2021	4,018,400	\$2.66	\$2.54
February 2021	6,171,900	\$3.11	\$2.55
March 2021	10,507,500	\$3.00	\$2.31
April 2021	3,526,700	\$2.62	\$2.39
May 2021	2,932,200	\$2.57	\$2.27
June 2021	1,585,600	\$2.67	\$2.45
July 2021	1,839,100	\$2.55	\$2.31
August 2021	4,218,900	\$2.89	\$2.17
September 2021	2,947,300	\$2.98	\$2.51
October 1, 2021 to October 21, 2021	2,576,053	\$2.94	\$2.63

### CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Norton Rose Fulbright Canada LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters (collectively, "**Counsel**"), the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations under the Tax Act generally applicable to a holder who acquires as beneficial owner Debentures pursuant to this Offering and to a holder who acquires Common Shares pursuant to a conversion, redemption or maturity of any Debentures acquired by the holder pursuant to this Offering. This summary is only applicable to such a holder who, for purposes of the Tax Act and at all relevant times, is or is deemed to be resident in Canada, deals at arm's length with the Company and the Underwriters and is not affiliated with the Company or any of the Underwriters, and holds the Debentures and the Common Shares issuable upon the conversion, redemption or maturity of such Debentures (collectively, the "**Securities**") as capital property (a "**Holder**"). Generally, Securities will be considered to be capital property of a Holder provided the Holder does not acquire or hold the Securities in the course of carrying on a business of trading or dealing in securities or as part of an adventure or concern in the nature of trade.

Certain Holders who might not otherwise be considered to hold their Securities as capital property may, in certain circumstances, be entitled to have the Securities, and all other "Canadian securities" (as defined in the Tax Act) owned or subsequently acquired by such Holders, deemed to be capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors as to whether such election is available and advisable, having regard to their own particular circumstances.

This summary is not applicable to a Holder: (i) that is a "financial institution" for the purposes of the mark-to-market rules; (ii) an interest in which is or would be a "tax shelter investment"; (iii) that is a "specified financial institution"; (iv) that reports its "Canadian tax results" in a currency other than Canadian currency; (v) that is exempt from tax under Part I of the Tax Act; or (vi) that has entered or will enter into, a "derivative forward agreement" or a "synthetic disposition arrangement" with respect to the Securities (in each case, as defined in the Tax Act). Any such Holder should consult their own tax advisors with respect to an investment in the Securities. In addition, this summary does not address the deductibility of interest by a Holder who has borrowed money in connection with the acquisition of Debentures.

This summary is based upon the current provisions of the Tax Act, taking into account all proposed amendments to the Tax Act publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "**Tax Proposals**"), and Counsel's understanding of the current administrative practices and assessing policies of the Canada Revenue Agency (the "**CRA**") published in writing prior to the date hereof. This summary assumes the Tax Proposals will be enacted in the form proposed; however, no

assurance can be given that the Tax Proposals will be enacted in the form proposed, or at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Tax Proposals, does not otherwise take into account or anticipate any changes in the law, whether by way of legislative, governmental or judicial decision or action, or in the administrative practices or assessing policies of the CRA, nor does it take into account other federal or any provincial, territorial or foreign tax laws or considerations, which may differ significantly from the tax considerations described herein. The income and other tax consequences of acquiring, holding or disposing of Securities will vary depending on the particular circumstances of the Holder thereof, including any province or territory in which the Holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be, nor should it be construed to be, legal or tax advice to any particular Holder or prospective Holder of Securities, and no representations with respect to the income tax consequences to any Holder or prospective Holder are made. Holders and prospective Holders of Securities should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Debentures pursuant to this Offering, including acquiring Common Shares issuable upon conversion, redemption or maturity of the Debentures, having regard to their particular circumstances.

This summary does not address the Canadian federal tax considerations applicable to prospective holders of Securities that are not resident in Canada for purposes of the Tax Act. Any such prospective holders should consult their own tax advisors regarding the tax consequences of acquiring, holding and disposing of Securities.

## **Taxation of Holders of Debentures**

### *Interest on Debentures*

A Holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or a partnership is a beneficiary will be required to include in computing its income for a taxation year any interest on the Debentures that accrues or is deemed to accrue to it to the end of the particular taxation year (or if the Holder disposes of the Debentures in the year, that accrues or is deemed to accrue to it until the time of disposition) or that has become receivable, or is received, by the Holder before the end of that taxation year, including on a conversion, redemption or repayment on maturity, except to the extent that such interest was included in computing the Holder's income for a preceding taxation year.

Any other Holder of Debentures, including an individual and any trust not described in the preceding paragraph, will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by such Holder in that taxation year (depending upon the method regularly followed by the Holder in computing income), including on a conversion, redemption or repayment on maturity, except to the extent that the interest was included in the Holder's income for a preceding taxation year.

The fair market value of any premium paid by the Company to a Holder of Debentures upon a repayment of Debentures before maturity (as a result of a Debenture Offer made in connection with a Change of Control or otherwise) or upon maturity of Debentures, whether such premium is paid in cash or in Common Shares, will generally be deemed to be interest received at that time by such Holder to the extent that such premium can reasonably be considered to relate to, and does not exceed the value at the time of payment of, the interest that, but for the repayment, would have been paid or payable by the Company on the Debentures if held to their Maturity Date.

As described above under the heading "*Description of Debentures being Distributed – Share Interest Payment Option*", the Company may elect to pay interest by issuing Common Shares to the Debenture Trustee for sale, in which event a Holder of Debentures would be entitled to a cash payment equal to the interest owed to the Holder from the proceeds of sale of such Common Shares by the Debenture Trustee. If the Company were to pay interest in this manner, the Canadian federal income tax consequences to a Holder would not differ from those described above.

### *Exercise of Conversion Privilege*

Generally, the conversion of a Debenture by a Holder of the Debenture into only Common Shares plus any cash in lieu of a fraction of a Common Share (as described below) pursuant to the Holder's right of conversion will generally be deemed not to constitute a disposition of the Debenture pursuant to the Tax Act and, accordingly, the Holder will not realize a capital gain or capital loss on such conversion. The aggregate cost of Common Shares of a Holder of Debentures acquired on conversion of the Debentures pursuant to the Holder's right of conversion where the Holder receives only Common Shares plus cash in lieu of a fraction of a Common Share will be equal to the adjusted cost base of the Debentures converted, subject to the discussion below regarding cash in lieu of a fraction of a Common Share. The cost of such Common Shares will be averaged with the adjusted cost base of all other Common Shares held as capital property immediately before the time of conversion by the Holder for the purpose of calculating the adjusted cost base of such Common Shares.

Under the current administrative practice of the CRA, a Holder of Debentures that, upon conversion of the Debentures where the Holder receives only Common Shares (plus cash in lieu of a fraction of a Common Share), receives cash not in excess of \$200 in lieu of a fraction of a Common Share may either treat this cash amount as proceeds of disposition of a portion of the Debentures thereby realizing a capital gain or capital loss, as discussed below under "Dispositions of Debentures", or alternatively may reduce the adjusted cost base of the Common Shares that the Holder acquires on the conversion by the amount of cash received.

Upon a conversion of a Debenture, interest accrued thereon, to the extent not otherwise previously included in income, will be included in computing the income of the Resident Holder as described above under "*Interest on Debentures*".

A Holder of a Debenture that converts the Debenture for consideration equal to the fair market value of such Debenture at the time of conversion generally will be entitled to deduct in computing its income for the year of conversion an amount equal to any interest included in its income for that or any preceding year in respect of such Debenture to the extent that no amount was received or became receivable by the Holder in respect of such interest.

#### *Redemption or Repayment of Debentures*

If the Company redeems a Debenture prior to maturity (including a purchase of a Debenture as a result of a Change of Control) or repays a Debenture upon maturity and the Holder of such Debenture does not exercise the conversion privilege prior to such redemption or repayment, the Holder will be considered to have disposed of the Debenture for proceeds of disposition equal to the amount received by the Holder (other than the amount received or deemed to be received on account of interest) on such redemption or repayment (see "*Dispositions of Debentures*" below in this regard). If a Holder of Debentures receives Common Shares on redemption or repayment, the Holder will be considered to have realized proceeds of disposition equal to the aggregate of the fair market value of the Common Shares so received and the amount of any cash received in lieu of fractional Common Shares. The Holder may realize a capital gain or capital loss on a Debenture computed as described below under "*Dispositions of Debentures*". The cost to the Holder of the Common Shares so received will also be equal to their fair market value at the time of acquisition, and must be averaged with the adjusted cost base of all other Common Shares held as capital property immediately before the time of redemption or repayment, as applicable, by the Holder for the purpose of calculating the adjusted cost base of such Common Shares.

#### *Dispositions of Debentures*

A disposition or deemed disposition of a Debenture by a Holder of the Debenture (including a redemption, payment on maturity or purchase for cancellation but not including the conversion of a Debenture into Common Shares pursuant to the Holder's right of conversion as described above) will generally result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (computed as described below), net of any reasonable costs of disposition, exceed (or are exceeded by) the Holder's adjusted cost base thereof. Any such capital gain or capital loss will be treated, for tax purposes, in the same manner as capital gains and capital losses arising from a disposition of Common Shares, which treatment is discussed below under "*Taxation of Shareholders – Dispositions of Common Shares*".

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the income of the Holder of the Debenture, except to the extent such amount was otherwise included in the Holder's income, and will be excluded in computing the Holder's proceeds of disposition of the Debenture.

#### *Additional Refundable Tax*

A Holder of Debentures that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax on "aggregate investment income" (as defined in the Tax Act), which generally includes interest income and taxable capital gains.

### **Taxation of Shareholders**

#### *Dividends*

Dividends received or deemed to be received on Common Shares by a Holder of the Common Shares that is an individual (other than certain trusts) will be included in computing the individual's income for tax purposes and will be subject to the gross-up and dividend tax credit rules normally applicable to dividends received from "taxable Canadian corporations" (as defined in the Tax Act), including the enhanced gross-up and dividend tax credit in respect of dividends designated as "eligible dividends" in accordance with the provisions of the Tax Act. There may be limitations on the Company's ability to designate dividends as "eligible dividends".

Taxable dividends received by a Holder of Common Shares that is an individual (including certain trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

A Holder of Common Shares that is a corporation will be required to include dividends received or deemed to be received on the Common Shares in computing its income and generally will be entitled to deduct the amount of such dividends in computing its taxable income, with the result that no tax will be payable by it in respect of such dividends. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received or deemed to be received by a Holder of Common Shares that is a corporation as proceeds of disposition or a capital gain. Holders of Common Shares that are corporations should consult their own tax advisors having regard to their own circumstances.

Certain Holders of Common Shares that are corporations, including a "private corporation" or a "subject corporation" (as such terms are defined in the Tax Act), may be liable under Part IV of the Tax Act to pay a refundable tax on dividends received or deemed to be received on their Common Shares to the extent that such dividends are deductible in computing the corporation's taxable income.

#### *Dispositions of Common Shares*

On the disposition or deemed disposition of a Common Share by a Holder of the Common Share (other than to the Company, unless

purchased by the Company in the open market in the manner in which shares are normally purchased by any member of the public in an open market), the Holder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition in respect of such Common Share, net of any reasonable costs of disposition, exceed (or are exceeded by) the adjusted cost base of the Common Share to the Holder. The Holder's proceeds of disposition will not include an amount payable by the Company on a Common Share that is otherwise required to be included in the Holder's income.

For the purpose of determining the adjusted cost base to a Holder of Common Shares, the cost of any newly acquired Common Share will generally be averaged with the adjusted cost base of all of the Common Shares owned by the Holder as capital property immediately before that acquisition. The cost to a Holder of Common Shares received on the conversion of Debentures or on the redemption or repayment of Debentures will be as described above under the heading "*Taxation of Holders of Debentures – Exercise of Conversion Privilege*".

One-half of the amount of any capital gain (a "taxable capital gain") realized by a Holder of Common Shares in a taxation year is included in computing such Holder's income for that taxation year, and one-half of any capital loss (an "allowable capital loss") realized by a Holder of Common Shares in a taxation year is deducted from any taxable capital gains realized by the Holder in the taxation year, subject to and in accordance with the provisions of the Tax Act. Allowable capital losses in excess of taxable capital gains realized in a taxation year may be carried back and deducted in any of the three preceding taxation years or carried forward and deducted in any following taxation year against net taxable capital gains realized in such taxation years, subject to and in accordance with the provisions of the Tax Act.

A capital gain realized by a Holder who is an individual or trust (other than certain specified trusts) may give rise to a liability for alternative minimum tax under the Tax Act.

#### *Additional Refundable Tax*

A Holder of Common Shares that is a "Canadian-controlled private corporation" (as defined in the Tax Act) throughout a taxation year may be liable to pay an additional refundable tax on "aggregate investment income" (as defined in the Tax Act), which generally includes taxable capital gains realized and dividends received or deemed to be received in respect of the Common Shares, but not dividends or deemed dividends that are deductible in computing taxable income.

## **RELATIONSHIP BETWEEN THE COMPANY AND CERTAIN UNDERWRITERS**

CIBC World Markets Inc. is, directly or indirectly, a subsidiary of, or is otherwise affiliated with a Canadian chartered bank that is a lender to us under the Credit Agreement (the "**Lender**") and to which we are currently indebted under the terms of the Credit Facility.

The Credit Facility is used for day to day working capital requirements of the Company and for other general corporate purposes. The Lender's total commitment under the Credit Facility is \$8 million or its US\$ equivalent. The Credit Facility is secured by a general security agreement over all of the Company's assets and guaranteed by each of WiLAN and the Company's other subsidiaries that are not part of its ITS Industry group and which guarantees are secured by general security agreements over all of each of their respective assets. On September 28, 2021, the Company entered into a ninth amendment to the Credit Facility to amend the Credit Agreement to omit certain ratio and covenant calculations for the Company's fiscal quarter ended September 30, 2021. As at June 30, 2021, \$0 million was outstanding under the Credit Facility. As at the close of business on October 21, 2021, a total of \$0 million was outstanding under the Credit Facility. As at the date of this Prospectus Supplement, the Company is in compliance with the terms of the Credit Facility and no breach of the Credit Facility has been waived by the Lender. The Debentures will be subordinated and postponed in right of payment to the prior payment in full of all indebtedness under the Credit Facility.

Consequently, we may be considered to be a connected issuer of CIBC World Markets Inc. under applicable Canadian securities legislation. The decision to distribute the Debentures and the determination of the terms of distribution of the Debentures, including the Offering Price were made through negotiations between us and the Underwriters with reference to prevailing market conditions. The Lender did not have any involvement in such decision or determination, however, the Lender has been advised of the Offering and the terms thereof. None of the Underwriters, including CIBC World Markets Inc., will receive any benefit from the Offering other than its respective portion of the Underwriters' fee payable by us.

## **RISK FACTORS**

**Before making an investment decision, prospective purchasers of Debentures should carefully consider the information described in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein.**

There are certain risks inherent in an investment in Debentures (and the Common Shares underlying the Debentures), including the following factors, which investors should carefully consider before investing. Some of the following factors are interrelated and, consequently, investors should treat such risk factors as a whole. **The following information is a summary only of certain risk factors and is qualified in its entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Prospectus Supplement, the Prospectus and the documents incorporated by reference herein and therein.** These risks and uncertainties are not the only ones that could affect the Company and additional risks and uncertainties not currently known to the Company, or we currently deem immaterial, may also impair the returns, financial condition and results of operations of the Company. If any such risks actually occur, the returns, financial condition and results of operations of the Company could be materially adversely affected and the financial performance of the Company, the ability of the Company to make cash

distributions and the trading price of the Debentures and/or Common Shares could be materially adversely affected.

### **Risks Relating to the Business**

A prospective purchaser of Debentures should carefully consider the risk factors described under the heading "Risk Factors" in the AIF. These risks include but are not limited to: (a) COVID-19, (b) risks affecting the Company and its business and corporate strategy generally, (c) risks affecting the Company's operating subsidiaries more specifically, including those affecting ETC, IRD and WiLAN, (d) risks generally affecting the jurisdictions in which we and our operating subsidiaries conduct our businesses and (e) risks more specifically affecting our Common Shares and our status as a public company.

In addition to the risk factors described under the heading "Risk Factors" in the AIF, upon and following the Company's acquisition of ETC, the Company may be subject to the following additional risks more specifically relating to ETC's business (in addition to other ETC-related risks that are similar to those facing IRD and its business as described in the AIF):

- (a) ETC's business is currently concentrated with a relatively small number of customers and related agreements, the loss of certain of which customers without replacement could adversely affect its operating results and cash flows;
- (b) ETC's customers often rely on the issuance of bonds to construct their projects and if any issuance of such bonds by any such customer does not permit the construction of such a project, then any such customer may delay or terminate its agreement(s) with ETC, which could adversely affect its operating results and cash flows;
- (c) from time to time, ETC is required by certain of its customers to obtain performance, litigation, payment, operation and/or maintenance bonds for specific projects; if ETC is unable to obtain any such required bonds or is unable to obtain any such bonds on a favourable basis, it may not be able to win and/or perform related agreements for such customers, which could adversely affect its operating results and cash flows; and
- (d) from time to time, ETC is required by certain of its customers to agree to rigorous key performance indicators and related liquidated damages for the failure to meet such indicators; such liquidated damages can be substantial and, if ETC were required to pay any such liquidated damages, this could materially adversely affect its operating results and cash flows.

In addition, on September 1, 2021, the Company's wholly-owned subsidiary Quarterhill ITS (as borrower) entered into the ITS Credit Agreement (as amended on September 16, 2021). The ITS Credit Facilities were used to pay a portion of the purchase price for ETC and for other general corporate purposes. The total commitments of the ITS Lenders under the ITS Credit Facilities is US\$60 million (which includes a US\$5 million revolving facility). The commitments of the ITS Lenders under the ITS Credit Facilities may be increased by US\$25 million by way of an accordion feature, subject to satisfaction of certain conditions set forth in the ITS Credit Agreement. The ITS Credit Facilities are secured by a general security agreement over all of Quarterhill ITS's assets and guaranteed by each of IRD and ETC as secured by general security agreements over all of each of their respective assets. As at each of September 1, 2021 and October 21, 2021, US\$60 million was outstanding under the ITS Credit Facilities. As at the date of this Prospectus Supplement, Quarterhill ITS is in compliance with the terms of the ITS Credit Facilities and no breach of the ITS Credit Facilities has been waived by the ITS Lenders. If Quarterhill ITS were to default under the ITS Credit Facilities, including a failure to comply with any financial or other restrictive covenants, it could have a materially adverse effect on Quarterhill's business and prospects.

### **Market for the Debentures and Trading Prices and Volatility of the Debentures and Common Shares**

The Debentures constitute a new issue of securities of the Company. There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures purchased under this Prospectus Supplement. The TSX has conditionally approved the listing of the Debentures (including the Debentures issuable pursuant to the exercise of the Over-Allotment Option) being distributed under this Prospectus Supplement under the symbol "QTRH.DB", and the Common Shares issuable on conversion, redemption or maturity of the Debentures, on the TSX. Listing will be subject to the Company fulfilling all of the listing requirements of the TSX on or before January 18, 2022. No assurance can be given that an active or liquid trading market for the Debentures will develop or be sustained. If an active or liquid market for the Debentures fails to develop or be sustained, the prices at which the Debentures trade may be adversely affected.

The market price of the Debentures will be based on a number of factors, including but not limited to: (a) the prevailing interest rates being paid by companies similar to us; (b) the overall condition of the financial and credit markets; (c) interest rate volatility; (d) the markets for similar securities; (e) our financial condition, results of operation and prospects; (f) the publication of earnings estimates or other research reports and speculation in the press or investment community; (g) the market price, dividend policy and volatility of the Common Shares; (h) changes in the industry in which we operate and competition affecting us; (i) general market and economic conditions (j) the results of any public announcements made by the Company; (k) sale of additional debentures or of Common Shares in the market place; and (l) failure to meet analysts' expectations. The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

Any potential volatility in the market price of the Debentures and Common Shares may affect the ability of holders of Debentures and/or Common Shares to sell the Debentures and/or Common Shares at an advantageous price. Additionally, this may result in greater volatility in the market price of the Debentures than would be expected for non-convertible debt securities. Financial markets have, at times, experienced significant price and volume fluctuations that have particularly affected the market prices of

securities of companies and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such companies. There can be no assurance that fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil occur, our operations could be adversely impacted and the trading price of the Debentures and/or Common Shares may be adversely affected.

### **Redemption Prior to Maturity**

On and after October 31, 2024, and prior to October 31, 2025, the Debentures will be redeemable, in whole or in part, from time to time at the Company's sole option on not more than 60 days' and not less than 30 days' prior notice, at a price equal to the principal amount of the Debentures plus all accrued and unpaid interest up to, but excluding, the date of redemption, provided that the Current Market Price as of the date on which notice of redemption is given is not less than 125% of the Conversion Price. On or after October 31, 2025 and prior to the Maturity Date, the Debentures will be redeemable, in whole or in part, at the Company's sole option at a price equal to the principal amount thereof plus accrued and unpaid interest to, but excluding, the date of redemption on not more than 60 days' and not less than 30 days' prior written notice.

Holders of Debentures should assume that this redemption option will be exercised if the Company is able to refinance at a lower interest rate or it is otherwise in our interests to redeem the Debentures. The Company's ability to redeem the Debentures may be limited by law, by the Indenture, by the terms of other existing or future agreements relating to the Credit Facility or other credit facilities and other indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend its future debt.

### **Use of Proceeds of the Offering**

Quarterhill's management will have broad discretion concerning the use of the net proceeds of the Offering as well as the timing of their expenditures, and there can be no assurance as to how or for what purpose the funds will be allocated or the respective amounts that will be expended for each purpose.

### **Non-Cash Payments and Dilutive Effects on Shareholders**

The Company may determine to repay all or a portion of outstanding principal amounts on the Debentures that are to be redeemed or that are to mature, as the case may be, by issuing additional Common Shares. Accordingly, holders of Common Shares ("**Shareholders**") may suffer dilution and holders of Debentures may receive Common Shares instead of cash upon redemption or maturity, as the case may be, of the Debentures at our sole option.

### **Change of Control**

Within 30 days following the occurrence of a Change of Control (see "*Description of Debentures Being Distributed – Change of Control of the Company*"), the Company shall make an offer in writing to the holders of Debentures to, at the holder's election, purchase the Debentures then outstanding, in whole or in part, at a price equal to 100% of the principal amount thereof plus accrued and unpaid interest. The Company cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Company's ability to purchase the Debentures in such an event may be limited by law, by the Indenture, by the terms of other existing or future agreements relating to our credit facilities and other indebtedness and agreements that the Company may enter into in the future which may replace, supplement or amend its future debt. The Company's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Company of the Debentures without the consent of the lenders or other parties thereunder. If the Company's obligation to offer to purchase the Debentures arises at a time when it is prohibited from purchasing or redeeming the Debentures under another agreement, it could seek the consent of lenders or other parties under such agreement to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If it does not obtain consent or refinance these borrowings, it could not purchase the Debentures on a Change of Control without breaching such agreement. The Company's failure to purchase the Debentures would constitute an event of default under the Indenture, which might constitute a default under the terms of its other indebtedness at that time. The Company cannot assure holders of Debentures that it would have the financial resources or otherwise be able to arrange financing to pay the amounts that may become due if it is required to purchase the Debentures for cash under the circumstances described above.

If a holder of Debentures converts its Debentures in connection with a Change of Control, the Company may, in certain circumstances, be required to increase the conversion rate, as described under "*Description of Debentures Being Distributed – Cash Change of Control*". While the increased conversion rate is designed, inter alia, to compensate a holder of Debentures for the lost option-time value of its Debentures as a result of a Change of Control in certain circumstances, the increased conversion rate amount is only an approximation of such lost value and may not adequately compensate the holder for such loss. In addition, in some circumstances as described under "*Description of Debentures Being Distributed – Cash Change of Control*", no adjustment will be made.

### **Conversion Following Certain Transactions**

In the case of certain transactions, each Debenture may: (a) become convertible into the securities, cash or property receivable by a holder of Common Shares based on the number of Common Shares into which the Debenture was convertible immediately prior to the transaction; or (b) become convertible into certain prescribed securities with limited liquidity. These changes could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future and result in the

receipt of illiquid securities and thereby have a material adverse effect on the value of the Debentures. For example, if the Company is acquired in a cash transaction, each Debenture would become convertible ultimately only into cash and would no longer be convertible into securities whose value would vary depending on the Company's future prospects and other factors. See "*Description of Debentures Being Distributed – Conversion Privilege*".

### **Absence of Covenant Protection**

The Indenture does not restrict Quarterhill from incurring additional indebtedness for borrowed money or otherwise from mortgaging, pledging or charging our real or personal property or properties to secure any indebtedness or other financing or from making distributions except in respect of cash distributions where an Event of Default caused by the failure to pay interest on the Debentures when due has occurred and such default has not been cured or waived. The Indenture does not contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Company.

### **Credit Risk and Prior Ranking Indebtedness**

The likelihood that purchasers of the Debentures will receive payments owing to them under the terms of the Debentures will depend on our financial health and creditworthiness. In addition, the Debentures will be direct, unsecured obligations of the Company and will rank equally with one another and, except as prescribed by law, will rank equally with all other unsecured indebtedness of the Company. The payment of the principal and premium, if any, of, and interest on, the Debentures will be subordinate in right of payment, as set forth in the Indenture, to the prior payment in full of all our existing and future Senior Indebtedness.

Since the Debentures are unsecured obligations of the Company, they are effectively subordinate to all of our existing and future Senior Indebtedness to the extent of the value of the assets securing such indebtedness. Therefore, in the event of the Company's insolvency, bankruptcy, liquidation, reorganization, dissolution or winding up, its assets will be available to pay its obligations with respect to the Debentures only after it has paid in full all of its holders of Senior Indebtedness. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding.

The Company's ability to meet its debt service requirements will depend on its ability to generate cash in the future, which depends on many factors, including its financial performance, debt service obligations, working capital and future capital expenditure requirements. In addition, its ability to borrow funds in the future to make payments on outstanding debt will depend on the satisfaction of covenants in existing credit agreements and other agreements. A failure to comply with any covenants or obligations under our indebtedness could result in a default, which, if not cured or waived, could result in the termination of distributions by the Company and permit acceleration of the relevant indebtedness. If such indebtedness were to be accelerated, there can be no assurance that the Company's assets would be sufficient to repay such indebtedness in full. There can also be no assurance that the Company will generate cash flow in amounts sufficient to pay outstanding indebtedness or to fund any other liquidity needs.

### **Investment Eligibility**

The Company will endeavor to ensure that the Debentures and any Common Shares acquired under the terms of the Debentures continue to be qualified investments for trusts governed by Plans (except, in the case of the Debentures, a deferred profit sharing plan to which the Company, or an employer that does not deal at arm's length with us, has made a contribution). No assurance can be given in this regard. If the Debentures or any Common Shares acquired under the terms of the Debentures are not qualified investments for Plans, such Plans (and, in the case of certain Plans, the annuitants, subscribers or beneficiaries thereunder or holders thereof) may be subject to adverse tax consequences.

### **Prevailing Yields on Similar Securities**

Prevailing yields on similar securities will affect the market value of the Debentures. Assuming all other factors remain unchanged, the market value of the Debentures will decline as prevailing yields for similar securities rise, and will increase as prevailing yields for similar securities decline.

### **Shareholder Rights**

Holders of Debentures will not be entitled to any rights with respect to the Common Shares (including, without limitation, voting rights and rights to receive any dividends or other distributions on the Common Shares, other than extraordinary dividends that our board of directors designates as payable to the holders of the Debentures), but if a holder of Debentures subsequently converts its Debentures into Common Shares, such holder will have the rights and obligations in respect of the Common Shares. Rights with respect to the Common Shares will arise only if and when the Company delivers Common Shares upon conversion, maturity or redemption of a Debenture. For example, if an amendment is proposed to the Company's constituting documents requiring Shareholder approval and the record date for determining the Shareholders of record entitled to vote on the amendment occurs prior to delivery of Common Shares to a holder, such holder will not be entitled to vote on the amendment, although such holder will nevertheless be subject to any changes in the powers or rights of Common Shares that result from such amendment.

### **Potential Dilution**

Quarterhill's articles and by-laws allow us to issue an unlimited number of Common Shares for such consideration and on such terms and conditions as shall be established by the board of directors, in many cases, without the approval of the Shareholders,

and Shareholders will have no pre-emptive rights in connection with such further issuances. We may issue additional Common Shares in subsequent offerings (including through the sale of securities convertible into or exchangeable for Common Shares) and on the vesting of stock options, restricted stock units or other securities exchangeable or exercisable for Common Shares. We cannot predict the size of future issuances of Common Shares or the effect that future issuances and sales of Common Shares will have on the market price of the Common Shares. Issuances of a substantial number of additional Common Shares, or the perception that such issuances could occur, may adversely affect prevailing market prices for the Common Shares. With any additional issuance of Common Shares, holders of Common Shares will suffer dilution to their voting power and Quarterhill may experience dilution in its earnings per Common Share.

#### **LEGAL MATTERS AND INTEREST OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon on behalf of the Company by Norton Rose Fulbright Canada LLP, and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. As at the date hereof, the partners and associates of Norton Rose Fulbright Canada LLP, as a group, own less than 1% of the outstanding Common Shares, and the partners and associates of Osler, Hoskin & Harcourt LLP, as a group, own less than 1% of the outstanding Common Shares.

#### **AUDITORS, TRANSFER AGENT AND REGISTRAR**

The Company's external auditor is Ernst & Young LLP, located at 100 Adelaide Street West, Toronto, Ontario, M5H 0B3. Ernst & Young LLP has advised the Company that it is independent in the context of CPA Code of Professional Conduct of the Chartered Professional Accountants of Ontario.

The transfer agent and registrar for the Common Shares is Computershare Investor Services Inc., and the transfer agent and registrar for the Debentures is Computershare Trust Company of Canada, at its principal offices located in Toronto, Ontario, Canada.

#### **STATUTORY AND CONTRACTUAL RIGHTS OF WITHDRAWAL AND RESCISSION**

Securities legislation in certain of the provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus, including the prospectus supplement and any amendment. In several of the provinces and territories, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus, prospectus supplement or any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revision of the price or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

In an offering of convertible securities, investors are cautioned that the statutory right of action for damages for a misrepresentation contained in the prospectus, as supplemented by a prospectus supplement is limited, in certain provincial and territorial securities legislation, to the price at which the convertible securities are offered to the public under the prospectus offering. This means that, under the securities legislation of certain provinces and territories, if the purchaser pays additional amounts upon conversion of the convertible security, those amounts may not be recoverable under the statutory right of action for damages that applies in those provinces and territories. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

Under the Indenture, original purchasers of Debentures will have a contractual right of rescission against the Company following the conversion of the Debentures in the event that the Prospectus, as supplemented by this Prospectus Supplement, or any amendment thereto contains a misrepresentation or is not delivered to such purchaser. The contractual right of rescission will entitle such original purchasers to receive from the Company, upon surrender of the Common Shares issued upon conversion of such Debentures, the amount paid for such Debentures, provided that the right of rescission is exercised within 180 days from the date of the purchase of such Debentures under this Prospectus Supplement.

## CERTIFICATE OF THE UNDERWRITERS

Dated: October 22, 2021

To the best of our knowledge, information and belief, the short form prospectus, together with the documents incorporated in this prospectus by reference, as supplemented by the foregoing, constitutes full, true and plain disclosure of all material facts relating to the securities offered by the prospectus and this supplement as required by the securities legislation of each of the provinces and territories of Canada, other than Québec.

Raymond James Ltd.

(signed) *Yong Kwon*  
Managing Director

Canaccord Genuity Corp.

(signed) *Mike Lauzon*  
Managing Director

CIBC World Markets Inc.

(signed) *Kathy Butler*  
Managing Director

Cormark Securities Inc.

(signed) *James Austen*  
Managing Director

ATB Capital Markets Inc.

(signed) *Timothy J. Hart*  
Managing Director

M Partners Inc.

(signed) *Steve Isenberg*  
Chief Executive Officer

Stifel Nicolaus Canada Inc.

(signed) *Alexander Lane*  
Director

