

*A copy of this amended and restated preliminary prospectus has been filed with the securities regulatory authorities in each of the provinces and territories of Canada (other than Quebec) but has not yet become final for the purpose of the sale of securities. Information contained in this amended and restated preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authorities.*

*A copy of this preliminary prospectus has been filed with the securities regulatory authority in Quebec but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the prospectus is obtained from the securities regulatory authority.*

*No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only to persons permitted to sell such securities. These securities 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 and may not be offered or sold in the United States or to, or for the account or benefit of, a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. This prospectus does not constitute an offer to sell or solicitation of an offer to buy any of these securities in the United States. See "Plan of Distribution".*

**AMENDED AND RESTATED PRELIMINARY PROSPECTUS  
IN EACH OF THE PROVINCES AND TERRITORIES OF CANADA (OTHER THAN QUEBEC)  
(amending and restating the preliminary prospectus dated September 28, 2018)  
PRELIMINARY PROSPECTUS IN QUEBEC**

*Initial Public Offering and Secondary Offering*

October 19, 2018



**Dye & Durham Corporation**  
**\$125,000,000**  
**● Common Shares**

This prospectus qualifies the distribution of an aggregate of ● common shares (the "Shares") in the capital of Dye & Durham Corporation (the "Company" or "Dye & Durham"), consisting of a treasury issuance (the "Treasury Offering") by the Company of ● Shares for gross proceeds of \$50.0 million and a secondary offering (the "Secondary Offering" and, together with the Treasury Offering, the "Offering") of ● Shares held by Plantro Ltd., Seastone Invest Limited, Manulife Capital Inc., Ronnie Wahi and Adrian Turchet (collectively, the "Selling Shareholders") for gross proceeds of \$75.0 million at a price of \$ ● per Share (the "Offering Price"). It is anticipated that the Offering Price will be between \$8.00 and \$9.00 per Share. Based on the estimated price range, between 13,888,889 and 15,625,000 Shares will be offered pursuant to the Offering. The Company will not receive any proceeds from the Secondary Offering. See "Principal and Selling Shareholders".

The Offering is being underwritten by BMO Nesbitt Burns Inc. ("BMO"), Scotia Capital Inc. ("Scotia") and Canaccord Genuity Corp. ("Canaccord" and, together with BMO and Scotia, the "Lead Underwriters") and RBC Dominion Securities Inc., TD Securities Inc. ("TD") and Raymond James Ltd. (collectively with the Lead Underwriters, the "Underwriters"). If the Over-Allotment Option (as defined below) is exercised in full, an additional ● Shares will be offered by the Selling Shareholders.

**Price: \$ ● per Share**

	Price to the Public <sup>(1)</sup>	Underwriters' Commissions	Net Proceeds to the Company <sup>(2)</sup>	Net Proceeds to the Selling Shareholders <sup>(3)</sup>
Per Share . . . . .	\$ ●	\$ ●	\$ ●	\$ ●
Total Offering <sup>(4)(5)</sup> . . . . .	\$ ●	\$ ●	\$ ●	\$ ●

- Notes:
- (1) The Offering Price has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters.
  - (2) After deducting the Underwriters' Commissions payable by the Company but before deducting the expenses of the Offering. The expenses of the Offering are estimated to be approximately \$ ● and will be paid by the Company out of the proceeds of the Treasury Offering.
  - (3) Each of the Selling Shareholders will be responsible for the payment of the Underwriters' Commissions payable in respect of Shares sold by such Selling Shareholder; however, as the incremental expenses of the Secondary Offering are not anticipated to be material, the Company has agreed to pay the expenses associated with the Secondary Offering and the Selling Shareholders will not be responsible for any further fees or expenses of the Underwriters in connection with the Offering. See "Principal and Selling Shareholders".
  - (4) Assumes no exercise of the Over-Allotment Option.
  - (5) Each Selling Shareholder, on a pro rata basis, has agreed to grant to the Underwriters an over-allotment option, exercisable, in whole or in part, at the sole discretion of the Underwriters, for a period of 30 days (the "Over-Allotment Option") from the closing of the Offering (the "Closing"), to purchase up to an additional ● Shares (the "Over-Allotment Shares"), representing 15% of the Shares offered under this prospectus. The Over-Allotment Shares will be sold on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. If the Over-Allotment Option is exercised in full, the total "Price to the Public", "Underwriters' Commissions", "Net Proceeds to the Company" and "Net Proceeds to the Selling Shareholders" will be \$ ●, \$ ●, \$ ● and \$ ●, respectively. This prospectus qualifies the distribution of the Over-Allotment Option. A purchaser who acquires Shares forming part of the Underwriters' over-allocation position acquires those securities under this 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".

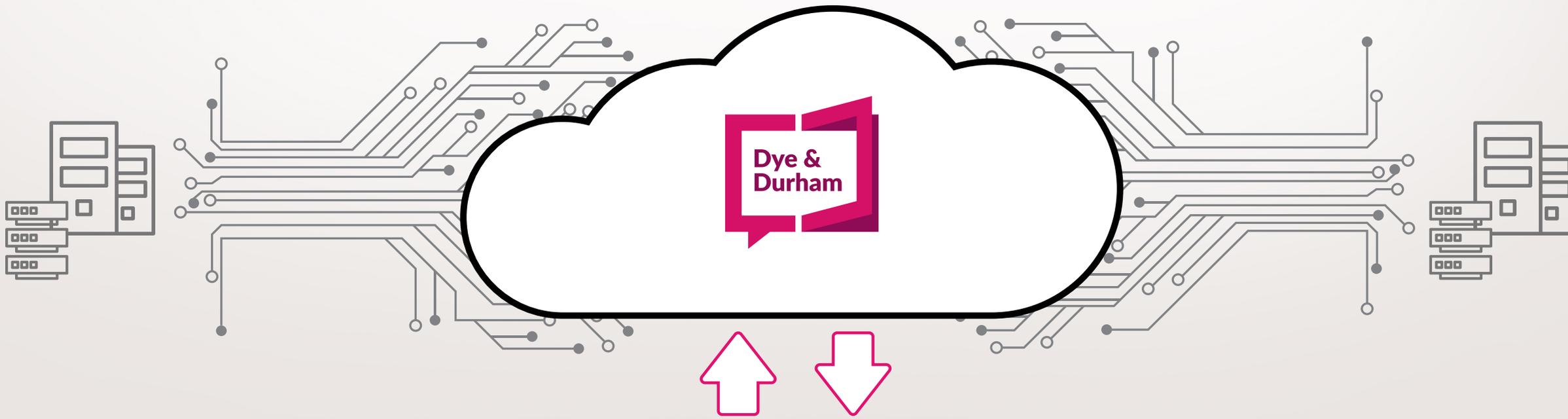
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Work Faster, Improve Accuracy, Simplify Transactions,  
& Access a Comprehensive Public Records Database  
from a Single Gateway.



A leading provider of cloud-based software and technology solutions designed to maximize efficiency and increase productivity for legal and business professionals.



**e market**  
the e is for easy

**Business Law Solutions**

Due Diligence → Corporate Registrations → Lien Management

**Real Estate Law Solutions**

Due Diligence → Document Creation → Electronic Filing

Growth Strategies

Expand within existing customer base

Broaden customer base

Pursue accretive acquisitions

Continue to innovate and extend our platform

**Attractive Business Model Providing Strong Growth & High Margin Cash Flows**

**93%**

Revenue CAGR (FY16 - FY18)

**210%**

Adjusted EBITDA CAGR (FY16 - FY18)

**59%**

Adjusted EBITDA Margin (% of revenue FY16 - FY18)

**Leading Legal Technology Services Provider in Canada**

**18/20**

Canada's Top Law Firms

**69**

Dye & Durham Net Promoter Score

Total Addressable Market

**\$9.2B**

**Diversified Customer Base Anchored by Longstanding Relationships**

**5,000+**

clients

**17.5 years**

average customer relationship

**2.3%**

customer churn rate

Low customer concentration

**~3%**

revenue from single largest customer

**Strong Growth Driven by Organic Initiatives & Accretive Acquisition Strategies**

**114%**

Maintained Net Revenue Retention

**Management Team with Successful Track Record**

**5**

acquisitions since February 2016

Successfully grown company from

**13 to almost 200 employees**

(continued from cover)

The following table sets out the number of Shares that may be sold by the Selling Shareholders to the Underwriters pursuant to the exercise of the Over-Allotment Option.

<u>Underwriters' Position</u>	<u>Maximum Number of Securities Available</u>	<u>Exercise Period</u>	<u>Exercise Price (\$)</u>
Over-Allotment Option . . . . .	●	Up to 30 days following Closing	● per Share

Unless otherwise indicated, all information in this prospectus assumes (a) that the Over-Allotment Option will not be exercised, and (b) an Offering Price of \$8.50 per Share, the midpoint of the estimated price range set forth on the cover page of this prospectus.

**There is no market through which the Shares may be sold and purchasers may not be able to resell the Shares purchased under this prospectus. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares and the extent of issuer regulation. The Company has applied to have its Shares listed on the Toronto Stock Exchange (the "TSX"). Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the Company's listing application and there is no assurance that the TSX will approve the listing application. Closing of the Offering is conditional upon the Shares being approved for listing on the TSX. See "Plan of Distribution".**

An investment in the Shares is subject to a number of risks that should be considered by a prospective purchaser. Investors should carefully consider the risk factors described under "Risk Factors" before purchasing the Shares.

In connection with the Offering, the Underwriters may, subject to applicable law, over-allot or effect transactions that stabilize or maintain the market price of the Shares at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time. **The Underwriters may offer Shares at a price lower than that stated above. Any such reduction in price will not affect the proceeds received by the Company or the Selling Shareholders. See "Plan of Distribution".**

The Underwriters, as principals, conditionally offer the Shares, subject to prior sale, if, as and when issued by the Company and sold by the Selling Shareholders and accepted by the Underwriters in accordance with the conditions contained in the underwriting agreement among the Company, the Selling Shareholders and the Underwriters dated ●, 2018 (the "**Underwriting Agreement**") referred to under "Plan of Distribution", and subject to the approval of certain legal matters on behalf of the Company by Goodmans LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. The Underwriters may offer the Shares at a lower price than stated above. See "Plan of Distribution".

Scotia and TD are affiliates of Canadian chartered banks that are lenders to the Company. A portion of the net proceeds of the Treasury Offering will be used to repay outstanding indebtedness owed to such lenders. Additionally, Scotia and TD and their respective affiliates have provided from time to time, and may provide in the future, commercial banking, investment and financial advisory services to Dye & Durham and its affiliates in the ordinary course of business for which they have received and may continue to receive customary fees and commissions. **As a result of the foregoing relationships, as described in further detail herein, Dye & Durham may be considered a "connected issuer" of both Scotia and TD within the meaning of National Instrument 33-105 — Underwriting Conflicts for the purposes of applicable Canadian securities legislation. See "Relationship Between Dye & Durham and Scotia and TD" and "Description of Material Indebtedness".**

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the Closing will occur on or about ●, 2018, or such later date as the Company, the Selling Shareholders and the Underwriters may agree, but in any event not later than ●, 2018 (the "**Closing Date**"). In most instances, other than Shares sold in the U.S. pursuant to Rule 144A of the U.S. Securities Act, which will be represented by individual certificates representing such Shares, the Shares to be sold in the Offering will be issued in registered form to CDS Clearing and Depository Services Inc., or to its nominee ("**CDS**"), and deposited with CDS in electronic form on the Closing Date through the non-certificated inventory system administered by CDS. A purchaser of Shares will receive only a client confirmation from the registered dealer from or through which the Shares are purchased. See "Plan of Distribution".

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## GENERAL MATTERS

None of the Company, the Selling Shareholders or the Underwriters are making an offer to sell or seeking offers to buy Shares in any jurisdiction where such offer or sale is not permitted. For investors outside Canada, none of the Company, the Selling Shareholders or any of the Underwriters have done anything that would permit the Offering or the possession or distribution of this prospectus in any jurisdiction where action for that purpose is required, other than in Canada. Investors are required to inform themselves about, and to observe any restrictions relating to, the Offering and the possession or distribution of this prospectus.

Prospective purchasers should assume that the information appearing in this prospectus is accurate only as at its date, regardless of its time of delivery or of any sale of Shares. The Company's business, financial condition, results of operations and prospects may have changed since that date.

This prospectus includes a summary description of certain material agreements of the Company. See "Material Contracts". The summary description discloses attributes that the Company considers material to an investor in the Shares but is not complete and is qualified in its entirety by reference to the terms of the material agreements, which will be filed with the Canadian securities regulatory authorities and available on SEDAR. Investors are encouraged to read the full text of such material agreements.

Any graphs, tables and diagrams included in this prospectus to demonstrate the Company's historical performance are (a) intended to illustrate past performance and are not necessarily indicative of future performance of the Company, and (b) may include approximations due to rounding. Historic financials for OnCorp Direct Inc. included in this prospectus are presented on a gross revenue basis.

Concurrently with the Closing, (a) the outstanding Series 1 Preferred Shares and Series 2 Preferred Shares shall convert into Shares, and (b) the Company will amend its articles to delete the Class A Common Shares, the Class B Common Shares, the Series 1 Preferred Shares and the Series 2 Preferred Shares, to restate the Shares and to create the Preferred Shares. Unless otherwise indicated, all information in this prospectus, other than the financial statements, the management's discussion and analysis of financial condition and results of operations ("MD&A") and the section entitled "Prior Sales", gives effect to the Pre-Closing Capital Changes, as described under "Description of Share Capital — Pre-Closing Capital Changes", but does not give effect to the exercise of the Over-Allotment Option or any options or other convertible securities issued by the Company, including as described in "Options to Purchase Securities".

The Company has been operating two software applications, *e-tray* in British Columbia and *oncorp* in the rest of Canada, for due diligence, document creation and electronic records filings. The Company plans to rebrand these services as a single service under the name *e-core* in the near future. Unless otherwise indicated, all information in this prospectus gives effect to the launch of *e-core*. See "The Company's Business — The *e-market* Platform — Business Law Solutions — *e-core*".

The Company determines its Net Promoter Score based on internal surveys of its clients, which it believes to be reasonable based on its knowledge and expertise. In determining the industry benchmark Net Promoter Score, as disclosed in this prospectus, the Company relies on NICE Systems, Inc.'s 2018 U.S. Consumer Net Promoter Benchmarks report. See "Market and Industry Data".

## NON-IFRS FINANCIAL MEASURES

This prospectus makes reference to certain non-IFRS financial measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and may not be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement IFRS financial measures by providing further understanding of the Company's results of operations from management's perspective. The Company's definitions of non-IFRS measures used in this prospectus may not be the same as the definitions for such measures used by other companies in their reporting. Non-IFRS measures have limitations as analytical tools and should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS financial measures, including "EBITDA", "Adjusted EBITDA" and "Adjusted EBITDA Margin" to provide investors with supplemental measures of its operating performance and to eliminate items that have less bearing on operating performance or operating conditions and thus highlight trends in its core business that may not otherwise be apparent when relying solely on IFRS financial measures. The Company believes that securities analysts, investors and other interested parties frequently use non-IFRS financial measures in the evaluation of issuers. The Company's management also uses non-IFRS financial measures in order to facilitate operating performance comparisons from period to period. See "Management's Discussion and Analysis — Cautionary Note Regarding Non-IFRS Measures". The Company defines such financial measures as follows:

"**EBITDA**" means net income (loss) before amortization and depreciation expenses, finance and interest costs, and provision for income taxes.

"**Adjusted EBITDA**" adjusts EBITDA for stock-based compensation expense or income, transactional gains or losses on assets, asset impairment charges, interest income, net foreign exchange gains or losses, gains or losses from changes in fair value of derivative financial instruments, contingent consideration liabilities, gains or losses from disposals of equipment, net income or loss from equity accounted investees and income tax expense or recovery, operational restructuring costs, acquisition and integration costs, and certain non-recurring expense items.

Non-recurring expense items are transactions or events which management believes will not re-occur within the foreseeable future, and include: a one-time income tax credit, transaction expenses related to potential ownership changes, contract termination (recovery) provisions, royalties which will no longer be required to be paid and others, which include provisions for write-down on investments, capital dividends and gains on divestiture of an investment.

"**Adjusted EBITDA Margin**" means Adjusted EBITDA divided by revenue.

## FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that relate to the Company's current expectations and views of future events. The forward-looking statements are contained principally in the sections of this prospectus entitled "Prospectus Summary", "The Company's Business", "Use of Proceeds", "Management's Discussion and Analysis" and "Risk Factors".

In some cases, these forward-looking statements can be identified by words or phrases such as "forecast", "target", "goal", "may", "might", "will", "expect", "anticipate", "estimate", "intend", "plan", "indicate", "seek", "believe", "predict", or "likely", or the negative of these terms, or other similar expressions intended to identify forward-looking statements. The Company has based these forward-looking statements on its current expectations and projections about future events and financial trends that it believes might affect its financial condition, results of operations, business strategy and financial needs. These forward-looking statements include, among other things, statements relating to:

- the completion, expenses and timing of the Closing of the Offering;
- the execution of agreements entered into in connection with the Offering by the Company and Selling Shareholders;
- the adoption by the Company of a new form of by-laws;
- the Pre-Closing Capital Changes;
- the Company's expectations regarding certain of its future results and information, including, among others, revenue, expenses, Adjusted EBITDA, Adjusted EBITDA Margin (including the Company's expectation that Adjusted EBITDA will continue to expand over time), sales growth, expenditures, operations and use of future cash flow;
- the rebranding of the *e-tray* and *oncorp* applications as *e-core*;
- the Company's ability to execute on its four key strategic growth priorities;
- the Company's anticipated cash needs and its needs for additional financing;
- the Company's ability to protect, maintain and enforce its intellectual property;
- third party claims of infringement or violation of, or other conflicts with, intellectual property rights;
- the Company's plans for and timing of expansion of its services;
- expectations regarding industry trends, overall market growth rates and the Company's future growth rates, plans and strategies;
- the acceptance by the Company's clients and the marketplace of new technologies and services, and commensurate pricing changes;
- the Company's ability to attract new clients and further develop and maintain existing clients;
- the Company's ability to continue to attract and retain personnel;
- the Company's expectations with respect to advancement of its service offering;
- the Company's competitive position and the regulatory environment in which it operates;
- anticipated trends and challenges in the Company's business and the markets in which it operates;
- expectations regarding future director and executive officer compensation levels and plans;
- the gross and net proceeds of the Treasury Offering and the Company's anticipated use of such proceeds; and
- the market price for the Shares.

In addition, Dye & Durham's assessments of, and targets for, revenue and Adjusted EBITDA Margin are considered forward-looking information. See "The Company's Business" for additional information concerning the Company's strategies, assumptions and market outlook in relation to these assessments.

Forward-looking statements are based on certain assumptions and analyses made by the Company in light of management's experience and perception of historical trends, current conditions and expected future developments and other factors it believes are appropriate, and are subject to risks and uncertainties. Although the Company believes that the assumptions underlying these statements are reasonable, they may prove to be incorrect and there can be no assurance that actual results will be consistent with these forward-looking statements. Given these risks, uncertainties and assumptions, prospective purchasers of Shares should not place undue reliance on these forward-looking statements. Whether actual results, performance or achievements will conform to the Company's expectations and predictions is subject to a number of known and unknown risks, uncertainties, assumptions and other factors, including those listed under "Risk Factors", which include:

- failing to successfully implement the Company's growth strategy;
- being unable to successfully develop or acquire and sell enhancements and new services;
- the Company's dependence on key and highly-skilled personnel to operate the Company's business and being unable to retain its current, or hire additional, personnel;
- not being able to consummate or integrate acquisitions;
- difficulty in funding future working capital, capital expenditures, general corporate expenses or other items, or needing to allocate a substantial portion of the Company's cash resources to the payment of its indebtedness;
- restrictive covenants contained in the Credit Agreement and the requirements for the Company to meet certain financial ratios and financial condition tests;
- requiring additional capital, and not being able to secure such additional capital on favourable terms;
- increasing debt servicing costs;
- changes in economic conditions which result in fluctuations in demand for the Company's services;
- growth placing significant demands on the Company's management and infrastructure;
- the competitive business environment within which the Company operates and the Company's not being able to compete effectively;
- system interruptions that impair access to the Company's technology;
- a downturn or consolidation in the economy, or in the real estate market;
- material defects or errors in the Company's technology infrastructure;
- failing to adapt to technological changes that render the Company's technology obsolete or decrease the attractiveness of its services to its clients;
- competition;
- failing to adequately protect the Company's technology infrastructure against data corruption, privacy breaches, cyber-based attacks or network breaches;
- the Company encountering pricing pressure and implementation challenges, or delays in revenue recognition for some complex transactions;
- forward-looking statements contained in this prospectus not being correct;
- the client's effort, time and expense associated with switching from competitors' software and services to that of the Company's limiting the Company's growth;
- failing to adequately protect its intellectual property;

- using “open source” software;
- infringing on the proprietary rights of others;
- negative publicity;
- failing to develop widespread brand awareness cost-effectively;
- making incorrect accounting estimates and judgments;
- future sales of Shares by existing shareholders;
- changing or terminating the registry access agreements the Company is a party to;
- limitations on the Company’s ability to increase fees for certain registry services;
- risks related to acceptance of credit cards and debit cards for client payments;
- future offerings of debt securities, which rank senior to the Shares upon bankruptcy or liquidation, and future offerings of equity securities that are senior to the Shares for the purposes of dividend and liquidating distributions;
- an active, liquid and orderly trading market for the Shares not developing;
- dilution and future sales of Shares;
- failing to comply with governmental regulations;
- current or future litigation;
- risk management efforts not being effective;
- insurance coverage reserves not covering future claims;
- incurring operating losses in the future;
- adopting new accounting standards or interpretations;
- failing to establish and maintain effective internal controls in accordance with NI 52-109;
- fluctuations in financial results, seasonality and market cyclicality;
- risks inherent in foreign operations;
- exchange rate fluctuations;
- not maintaining the Company’s corporate culture;
- use of proceeds of the Treasury Offering not being specified with certainty;
- confidentiality agreements with employees and others not adequately preventing disclosure of trade secrets and other proprietary information;
- claims for indemnification by the Company’s directors and officers reducing the Company’s available funds;
- the risks of earthquakes, fires, floods and other natural catastrophic events and interruption by man-made problems such as terrorism;
- risks associated with the Company’s current policy with respect to dividends;
- incurring increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies; and
- changes to tax laws or adverse outcomes resulting from examination by the tax authorities of the Company’s income tax returns.

These factors should not be considered exhaustive and should be read together with the other cautionary statements in this prospectus.

If any of these risks or uncertainties materialize, or if assumptions underlying the forward-looking statements prove incorrect, actual results might vary materially from those anticipated in those forward-looking statements.

Although the Company bases these forward-looking statements on assumptions that it believes are reasonable when made, the Company cautions investors that forward-looking statements are not guarantees of future performance and that its actual results of operations, financial condition and liquidity and the development of the industry in which it operates may differ materially from those made in or suggested by the forward-looking statements contained in this prospectus. In addition, even if the Company's results of operations, financial condition and liquidity and the development of the industry in which it operates are consistent with the forward-looking statements contained in this prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Given these risks and uncertainties, investors are cautioned not to place undue reliance on these forward-looking statements. Any forward-looking statement that are made in this prospectus speaks only as of the date of such statement, and the Company undertakes no obligation to update any forward-looking statements or to publicly announce the results of any revisions to any of those statements to reflect future events or developments, except as required by applicable securities laws. Comparisons of results for current and any prior periods are not intended to express any future trends or indications of future performance, unless specifically expressed as such, and should only be viewed as historical data.

## MARKET AND INDUSTRY DATA

Unless otherwise indicated, information contained in this prospectus concerning the industry and the markets in which the Company operates, including its general expectations and market position, market opportunities and market share, is based on information from independent industry organizations, such as Lexpert, or other third party sources (including industry publications, surveys and forecasts), such as the Deloitte Report, management studies and estimates.

Unless otherwise indicated, the Company's estimates are derived from publicly-available information released by independent industry analysts and third party sources as well as data from its internal research and include assumptions made by the Company which it believes to be reasonable based on its knowledge of the industry and markets in which the Company operates. The Company's internal research and assumptions have not been verified by any independent source and the Company has not independently verified any third party information. While the Company believes the market position, market opportunity and market share information included in this prospectus is generally reliable, such information is inherently imprecise. In addition, projections, assumptions and estimates of the Company's future performance and the future performance of the industry and markets in which the Company operates are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described under the headings "Forward-Looking Statements" and "Risk Factors".

Information contained in this prospectus about the Company's services, including features and pricing, is current as of the date hereof. In the future, the Company may amend the terms of its services from time to time.

## TRADE-MARKS, TRADE NAMES AND COPYRIGHTS

This prospectus includes trade-marks, trade names and material subject to copyright, including the trade-mark/trade name "Dye & Durham", which are protected under applicable intellectual property laws and are the property of the Company. Solely for convenience, the Company's trade-marks, trade names and copyrighted material referred to in this prospectus may appear without the <sup>TM</sup>, <sup>®</sup> or <sup>©</sup> symbol, but such references are not intended to indicate, in any way, that the Company will not assert, to the fullest extent under applicable law, its rights to these trade-marks, trade names and copyrights. See "The Company's Business — Intellectual Property". All other trade-marks used in this prospectus are the property of their respective owners.

## ELIGIBILITY FOR INVESTMENT

In the opinion of Goodmans LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, provided the Shares are listed on a "designated stock exchange" for purposes of the Tax Act (which currently includes the TSX) on the Closing Date, the Shares would, if issued on such date, be a qualified investment under the Tax Act for a trust governed by a registered retirement savings plan ("RRSP"), a registered retirement income fund ("RRIF"), a registered education savings plan ("RESP"), a registered disability savings plan ("RDSP"), a tax-free savings account ("TFSA") or a deferred profit sharing plan, each as defined in the Tax Act.

Notwithstanding that the Shares may be a qualified investment for a trust governed by a TFSA, RRSP, RRIF, RESP or RDSP, the holder, annuitant or subscriber thereof, as the case may be, will be subject to a penalty tax under the Tax Act if the Shares are a "prohibited investment" (within the meaning of the Tax Act) for the particular TFSA, RRSP, RRIF, RESP or RDSP. The Shares will not be a prohibited investment for a TFSA, RRSP, RRIF, RESP or RDSP provided the holder, annuitant or subscriber thereof, as the case may be, deals at arm's length with the Company for purposes of the Tax Act and does not have a "significant interest" (within the meaning of the Tax Act) in the Company. In addition, the Shares will not be a prohibited investment if the Shares are "excluded property", as defined in the Tax Act, for trusts governed by a TFSA, RRSP, RRIF, RESP or RDSP. Prospective purchasers who intend to hold Shares in a TFSA, RRSP, RRIF, RESP or RDSP should consult their own tax advisors regarding their particular circumstances.

## GLOSSARY

*This glossary defines certain business, industry, technical and legal terms used in this prospectus for the convenience of the reader. It is not a comprehensive list of all defined terms used in this prospectus.*

“**Allowable Capital Loss**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”.

“**AML**” means anti-money laundering.

“**Audit Committee**” means the Audit Committee of the Board.

“**BMO**” means BMO Nesbitt Burns Inc.

“**Board**” or “**Board of Directors**” means the board of directors of Dye & Durham.

“**CAGR**” means compound annual growth rate.

“**Canaccord**” means Canaccord Genuity Corp.

“**Capital Expenditures**” has the meaning given to it in the Credit Agreement.

“**CASA**” means Conveyancing Administration Software Application.

“**CCAA**” means the *Companies’ Creditors Arrangement Act*.

“**Closing**” means the closing of the Offering.

“**Closing Date**” means ● , 2018, or such later date as the Company, the Selling Shareholders and the Underwriters may agree, but in any event not later than ● , 2018.

“**cloud**” means remote servers hosted on the internet rather than a local server or a personal computer.

“**Company**” means Dye & Durham Corporation, its subsidiaries or its predecessors, as the context requires.

“**Compensation and Governance Committee**” means the Compensation and Governance Committee of the Board.

“**Credit Agreement**” means the credit agreement dated October 5, 2017 between the Company and two Canadian chartered banks, as amended on April 25, 2018 and further amended on July 31, 2018.

“**Credit Facilities**” has the meaning set out under the heading “Description of Material Indebtedness — Credit Facilities”.

“**Customer Churn Rate**” is calculated by multiplying (a) 100, by (b) a fraction, (i) the denominator of which is the total number of clients that generated revenue of greater than \$1,000 in Fiscal 2017, and (ii) the numerator of which is the total number of clients from (i) that generated no revenue in Fiscal 2018.

“**Deloitte Report**” means the report dated September 27, 2018, entitled “Market Sizing and Competitive Landscape Analysis” prepared by Deloitte LLP for the Company.

“**Dye & Durham**” means Dye & Durham Corporation, its subsidiaries or its predecessors, as the context requires.

“**e-market**” means the Company’s single log-in platform through which its clients access its software solutions.

“**Easy Convey**” means Easy Convey Limited.

“**ESI Software**” means ESI Software Inc.

“**ESILaw**” means the legal accounting and practice management software owned by ESI Software.

“**Financial Statements**” has the meaning set out under the heading “Management’s Discussion and Analysis”.

“**Finlay**” means Finlay Associates Limited.

“**Fiscal 2015**” means the 12 month period ending June 30, 2015.

“**Fiscal 2016**” means the 12 month period ending June 30, 2016.

“**Fiscal 2017**” means the 12 month period ending June 30, 2017.

“**Fiscal 2018**” means the 12 month period ending June 30, 2018.

“**Fiscal 2019**” means the 12 month period ending June 30, 2019.

“**Holder**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”.

“**IFRS**” means the International Financial Reporting Standards as issued by the International Accounting Standards Board.

“**KYC**” means know your client.

“**Lead Underwriters**” means BMO, Scotia and Canaccord.

“**Legacy Stock Option Plan**” means the Company’s legacy stock option plan.

“**Locked-up Securityholders**” means the existing securityholders, members of management and directors of the Company who hold, or will at Closing hold, shares or options to purchase Shares, and who are not Locked-up Selling Shareholders.

“**Locked-up Selling Shareholders**” means the Selling Shareholders, and Matthew Proud and Tyler Proud.

“**MD&A**” has the meaning set out under the heading “Management’s Discussion and Analysis”.

“**Manulife**” means Manulife Capital Inc., or an affiliate thereof, as the context requires.

“**NEOs**” has the meaning set out under the heading “Executive Compensation — Introduction”.

“**Net Promoter Score**” is a management tool that can be used to gauge the loyalty of the Company’s client relationships. See “General Matters”.

“**Net Revenue Retention**” is calculated by multiplying (a) 100, by (b) a fraction, (i) the denominator of which is the total revenue generated from all clients with greater than \$1,000 of revenue in Fiscal 2017, and (ii) the numerator of which is the total revenue generated from all such clients in Fiscal 2018.

“**NI 52-109**” means National Instrument 52-109 — *Certification of Disclosure in Issuers’ Annual and Interim Filing*.

“**NI 52-110**” means National Instrument 52-110 — *Audit Committees*.

“**NI 58-101**” means National Instrument 58-101 — *Disclosure of Corporate Governance Practices*.

“**NP 58-201**” means National Policy 58-201 — *Corporate Governance Guidelines*.

“**OBCA**” means the *Business Corporations Act* (Ontario).

“**Offering**” means the Treasury Offering and the Secondary Offering.

“**Offering Price**” has the meaning ascribed thereto on the cover page of this prospectus.

“**Omnibus Plan**” has the meaning set out under the heading “Executive Compensation — Compensation Discussion and Analysis — Overview”.

“**ONBIS Agreement**” has the meaning set out under the heading “Risk Factors”.

“**OnCorp**” means OnCorp Direct Inc., a predecessor of the Company.

“**oncorp**” means the Company’s *oncorp* application.

“**OneMove**” means OneMove Technologies Inc., a predecessor of the Company.

“**Pre-Closing Capital Changes**” has the meaning set out under the heading “Description of Share Capital — Pre-Closing Capital Changes”.

“**Proposed Amendments**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”.

“**RDSP**” has the meaning set out under the heading “Eligibility for Investment”.

“**recurring revenue**” means subscription-based revenue that is received by the Company on a recurring basis.

“**reoccurring transactional revenue**” means revenue that is received by the Company on a transactional basis, and is not recurring revenue.

“**RESP**” has the meaning set out under the heading “Eligibility for Investment”.

“**Revolver**” has the meaning set out under the heading “Description of Material Indebtedness — Credit Facilities”.

“**RRIF**” has the meaning set out under the heading “Eligibility for Investment”.

“**RRSP**” has the meaning set out under the heading “Eligibility for Investment”.

“**Scotia**” means Scotia Capital Inc.

“**Secondary Offering**” means the secondary offering of Shares by the Selling Shareholders.

“**Selling Shareholders**” means Plantro Ltd., Seastone Invest Limited, Manulife, Ronnie Wahi and Adrian Turchet.

“**Shareholder Lock-up**” has the meaning set out under the heading “Plan of Distribution — Lock-Up Arrangements”.

“**Shares**” has the meaning ascribed thereto on the cover page of this prospectus.

“**Swap Agreement**” has the meaning set out under the heading “Description of Material Indebtedness — Interest Rate Swap”.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

“**taxable capital gain**” has the meaning set out under the heading “Certain Canadian Federal Income Tax Considerations”.

“**TD**” means TD Securities Inc.

“**Technology Infrastructure**” means the Company’s technology, its website and network infrastructure.

“**Term Loan**” has the meaning set out under the heading “Description of Material Indebtedness — Credit Facilities”.

“**TFSA**” has the meaning set out under the heading “Eligibility for Investment”.

“**Treasury Offering**” means the treasury issuance of Shares by the Company.

“**U.S.**” means the United States of America.

“**U.S. Securities Act**” means the United States Securities Act of 1933, as amended.

“**Underwriting Agreement**” has the meaning set out under the heading “Plan of Distribution — General”.

“**Underwriters**” means the Lead Underwriters and RBC Dominion Securities Inc., TD Securities Inc. and Raymond James Ltd.

## PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and certain information contained elsewhere in this prospectus. This summary does not contain all of the information that you should consider before investing in the Shares. You should read this entire prospectus carefully, especially the “Risk Factors” section of this prospectus, and the Company’s audited consolidated financial statements and the related notes thereto and the unaudited interim condensed consolidated financial statements and the related notes thereto appearing elsewhere in this prospectus, before making an investment decision.

### The Company

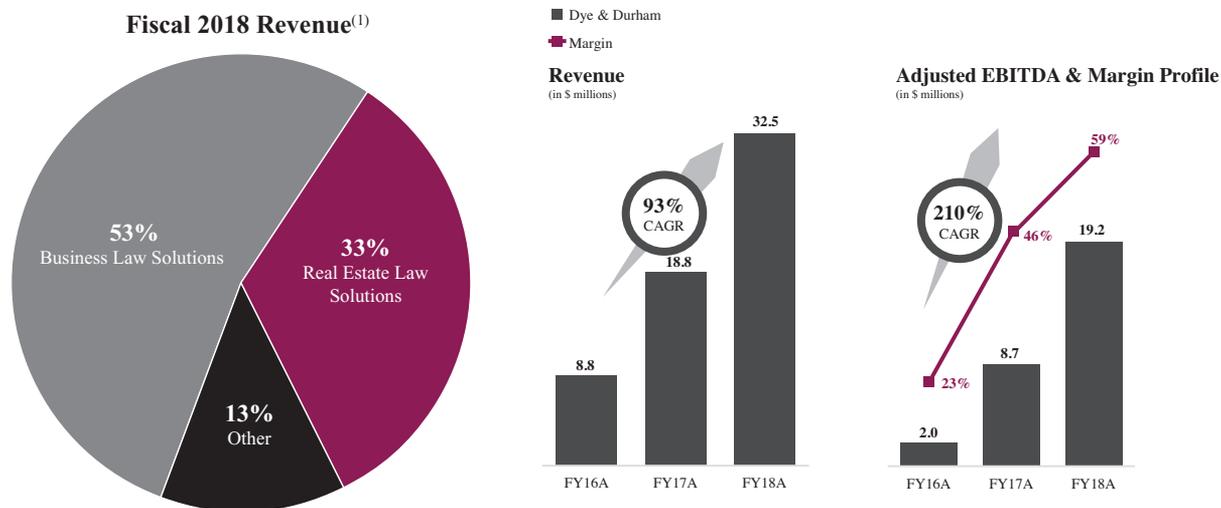
#### Overview

Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The Company offers a cloud-based platform called *e-market*, which automates the process of due diligence searches, document creation and electronic records filing for transactions that underpin the economies within which the Company does business. Through its *e-market* platform, the Company’s clients access its software applications in order to perform various business law or real estate law related tasks, including due diligence searches, corporate registrations, and electronic filings. See “The Company’s Business”.

The Company is managed on the belief that by providing leading edge proprietary technology coupled with exceptional client service, it can make what are often time consuming legal processes, mainly dealt with by support staff in law firms or administrative staff in large financial service institutions, easier to manage and more efficient. Dye & Durham’s vision is to be the world’s leading provider of public records registry data and the workflows this information powers.

The Company markets its products in Canada and the United Kingdom and operates different brands focused on specific segments within the legal technology industry (see “Industry”). The Company has a strong blue-chip customer base of over 5,000 clients, comprised of law firms, financial service institutions, and government organizations, and has experienced significant growth in recent years.

Today, clients that use Dye & Durham’s proprietary software solutions are able to work faster, improve accuracy, and access what management believes to be one of the most comprehensive sources of public records data from one single gateway anywhere in the Canadian marketplace. Through an ongoing commitment to innovation and automation within the legal industry, Dye & Durham has invested significantly in cloud-based software technology, which has given the Company a competitive advantage relative to other market participants. This has allowed Dye & Durham to disrupt the industry by replacing manual processes with automated ones, and grow its market share to become one of the largest market participants in Canada for the products and services that it offers, where it generates approximately 95% of its revenue.



Note:

(1) Other revenue includes revenue from the Company’s accounting and litigation solutions business lines. See “The Company’s Business — The *e-market* Platform — Complementary Solutions”.

For many of Dye & Durham’s clients, its products have become an essential component to completing successful transactions in the markets within which they operate. Businesses of all sizes are Dye & Durham clients, ranging from Canada’s largest law firms (including 18 of Canada’s top 20<sup>1</sup>) and several Canadian chartered banks, to sole-practitioner law firms and small businesses. This diverse customer base means that no one client makes up more than 3% of Dye & Durham’s revenue.

**Investment Highlights**

Historically, Dye & Durham has achieved strong financial and operational performance, which is demonstrated by the following:

**Attractive Business Model Providing  
Strong Growth and High Margin Cash Flows**

- Achieved an Adjusted EBITDA Margin of 59% in Fiscal 2018
- Grew revenue and Adjusted EBITDA at a CAGR of 93% and 210%, respectively, from Fiscal 2016 to Fiscal 2018
- Maintained Net Revenue Retention of 114% in Fiscal 2018

**Leading Legal Technology Services  
Provider in Canada**

- Ongoing commitment to innovation and modernization within the legal industry
- Grown market share to become one of the largest market participants in Canada

**Diversified Customer Base Anchored by  
Longstanding Relationships**

- Over 5,000 clients spanning longstanding and newly developed client relationships, with an annual Customer Churn Rate of only 2.3% and an average client relationship of 17.5 years<sup>2</sup>
- Low client concentration with the largest client contributing only ~3% of revenue in Fiscal 2018

**Strong Growth Driven by Organic Initiatives and  
Accretive Acquisition Strategy**

- Able to grow organically through further client penetration, broadening of customer base and price optimization while increasing geographical reach and solution offering through acquisitions
- Continuous software and product development, including the development of artificial intelligence technology
- Successful history of acquiring and integrating businesses, improving products and finding cross-sell opportunities between existing and acquired clients while expanding margins

**Management Team with  
Successful Track Record**

- Experienced management team with deep industry knowledge
- Executed five acquisitions since February 2016
- Successfully grown from a western Canadian-based business with less than 15 employees, and approximately 700 clients and \$2.3 million in revenue, into a multi-jurisdictional business with 198 employees, over 5,000 clients and \$32.5 million in revenue

Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures. See “Non-IFRS Financial Measures” and “Management’s Discussion and Analysis — Cautionary Note Regarding Non-IFRS Measures”.

See “The Company”.

<sup>1</sup> Based on “Lexpert rankings” April 2018, and Dye & Durham records.

<sup>2</sup> Based on the Company’s top 100 clients by revenue in Fiscal 2018.

## Industry

### Overview

As information technology systems have gained prevalence in the legal industry, demand has increased for legal-specific technologies that digitize and automate legal tasks. Legal technology providers offer industry-specific digital solutions that improve the productivity and efficiency of law firms, and legal and compliance departments. These technology providers have positively impacted a number of previously manual tasks, including public records searches and registrations.

Public records are maintained and controlled by government agencies. These agencies play an essential role in the maintenance and delivery of public records data that provide individuals, businesses and governments with the ability to verify information. Public records searches often serve as a conclusive record of evidence used in a range of economic transactions.

Law firms, and legal and compliance departments have historically used paper-based document systems to complete tasks ranging from due diligence searches to document registration. Over time, public records have evolved from paper-based systems to fragmented electronic systems. In more recent years, all-in-one cloud-based systems have emerged. This evolution has created an opportunity for technology providers to automate manual tasks including aggregating, analyzing and organizing multiple database sources into easily accessible formats. As a result of manual task automation, users have experienced decreased error rates and quicker turnaround times.

### Industry Dynamics

The key industry dynamics affecting the legal technology industry are summarized below:

#### *Large and Growing Addressable Market*

The increasing presence of formal due diligence and compliance regulations across most developed nations has paved the way for a large global legal industry. Law firms, and legal and compliance departments, ranging from single professional operations to regional, national and multinational businesses utilize diligence searches, registrations and other related services that are facilitated by legal technology providers. Fees generated from these businesses result in a total addressable market of approximately \$9.2 billion<sup>3</sup>, as illustrated in the chart below:

The image below sets out the Company's current addressable market in comparison to its total addressable market, as set out in the Deloitte Report.



Note:

(1) Total addressable market is comprised of Canada, the United States, the United Kingdom, Ireland and Australia.

<sup>3</sup> Deloitte Report.

### *Movement to the Cloud*

The ability to securely host software solutions in the cloud via highly scalable architecture is the foundation for providing valuable solutions in a cost effective manner. In addition to providing a highly scalable platform to automate processes, the cloud facilitates access to numerous databases that are updated in real time, which is valuable given the heightened importance of formal due diligence and compliance in the legal industry.

### *High Barriers to Entry*

The complex nature of consolidating and sourcing public records data from fragmented registries in an efficient and accurate manner serves as a large obstacle for new competitors to enter the legal technology industry. Comprehensive, end-to-end, turnkey software solution offerings, which are difficult to replicate, have added another layer of complexity for potential new entrants into the marketplace. Furthermore, existing clients become accustomed to specific user interfaces and value-added services, which often make the incumbent provider the most attractive option and reduces the willingness of such clients to switch service providers.

### *Increased Regulation and Compliance Standards*

Major events, such as the 2008 global financial crisis, have resulted in the implementation of new and increasingly complex government regulations and compliance standards across the globe. In Canada, for example, the Financial Transactions and Reports Analysis Centre sets a high standard for regulation and compliance across a number of industries in order to detect, prevent and deter money laundering and the financing of terrorist activities. The breadth of compliance with certain of these regulations (such as know your client “**KYC**” and anti-money laundering “**AML**”) requires continuous searching and registering with numerous electronic government databases. This is both time consuming and expensive to complete without automation, given the level of accuracy required. Management believes that this trend will intensify over time, as evidenced by the recently proposed changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), which, if implemented, will impose the KYC and AML regulations on new industries, thereby increasing the demand for cloud-based software solutions.

### *Legal Industry Focus on Value-Add*

Due to increasing pricing pressures, law firms are turning to software solutions to automate and streamline routine functions and processes in order to add value and realize efficiencies. Automating certain legal functions, such as due diligence and document review, frees legal clerks to conduct more complex tasks. Software capable of scouring a comprehensive set of data sources and displaying the findings in a presentable manner provides significant efficiencies to the Company’s clients.

See “Industry”.

### **Business Model**

Since 2013, management has transformed Dye & Durham into a leading Canadian legal technology company. Today, the Company provides users access to a cloud-based platform called *e-market*, which is an all-in-one cloud-based solution that automates the process of public records due diligence searches, document creation and electronic records filings.

The *e-market* platform provides users with a single log-in that offers all of Dye & Durham’s on-demand solutions through a single gateway. Additionally, like cloud-based software providers in other industries, *e-market* users benefit from a reduced cost of software installation and maintenance, reduced operating expenses (such as information technology costs), increased security, and reduced disaster recovery risk. This cloud-based model has allowed the Company to scale its revenue significantly, with minimal additional expenses.

Dye & Durham earns the majority of its revenue on a reoccurring transactional-fee basis, as clients perform automated public record due diligence searches, associated document preparation, or electronic public records filings through the Company’s *e-market* platform. *e-market* clients hold a pre-paid account balance which is generally based on an average volume of past transactions, with the ability to top up the balance at any time as usage increases. For pre-paid accounts, fees are deducted from the account balance each time a user processes a

transaction on the platform. Other clients are generally invoiced for services on a monthly basis. The transaction fees incurred by Dye & Durham's clients are often passed along to such clients' customers as disbursements, and generally represent a small part of an overall transaction expense. Management believes this business model offers minimal accounts receivable and promotes usage as clients are not required to enter payment information on a transaction-by-transaction basis. Further, this transactional model is complemented with additional recurring revenue generated from other value-added service offerings and capabilities.

Dye & Durham believes that *e-market's* ease of use and track record of innovation translates into a loyal user base, ongoing penetration within the client's organization and increasing revenue over time.

Given the fixed cost nature of a cloud-based platform, the *e-market* platform experiences economies of scale as the Company increases client penetration and adoption of new users over time. With each incremental dollar of revenue earned, the Company enjoys an incrementally larger contribution to its EBITDA. This is evidenced by the Company's Adjusted EBITDA Margin which has expanded over time.

See "The Company's Business — Business Model".

## Clients

For Fiscal 2018, the Company's average length of a client relationship was 17.5 years<sup>4</sup> and its Net Revenue Retention was 114%.

Dye & Durham has a strong blue-chip customer base of over 5,000 clients, comprised of law firms, financial service institutions, and government organizations.<sup>5</sup> Management believes that the Company's customer base includes less than 10%<sup>6</sup> of all law firms in Canada, and less than 5%<sup>7</sup> of all law firms in the United Kingdom who practise conveyancing, as well as many additional well known government agencies and financial service institutions. The Company is not substantially dependent on any one client, as no single client accounts for more than 3% of revenue.

The Company's sales cycle varies in length and complexity and is often based on its clients' size and specialties. Once a client is onboarded, the Company has experienced low churn, as evidenced by a Customer Churn Rate of only 2.3% in Fiscal 2018. Dye & Durham believes this high client retention rate can be attributed to the fact that management has built a business that is well aligned with its clients' needs. This can be evidenced by the Company's overall Net Promoter Score of 69, which is well above the software industry average of 31.<sup>8</sup>

See "The Company's Business — Clients".

<sup>4</sup> Based on the Company's top 100 clients by revenue in Fiscal 2018.

<sup>5</sup> Includes clients that generated greater than \$1,000 in revenue in Fiscal 2017 or greater than \$1,000 of revenue in Fiscal 2018, which were also clients in Fiscal 2017, but does not include clients of *easyconvey*.

<sup>6</sup> Assuming 69% of 5,397 Fiscal 2018 clients (including *ESILaw* clients) are law firms (based on a 250 randomized sample of client base), 42,270 registered legal firms in Canada; does not entail 100% share of wallet from each client.

<sup>7</sup> Represents 132 firms which are clients of Dye & Durham out of 6,325 registered law firms with the United Kingdom Law Society who conduct residential conveyancing.

<sup>8</sup> NICE Systems, Inc. 2018 U.S. Consumer Net Promoter Benchmarks.

## The e-market Platform

Dye & Durham’s e-market platform provides the following client-specific offerings:

A One-stop Gateway to Legal Registries & Public Records Data



See “The Company’s Business — The e-market Platform”.

## Growth Strategy

Dye & Durham’s current addressable market is estimated at approximately \$1.1 billion<sup>9</sup>, of which approximately 3% is currently captured by the Company. As larger law firms are generally comprised of a number of different practice groups, these figures may not indicate a full share of wallet from each client and Dye & Durham may only be providing a specific solution to a singular department rather than the full suite of products to the entire firm.

Over the past three fiscal years, the Company has grown revenue at a CAGR of approximately 93% by (a) expanding within its existing customer base; (b) broadening its customer base; (c) pursuing accretive acquisitions and integrating acquired businesses; and (d) continuing to innovate and extend its platform with new product enhancements, features, and functionality and realizing commensurate pricing changes. Over that period, the Company has achieved Adjusted EBITDA Margin expansion from 23% in Fiscal 2016 to approximately 60% in Fiscal 2018.

<sup>9</sup> Deloitte Report.

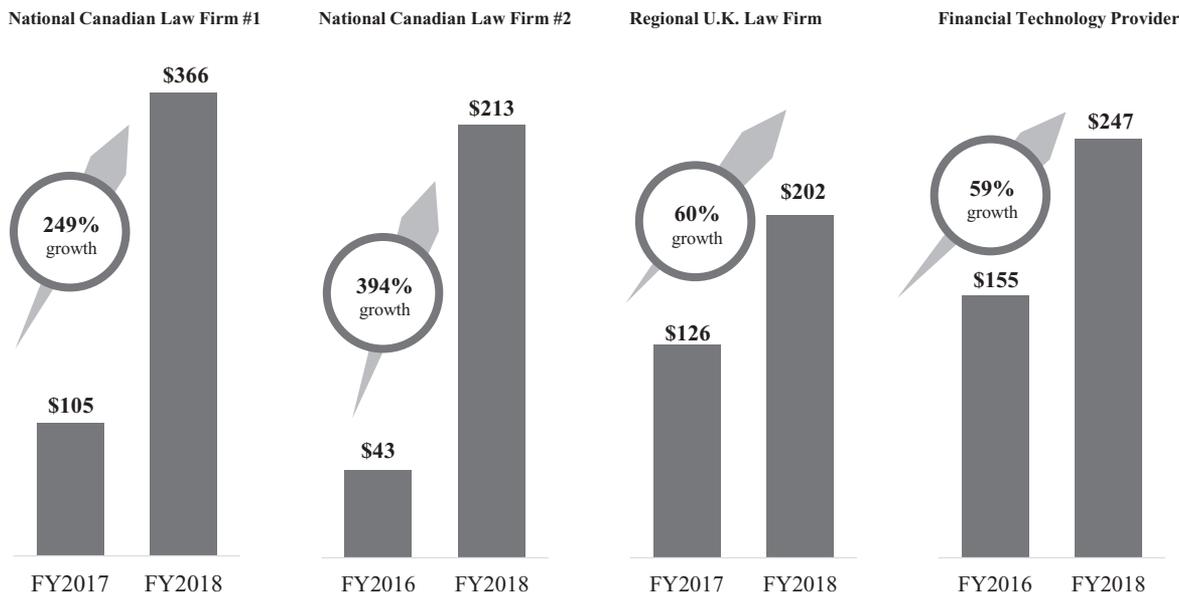
Dye & Durham believes it has ample opportunities for continued growth, supported by the following key strategies:

**Expand within existing customer base**

Management plans to increase client penetration by cross-selling existing offerings and developing additional products for its clients. Over the past two fiscal years, the Company grew revenue from existing clients<sup>10</sup> by over 30%. As clients realize the benefits of the Company’s platform, they often increase the number of users who access the *e-market* platform, increase their use of the Company’s products, and begin using additional Dye & Durham product offerings. The Company’s ability to expand its user base and offerings within organizations (discussed below under “— Sales and Marketing”) is demonstrated by the following examples:

**Revenue**

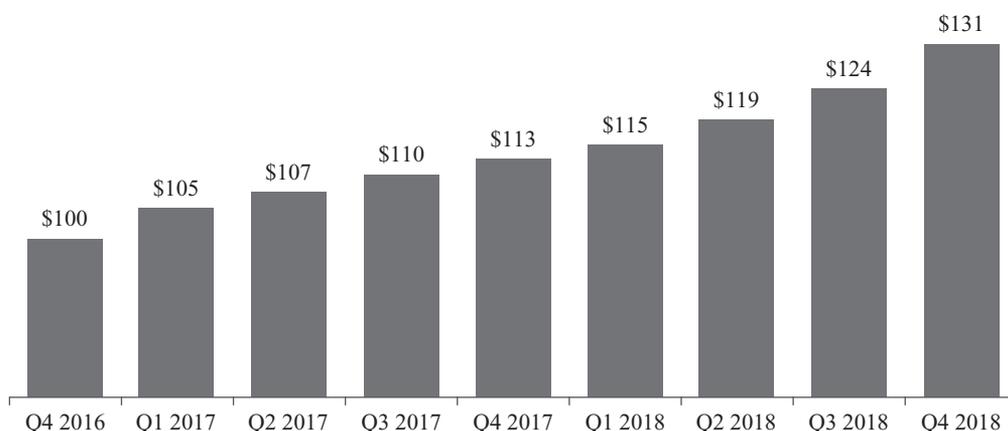
(C\$ 000’s)



- Dye & Durham’s sales and marketing teams actively promoted the automation and efficiency of the Company’s products over that of its competitors
- Transitioned all due diligence searches and lien management requirements to Dye & Durham
- Sales and marketing teams undertook an action plan to grow the account revenue by better demonstrating the full value proposition and benefit of additional services that Dye & Durham provided
- Greater utilization of the full suite of Dye & Durham products
- Sales and marketing teams offered bespoke integration with panels and real estate agents to enable the firm to grow its book of business
- The firm further took on the Company’s full suite of efficiency systems such as AML and Case Tracking which improves their profitability and operation
- The firm signed a 36-month subscription to ensure they could forecast technology costs
- Increased government regulation and compliance requirements led to increased due diligence searches by the client on revised terms

<sup>10</sup> Clients with over \$1,000 in fees in last 12 months.

Dye & Durham’s ability to expand within its existing customer base is further demonstrated by the chart below, which illustrates the growth of average revenue per account<sup>11</sup> during Fiscal 2017 and Fiscal 2018 (indexed to \$100 in fourth quarter Fiscal 2016):



### ***Broaden customer base***

Dye & Durham believes that the market for a comprehensive, all-in-one legal software solution is large and underserved. The Company intends to increase penetration by investing in sales and marketing efforts to expand into new markets and grow its customer base. The cumulative effect of onboarding clients has resulted in over \$3.9 million of new compounded revenue over the last three fiscal years, as demonstrated below:<sup>12</sup>



### ***Pursue accretive acquisitions***

Dye & Durham has a significant opportunity to further expand its share of its total addressable market, both organically and through acquisitions. The Company has a proven track record of acquiring, integrating and leveraging complementary targets to enhance its platform.

The Company follows a disciplined acquisition approach that evaluates targets against specific criteria and prioritizes immediate synergies. Management believes that active administration, which includes performance measurement, visibility to plan, and alignment of individual goals to the Company’s goals, leads to a culture of employee buy-in, which minimizes risk and offers the greatest chance of success.

<sup>11</sup> Average revenue per account is calculated with accounts over \$1,000 in fees in last 12 months.

<sup>12</sup> Represents *pro forma* customer base: (a) 2016 New Client Cohort represents clients with no fees during the third and fourth quarters of Fiscal 2015, (b) 2017 New Client Cohort represents clients with no fees during third and fourth quarters of Fiscal 2015 and Fiscal 2016, and (c) 2018 New Client Cohort represents clients with no fees during third and fourth quarters of Fiscal 2015, and Fiscal 2016 and 2017. Cohort composition remains the same for each subsequent year’s fees of the respective cohort of new clients. Amounts in thousands of dollars.

Dye & Durham has successfully completed multiple acquisitions since February 2016. The Company has realized synergies by improving acquired products and incorporating them into the *e-market* platform. The Company's success is demonstrated by the following:

**Adjusted EBITDA Bridge**

(\$000,000s)



Notes:

- (1) Represents June 30, 2013 year end audited financials.
- (2) Represents the addition of Dye & Durham's December 31, 2015 unaudited year end EBITDA, annualized *easyconvey* EBITDA for period September 1, 2015 to June 30, 2016 with a GBP/CAD conversion rate of 1.75, and OnCorp's December 31, 2016 year end EBITDA.

***Continue to innovate and extend its platform***

Dye & Durham has a well-defined technology roadmap to introduce new features and functionality to its platform that management believes will enhance its ability to generate revenue. These new features will expand the use of the platform by existing clients and broaden its appeal to potential new clients. The Company has demonstrated the value of its improvements based on low levels of attrition, as evidenced by its Fiscal 2018 Customer Churn Rate of 2.3%.

The ability to deliver product enhancements is a result of a 38 person product and software development team which is responsible for new products and product enhancements. This team continually works to improve the platform and add additional services which become entrenched in the daily workflow of the Company's clients.

See "The Company's Business — Growth Strategy".

## Fiscal 2019 Targets

### Q1 Fiscal 2019

Based on the Company's preliminary unaudited financial results for the three months ended September 30, 2018 ("Q1 2019"), management estimates Q1 2019 revenue to be approximately \$9.2 million, which represents an increase of over 21.65% from the same three month period in Fiscal 2018. Excluding the impact of this Offering, management believes that Q1 2019 Adjusted EBITDA and Adjusted EBITDA Margin will be in line with expectations.

A portion of the Company's revenue, that is driven from real estate conveyancing has experienced, and is expected to continue to experience, moderate seasonality due to seasonal patterns in the real estate market. This is due to the fact that land titles revenue fluctuates in line with real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate-related revenue than other quarters, as this is when real estate activity is traditionally highest.

The foregoing information reflects the Company's preliminary estimates based on currently available information. The Company's financial closing procedures for Q1 2019 are not yet complete and, as a result, its final results upon completion of its closing procedures may vary from the preliminary estimates. These estimates should not be viewed as a substitute for interim financial statements prepared in accordance with IFRS. Please see "Risk Factors" and "Forward-Looking Statements". These preliminary estimates have been prepared by and are the responsibility of management. The Company's independent registered public accounting firm has not conducted a review of, and does not express an opinion or any other form of assurance with respect to these preliminary estimates.

### Targets

Dye & Durham believes it has substantial opportunities to grow its market share within its existing total addressable market. The Company has identified and is continuing to execute against its four key strategic growth priorities, which are: (a) expanding within its existing customer base; (b) broadening its customer base; (c) pursuing accretive acquisitions and integrating acquired businesses; and (d) continuing to innovate and extend its platform with new product enhancements, features, and functionality and realizing commensurate pricing changes. See "The Company's Business — Growth Strategy".

The Company believes an opportunity exists to achieve the following financial targets by the end of Fiscal 2019:

<u>Financial Targets</u>	<u>2016-2018</u>	<u>Fiscal 2019 Target</u>
Revenue Growth . . . . .	93% <sup>(1)</sup>	20% - 25%
Adjusted EBITDA Margin . . . . .	43% <sup>(2)</sup>	55% - 60% <sup>(3)</sup>

#### Notes:

- (1) Represents Fiscal 2016 to Fiscal 2018 CAGR.
- (2) Represents average of Fiscal 2016 to Fiscal 2018.
- (3) Fiscal 2019 Adjusted EBITDA Margin target takes into account the increased ongoing costs associated with being a public company.

The foregoing information demonstrates Dye & Durham's growth objectives, which are not forecasts or estimates of its financial position, but are based on the implementation of its strategic goals, growth prospects and growth initiatives. Management's assessments of, and outlook for, target revenue growth and Adjusted EBITDA Margin for Fiscal 2019 set out above are generally based on the following assumptions: (a) Dye & Durham's results of operations will continue as expected, (b) the Company will effectively execute against its four key strategic growth priorities, (c) the Company will continue to retain and grow its existing customer base and market share, (d) the Company will be able to take advantage of future prospects and opportunities, (e) there will be no changes in legislative or regulatory matters that negatively impact Dye & Durham's business, (f) current tax laws will remain in effect and will not be materially changed, (g) economic conditions will remain relatively stable throughout the period, and (h) the legal technology industry will continue to grow consistent

with past experience. The Company considers these assumptions to be reasonable in the circumstances, given the time period for such projections and targets. The achievement of target revenue growth and Adjusted EBITDA Margin for Fiscal 2019 set out above is subject to significant risks including: (a) that the Company will be unable to effectively execute against its key strategic growth priorities and (b) the Company will be unable to continue to retain and grow its existing customer base and market share. For more information on the assumptions and risk underlying Dye & Durham's objectives, see "Forward-Looking Statements", "The Company's Business — Growth Strategy" and the risks contained in "Risk Factors".

See "The Company's Business — Fiscal 2019 Targets".

### **Competitive Strengths**

Dye & Durham is a leading provider of a complete all-in-one cloud-based software solution. Dye & Durham intends to continue to deliver value to its customer base by expanding on the comprehensive array of services offered on *e-market* as well as providing exceptional client service and leading edge proprietary technology.

Dye & Durham's business has several key competitive strengths, including:

#### ***Continuous innovation***

Dye & Durham has a relentless focus on serving its clients with best-in-class tools that improve the efficiency and effectiveness of day-to-day tasks. This focus is supported by the Company's Chief Operating Officer and a dedicated team of 38 information technology development professionals. Dye & Durham offers a continuous feedback loop between its clients and development team, and regularly updates its software to improve productivity and support client requests. As a result, over the past year, the Company has released 23 major new features and 171 product enhancements. These releases are in addition to periodic bug fixes and maintenance releases performed outside of the Company's normal release schedule to address client issues and improve product quality.

#### ***Loyal blue-chip customer base***

The Company has over 5,000 clients spanning longstanding and newly developed client relationships, with an annual Customer Churn Rate of only 2.3% and an average client relationship of 17.5 years.<sup>13</sup> The Company equates this robust customer base to, among other things, its performance track record and strong brand recognition. The Company's focus on continuous development and client support aligns the Company's business with the needs of its clients, which can be evidenced by the Company's overall Net Promoter Score of 69, which is well above the software industry average of 31<sup>14</sup>. In addition, Dye & Durham's long history of serving the legal, business and government community in Canada has resulted in strong brand recognition within its industry, which management believes makes the Company "top of mind" for clients and helps drive demand and pricing power. As a result, management believes that its existing clients are committed to the Company and less likely to switch providers.

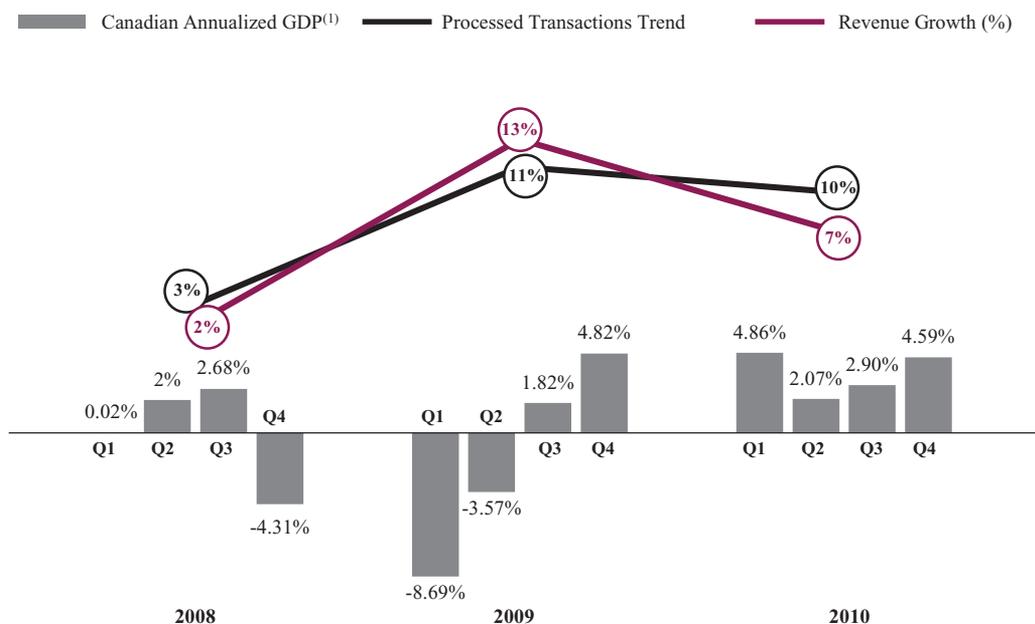
<sup>13</sup> Based on the Company's top 100 clients by revenue in Fiscal 2018.

<sup>14</sup> NICE Systems, Inc. 2018 U.S. Consumer Net Promoter Benchmarks.

**Resilient business model**

Management believes that Dye & Durham’s strong value proposition, coupled with a business that services transactions in both strong and weak economic times, will enable the Company’s continued strong performance in all economic conditions. This is evidenced by the Company’s performance during the 2008 global financial crisis, as the Company’s total transaction volume CAGR from 2008 to 2010 was 10.3%.

The Company’s transaction volumes and revenue, on a *pro forma*<sup>15</sup> basis, increased from 2008 through to 2010.



Note:

(1) Source: Bloomberg Data.

See “The Company’s Business — Competitive Strengths”.

<sup>15</sup> Combined historical business of Dye & Durham, OnCorp and OneMove. Transaction volumes based off of management records.

## THE OFFERING

<b>Issuer:</b>	Dye & Durham Corporation.
<b>Selling Shareholders:</b>	Plantro Ltd., Seastone Invest Limited, Manulife, Ronnie Wahi and Adrian Turchet.
<b>Offering:</b>	\$125.0 million (\$143.75 million assuming the Over-Allotment Option is exercised in full). See “Plan of Distribution”.
<b>Offering Price per Share:</b>	\$●. It is anticipated that the Offering Price will be between \$8.00 and \$9.00 per Share.
<b>Total Number of Shares Offered:</b>	● Shares (● assuming the Over-Allotment Option is exercised in full). Based on the estimated price range, between 13,888,889 and 15,625,000 Shares will be offered pursuant to the Offering (between 15,972,222 and 17,968,750 assuming the Over-Allotment Option is exercised in full).
<b>Treasury Offering:</b>	\$50.0 million.
<b>Secondary Offering:</b>	\$75.0 million (\$93.75 million assuming the Over-Allotment Option is exercised in full).
<b>Over-Allotment Option:</b>	Each of the Selling Shareholders, on a <i>pro rata</i> basis, has agreed to grant to the Underwriters the Over-Allotment Option exercisable for a period of 30 days from the Closing Date to purchase up to an additional ● Shares (representing 15% of the Shares offered under this prospectus) at the Offering Price to cover over-allocations, if any, and for market stabilization purposes. See “Plan of Distribution”.
<b>Shares Outstanding:</b>	An aggregate of 29,858,194 to 30,552,638 Shares will be issued and outstanding immediately on Closing (29,858,194 to 30,552,638 Shares if the Over-Allotment Option is exercised in full), excluding Shares that may be issued upon exercise of outstanding options or other convertible securities issued by the Company. See “Description of Share Capital”.
<b>Shares held by the Selling Shareholders Following Closing:</b>	Following Closing (but without giving effect to the exercise of the Over-Allotment Option), the Selling Shareholders will, collectively, directly or indirectly, own or control an aggregate of 14,866,113 to 15,907,780 Shares, representing approximately 48.7% to 53.3% of the issued and outstanding Shares (12,522,363 to 13,824,446 Shares, representing approximately 41.0% to 46.3% of the issued and outstanding Shares, if the Over-Allotment Option is exercised in full). See “Principal and Selling Shareholders”.
<b>Use of Proceeds:</b>	<p>The Company expects to receive approximately \$● in net proceeds from the Treasury Offering, after deducting the Company’s share of the Underwriters’ Commissions payable by the Company to the Underwriters in connection with the Treasury Offering and the estimated expenses of the Offering, which are expected to be \$●. The Company intends to use approximately \$35.0 million of the net proceeds from the Treasury Offering to permanently reduce a portion of the outstanding indebtedness under the Company’s Term Loan. The remaining net proceeds from the Treasury Offering are expected to be used (a) to accomplish the business objectives of the Company (see “The Company’s Business — Growth Strategy”) which include continuing to pursue acquisition opportunities, and (b) for working capital and general corporate purposes.</p> <p>The Company will not receive any of the proceeds from the Secondary Offering.</p>

See “Use of Proceeds”.

**Lock-Up Arrangements:**

For a period beginning on the Closing Date and ending (a) for the Locked-up Selling Shareholders, 365 days after the Closing Date; and (b) for the Locked-up Securityholders, 180 days after the Closing Date, each such person has agreed, except for transactions related to the Offering, to not, directly or indirectly, (a) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any Shares or securities convertible into or exercisable or exchangeable for Shares (except for transfers to affiliates, provided they remain affiliates); or (b) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares, other securities, cash or otherwise.

For a period beginning at the Closing Date and ending 180 days after the closing date of the Offering, the Company will not, directly or indirectly, (a) offer, issue, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Shares, financial instruments or securities convertible into or exercisable or exchangeable for Shares or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to employee or executive incentive compensation arrangements approved by the Lead Underwriters, or issued to vendors as consideration for the acquisition of a business or assets provided that such vendors agree to not transfer such securities prior to the date that is 180 days after the Closing), or (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares, other securities, cash or otherwise.

As a result of the Shareholder Lock-up, 99.7% of Shares outstanding prior to the Offering on a non-diluted basis, excluding the Shares sold to the Underwriters by the Selling Shareholders under this prospectus, will be locked-up by current shareholders and therefore not freely tradeable for a period of 365 days after the Closing Date, as applicable.

See “Plan of Distribution — Lock-Up Arrangements”.

**Dividend Policy:**

The Company does not currently anticipate paying cash dividends on the Shares in the foreseeable future. The Company’s current policy is to retain cash flows to finance the development and enhancement of its services and to otherwise reinvest in the Company’s business. See “Description of Share Capital” and “Dividend Policy”.

**Risk Factors:**

An investment in the Shares is speculative and involves a high degree of risk. Prospective purchasers should carefully consider the information set out under “Risk Factors” and the other information in this prospectus before purchasing Shares, which include: failing to successfully implement the Company’s growth strategy; being unable to successfully develop or acquire and sell enhancements and new services; the Company’s dependence on key and highly-skilled personnel to operate the Company’s business and being unable to retain its current, or hire additional, personnel; not being able to consummate or integrate acquisitions; difficulty in funding future working capital, capital expenditures, general corporate expenses or other items, or needing to allocate a substantial portion of the Company’s cash resources to

the payment of its indebtedness; restrictive covenants contained in the Credit Agreement and the requirements for the Company to meet certain financial ratios and financial condition tests; requiring additional capital, and not being able to secure such additional capital on favourable terms; increasing debt servicing costs; changes in economic conditions which result in fluctuations in demand for the Company's services; growth placing significant demands on the Company's management and infrastructure; the competitive business environment within which the Company operates and the Company's not being able to compete effectively; system interruptions that impair access to the Company's technology; a downturn or consolidation in the economy, or in the real estate market; material defects or errors in the Company's technology infrastructure; failing to adapt to technological changes that render the Company's technology obsolete or decrease the attractiveness of its services to its clients; competition; failing to adequately protect the Company's technology infrastructure against data corruption, privacy breaches, cyber-based attacks or network breaches; the Company encountering pricing pressure and implementation challenges, or delays in revenue recognition for some complex transactions; forward-looking statements contained in this prospectus not being correct; the effort, time and expense associated with switching from competitors' software and services to that of the Company's limiting the Company's growth; failing to adequately protect its intellectual property; using "open source" software; infringing on the proprietary rights of others; negative publicity; failing to develop widespread brand awareness cost-effectively; making incorrect accounting estimates and judgments; future sales of Shares by existing shareholders; changing or terminating the registry access agreements the Company is a party to; limitations on the Company's ability to increase fees for certain registry services; risks related to acceptance of credit cards and debit cards for client payments; future offerings of debt securities, which rank senior to the Shares upon bankruptcy or liquidation, and future offerings of equity securities that are senior to the Shares for the purposes of dividend and liquidating distributions; an active, liquid and orderly trading market for the Shares not developing; dilution and future sales of Shares; failing to comply with governmental regulations; current or future litigation; risk management efforts not being effective; insurance coverage reserves not covering future claims; incurring operating losses in the future; adopting new accounting standards or interpretations; failing to establish and maintain effective internal controls in accordance with NI 52-109; fluctuations in financial results, seasonality and market cyclicality; risks inherent in foreign operations; exchange rate fluctuations; not maintaining the Company's corporate culture; use of proceeds of the Treasury Offering not being specified with certainty; confidentiality agreements with employees and others not adequately preventing disclosure of trade secrets and other proprietary information; claims for indemnification by the Company's directors and officers reducing the Company's available funds; the risks of earthquakes, fires, floods and other natural catastrophic events and interruption by man-made problems such as terrorism; risks associated with the Company's current policy with respect to dividends; incurring increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies; and changes to tax laws or adverse outcomes resulting from examination by the tax authorities of the Company's income tax returns.

## SUMMARY FINANCIAL INFORMATION

The following table sets out historical consolidated financial information of the Company, in each case, for the periods ended and as of the dates indicated. The selected consolidated financial information of the Company has been derived from the audited consolidated financial statements of the Company for Fiscal 2018, 2017 and 2016, appearing elsewhere in this prospectus.

The summary financial information should be read in conjunction with the Company's annual condensed consolidated financial statements and the related notes as well as "Management's Discussion and Analysis", "Use of Proceeds", and "Non-IFRS Financial Measures".

	For the years ended June 30,		
	2018	2017	2016
<b>Revenue</b> . . . . .	\$32,540,796	\$18,837,232	\$ 8,769,580
<b>Direct Costs</b> . . . . .	\$ 1,316,919	\$ 1,184,943	\$ 337,752
<b>Gross Profit</b> . . . . .	\$31,223,877	\$17,652,289	\$ 8,431,828
<b>Expenses</b> . . . . .	\$22,999,365	\$11,844,091	\$ 6,816,586
<b>Comprehensive income (loss)</b> . . . . .	\$ 650,908	\$ 2,369,324	\$ 3,679,387
<b>Comprehensive income (loss) items</b> . . . . .	\$ 584,858	\$ 27,119	\$ 3,403
<b>Net income (loss)</b> . . . . .	\$ 1,235,766	\$ 2,396,443	\$ 3,682,790
Amortization and depreciation . . . . .	\$ 5,452,996	\$ 1,848,679	\$ 332,449
Interest . . . . .	\$ 5,500,313	\$ 1,047,983	\$ 51,280
Tax expense (recovery) . . . . .	\$ 1,890,903	\$ (601,089)	\$ (2,661,017)
<b>EBITDA<sup>(1)</sup></b> . . . . .	\$14,079,978	\$ 4,692,016	\$ 1,405,502
<b>Adjustments to EBITDA</b>			
Stock-based compensation <sup>(2)</sup> . . . . .	\$ 2,689,089	\$ —	\$ —
Acquisition and restructuring expenses <sup>(3)</sup> . . . . .	\$ 869,360	\$ 3,673,302	\$ 593,469
One-time corporate reorganization <sup>(4)</sup> . . . . .	\$ 767,014	\$ —	\$ —
Tax reassessment <sup>(5)</sup> . . . . .	\$ 772,380	\$ —	\$ —
Asset impairment <sup>(6)</sup> . . . . .	\$ —	\$ 339,542	\$ —
<b>Adjusted EBITDA<sup>(1)</sup></b> . . . . .	\$19,177,821	\$ 8,704,860	\$ 1,998,971
<b>Adjusted EBITDA Margin (% of revenue)<sup>(1)</sup></b> . . . . .	59%	46%	23%
<b>Cash provided by operations</b> . . . . .	\$10,943,278	\$ 2,454,296	\$ 610,592
<b>Total assets</b> . . . . .	\$84,786,637	\$88,146,043	\$17,342,509
<b>Total liabilities</b> . . . . .	\$94,521,926	\$71,591,381	\$10,420,552

Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Non-IFRS Financial Measures".
- (2) "Stock-based compensation" relates to a one-time non-reoccurring grant of Common Shares to a former director and current employee for past services. See "Management's Discussion and Analysis — Related Party Transactions".
- (3) "Acquisition and restructuring expenses" relate to non-recurring costs incurred in connection with the one-time legal, advisory, banking (credit), and investment banking expenses associated with the repurchase of all of the equity previously owned by ISC and the issuance of Series 1 Preferred Shares to Manulife. See "Management's Discussion and Analysis — Consolidated 2018 Highlights".
- (4) "One-time corporate reorganization" relates to severance and separation agreements for terminated positions, retention bonuses and costs related to the addition of new directors to the Board.
- (5) "Tax reassessment" relates to a reassessment of previous tax incentive claims made under the Scientific Research and Experimental Development tax incentive program.
- (6) "Asset Impairment" relates to impairment of a software technologies asset.

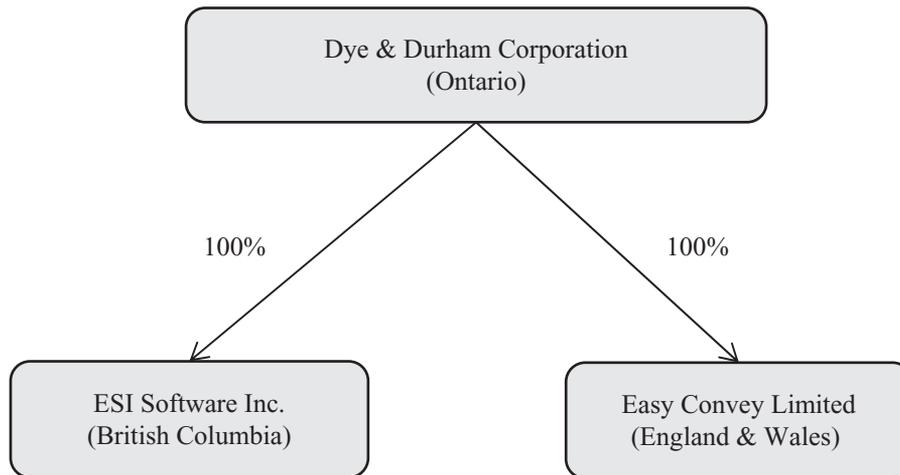
## CORPORATE STRUCTURE

The Company is a corporation existing under the OBCA. On November 8, 2017, the Company was continued from British Columbia into Ontario under the OBCA. On July 1, 2018, OnCorp Direct. Inc. and Dye & Durham Corporation were amalgamated to form the Company under the name “Dye & Durham Corporation”.

Concurrently with the Closing, the Company’s articles will be amended to give effect to the Pre-Closing Capital Changes, as described under “Description of Share Capital — Pre-Closing Capital Changes”, which will include amending the articles to delete the Class A Common Shares, the Class B Common Shares, the Series 1 Preferred Shares and the Series 2 Preferred Shares, to restate the Shares and to create the Preferred Shares.

The Company’s head and registered office is located at First Canadian Place, Exchange Tower, 130 King Street West, Suite 501, Toronto, Ontario M5X 1E4.

The following chart identifies the Company’s material subsidiaries (including jurisdiction of formation or incorporation of the various entities). All subsidiaries are wholly-owned, directly, by the Company.



## THE COMPANY

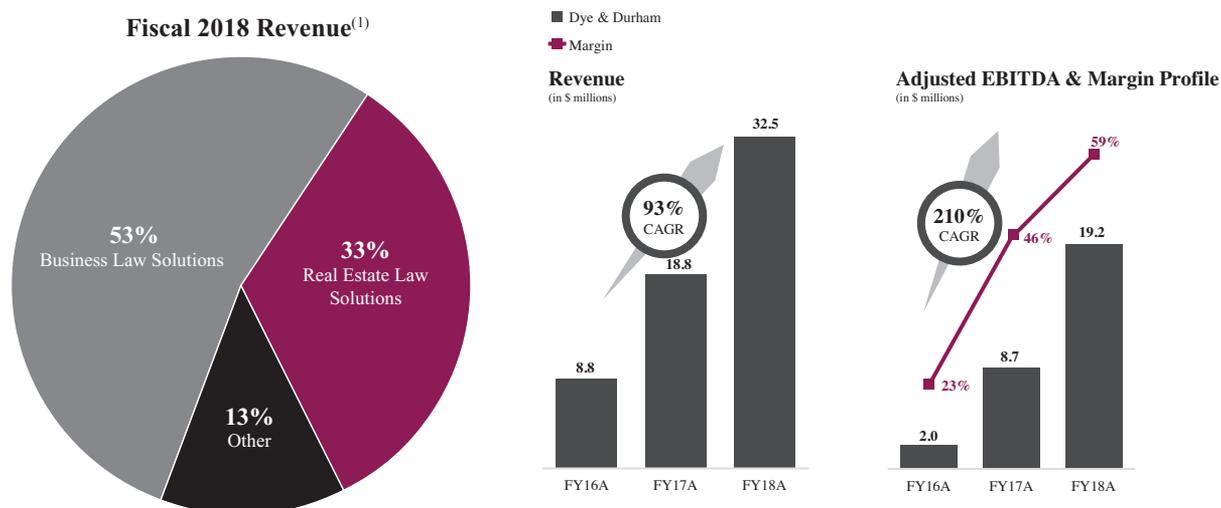
### Overview

Dye & Durham is a leading provider of cloud-based software and technology solutions designed to improve efficiency and increase productivity for legal and business professionals. The Company offers a cloud-based platform called *e-market*, which automates the process of due diligence searches, document creation and electronic records filing for transactions that underpin the economies within which the Company does business. Through its *e-market* platform, the Company's clients access its software applications in order to perform various business law or real estate law related tasks, including due diligence searches, corporate registrations, and electronic filings. See "The Company's Business".

The Company is managed on the belief that by providing leading edge proprietary technology coupled with exceptional client service, it can make what are often time consuming legal processes, mainly dealt with by support staff in law firms or administrative staff in large financial service institutions, easier to manage and more efficient. Dye & Durham's vision is to be the world's leading provider of public records registry data and the workflows this information powers.

The Company markets its products in Canada and the United Kingdom and operates different brands focused on specific segments within the legal technology industry (see "Industry"). The Company has a strong blue-chip customer base of over 5,000 clients, comprised of law firms, financial service institutions, and government organizations, and has experienced significant growth in recent years.

Today, clients that use Dye & Durham's proprietary software solutions are able to work faster, improve accuracy, and access what management believes to be one of the most comprehensive sources of public records data from one single gateway anywhere in the Canadian marketplace. Through an ongoing commitment to innovation and automation within the legal industry, Dye & Durham has invested significantly in cloud-based software technology, which has given the Company a competitive advantage relative to other market participants. This has allowed Dye & Durham to disrupt the industry by replacing manual processes with automated ones, and grow its market share to become one of the largest market participants in Canada for the products and services that it offers, where it generates approximately 95% of its revenue.



Note:

(1) Other revenue includes revenue from the Company's accounting and litigation solutions business lines. See "The Company's Business — The *e-market* Platform — Complementary Solutions".

For many of Dye & Durham's clients, its products have become an essential component to completing successful transactions in the markets within which they operate. Businesses of all sizes are Dye & Durham clients, ranging from Canada's largest law firms (including 18 of Canada's top 20<sup>16</sup>) and several Canadian

chartered banks, to sole-practitioner law firms and small businesses. This diverse customer base means that no one client makes up more than 3% of Dye & Durham’s revenue.

## Investment Highlights

Historically, Dye & Durham has achieved strong financial and operational performance, which is demonstrated by the following:

**Attractive Business Model Providing  
Strong Growth and High Margin Cash Flows**

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- Achieved an Adjusted EBITDA Margin of 59% in Fiscal 2018
- Grew revenue and Adjusted EBITDA at a CAGR of 93% and 210%, respectively, from Fiscal 2016 to Fiscal 2018
- Maintained Net Revenue Retention of 114% in Fiscal 2018

**Leading Legal Technology Services  
Provider in Canada**

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- Ongoing commitment to innovation and modernization within the legal industry
- Grown market share to become one of the largest market participants in Canada

**Diversified Customer Base Anchored by Longstanding  
Relationships**

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- Over 5,000 clients spanning longstanding and newly developed client relationships, with an annual Customer Churn Rate of only 2.3% and an average client relationship of 17.5 years<sup>17</sup>
- Low client concentration with the largest client contributing only ~3% of revenue in Fiscal 2018

**Strong Growth Driven by Organic Initiatives and Accretive  
Acquisition Strategy**

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- Able to grow organically through further client penetration, broadening of customer base and price optimization while increasing geographical reach and solution offering through acquisitions
- Continuous software and product development, including the development of artificial intelligence technology
- Successful history of acquiring and integrating businesses, improving products and finding cross-sell opportunities between existing and acquired clients while expanding margins

**Management Team with  
Successful Track Record**

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- Experienced management team with deep industry knowledge
- Executed five acquisitions since February 2016
- Successfully grown from a western Canadian-based business with less than 15 employees, and approximately 700 clients and \$2.3 million in revenue, into a multi-jurisdictional business with 198 employees, over 5,000 clients and \$32.5 million in revenue

Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures. See “Non-IFRS Financial Measures” and “Management’s Discussion and Analysis — Cautionary Note Regarding Non-IFRS Measures”.

<sup>16</sup> Based on “Lexpert rankings” April 2018, and Dye & Durham records.

<sup>17</sup> Based on the Company’s top 100 clients by revenue in Fiscal 2018.

## Dye & Durham Corporate Timeline

<b>1874</b>	Dye & Durham Corporation is founded.
<b>June 2013</b>	<p>Matthew Proud, the Company's current Chief Executive Officer, and Tyler Proud, a current director of the Company, indirectly acquire OneMove Technologies Inc., a leading provider of web-based real estate transaction platforms and the owner of <i>econveyance</i>, an on-line real estate conveyance platform and a predecessor to the Company.</p> <p>OneMove's common shares are delisted from the TSX Venture Exchange and it ceases to be a reporting issuer.</p>
<b>March 2014</b>	Matthew Proud is appointed Chief Executive Officer of OneMove.
<b>September 2015</b>	Information Services Corporation ("ISC") acquires 30% of the Company.
<b>February 2016</b>	The Company acquires Dye & Durham Corporation and the Company continues to carry on business as "Dye & Durham Corporation".
<b>April 2016</b>	The Company acquires 51% of Easy Convey Limited, a United Kingdom based company which provides comprehensive electronic conveyancing case management solutions.
<b>March 2017</b>	The Company acquires OnCorp Direct Inc., a provider of an online search and registration platform.
<b>October 2017</b>	<p>The Company repurchases all of the equity held by ISC.</p> <p>The Company acquires the remaining 49% of Easy Convey Limited.</p>
<b>April 2018</b>	Manulife makes an equity investment in the Company.
<b>May 2018</b>	The Company acquires Finlay Associates Limited, a United Kingdom based registry search and filing company.
<b>July 2018</b>	The Company acquires ESI Software Inc., a British Columbia based business that provides law firm practice management and financial accounting and billing tools.

## INDUSTRY

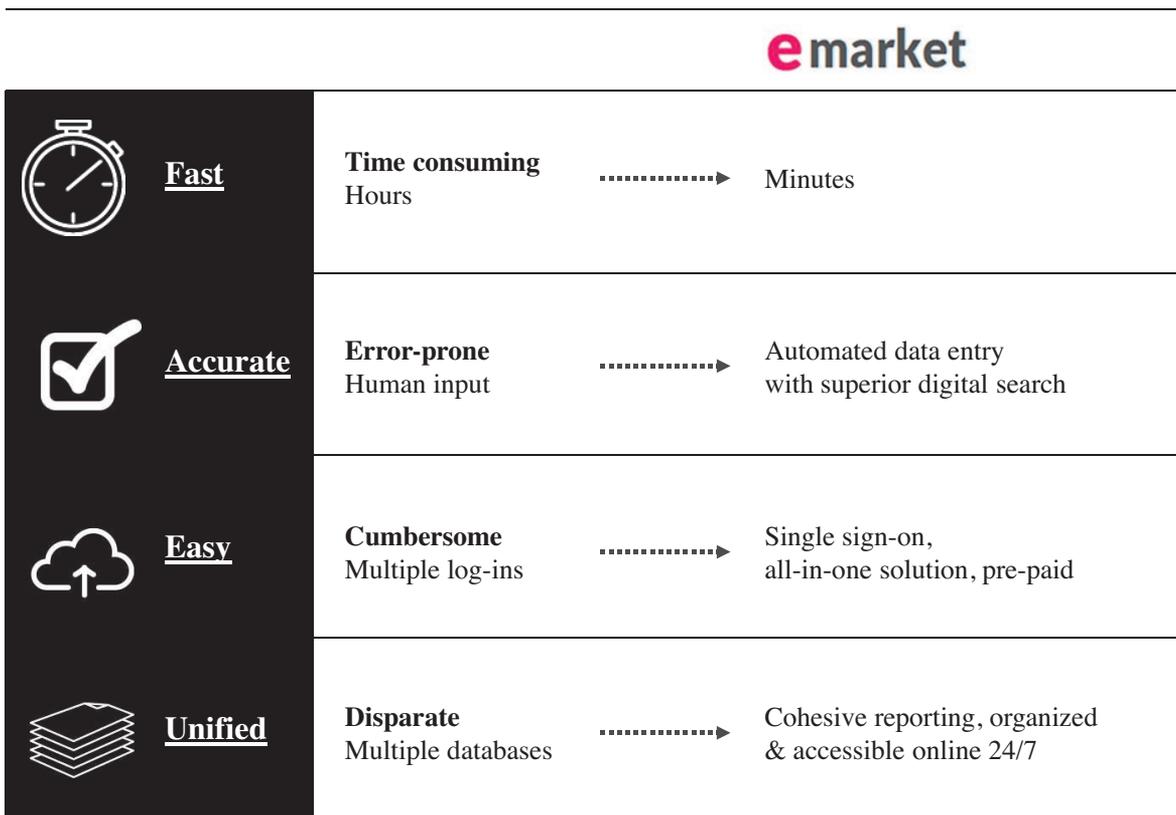
### Overview

As information technology systems have gained prevalence in the legal industry, demand has increased for legal-specific technologies that digitize and automate legal tasks. Legal technology providers offer industry-specific digital solutions that improve the productivity and efficiency of law firms, and legal and compliance departments. These technology providers have positively impacted a number of previously manual tasks, including public records searches and registrations.

Public records are maintained and controlled by government agencies. These agencies play an essential role in the maintenance and delivery of public records data that provide individuals, businesses and governments with the ability to verify information. Public records searches often serve as a conclusive record of evidence used in a range of economic transactions.

Law firms, and legal and compliance departments have historically used paper-based document systems to complete tasks ranging from due diligence searches to document registration. Over time, public records have evolved from paper-based systems to fragmented electronic systems. In more recent years, all-in-one cloud-based systems have emerged. This evolution has created an opportunity for technology providers to automate manual tasks including aggregating, analyzing and organizing multiple database sources into easily accessible formats. As a result of manual task automation, users have experienced decreased error rates and quicker turnaround times.

Dye & Durham's *e-market* platform automates workflow processes and streamlines access to public records.



## Industry Dynamics

The key industry dynamics affecting the legal technology industry are summarized below:

### *Large and Growing Addressable Market*

The increasing presence of formal due diligence and compliance regulations across most developed nations has paved the way for a large global legal industry. Law firms, and legal and compliance departments, ranging from single professional operations to regional, national and multinational businesses utilize diligence searches, registrations and other related services that are facilitated by legal technology providers. Fees generated from these businesses result in a total addressable market of approximately \$9.2 billion<sup>18</sup>, as illustrated in the chart below:

The image below sets out the Company's current addressable market in comparison to its total addressable market, as set out in the Deloitte Report.



Note:

(1) Total addressable market is comprised of Canada, the United States, the United Kingdom, Ireland and Australia.

### *Movement to the Cloud*

The ability to securely host software solutions in the cloud via highly scalable architecture is the foundation for providing valuable solutions in a cost effective manner. In addition to providing a highly scalable platform to automate processes, the cloud facilitates access to numerous databases that are updated in real time, which is valuable given the heightened importance of formal due diligence and compliance in the legal industry.

### *High Barriers to Entry*

The complex nature of consolidating and sourcing public records data from fragmented registries in an efficient and accurate manner serves as a large obstacle for new competitors to enter the legal technology industry. Comprehensive, end-to-end, turnkey software solution offerings, which are difficult to replicate, have added another layer of complexity for potential new entrants into the marketplace. Furthermore, existing clients become accustomed to specific user interfaces and value-added services, which often makes the incumbent provider the most attractive option and reduces the willingness of such clients to switch service providers.

### *Increased Regulation and Compliance Standards*

Major events, such as the 2008 global financial crisis, have resulted in the implementation of new and increasingly complex government regulations and compliance standards across the globe. In Canada, for example, the Financial Transactions and Reports Analysis Centre sets a high standard for regulation and compliance across a number of industries in order to detect, prevent and deter money laundering and the

<sup>18</sup> Deloitte Report.

financing of terrorist activities. The breadth of compliance with certain of these regulations (such as know your client “KYC” and anti-money laundering “AML”) requires continuous searching and registering with numerous electronic government databases. This is both time-consuming and expensive to complete without automation, given the level of accuracy required. Management believes that this trend will intensify over time, as evidenced by the recently proposed changes to the *Proceeds of Crime (Money Laundering) and Terrorist Financing Act* (Canada), which, if implemented, will impose the KYC and AML regulations on new industries, thereby increasing the demand for cloud-based software solutions.

**Legal Industry Focus on Value-Add**

Due to increasing pricing pressures, law firms are turning to software solutions to automate and streamline routine functions and processes in order to add value and realize efficiencies. Automating certain legal functions, such as due diligence and document review, frees legal clerks to conduct more complex tasks. Software capable of scouring a comprehensive set of data sources and displaying the findings in a presentable manner provides significant efficiencies to the Company’s clients.

**Industry Segments**

Dye & Durham primarily services two segments within the legal software industry, which it refers to as “business law” and “real estate conveyancing”. Business law includes the automation of document preparation in order to streamline the due diligence process, effect corporate filings or record liens on personal property. Real estate conveyancing includes the automation of document preparation in order to streamline the transfer of property from one party to another, complete due diligence, or acquire title insurance. Both segments include streamlined access to public records for searches and registration.

The chart below sets forth the jurisdictions within which Dye & Durham offers its services, and specifies the services it provides in such jurisdictions.

Dye & Durham Service Offerings by Jurisdiction						
		Ontario	British Columbia	Alberta	Rest of Canada	United Kingdom
<b>Business Law</b>	Due Diligence	✓	✓	✓	✓	
	Corporate Filings	✓	✓	✓	✓	
	Lien Management	✓	✓	✓	✓	
<b>Real Estate Conveyancing</b>	Due Diligence	✓	✓			✓
	Document Preparation	✓	✓	✓		✓
	Closing Calculations	✓	✓	✓		✓
	Registrations	✓	✓			✓

**Business Law (Canada)**

Transactions including mergers and acquisitions, financings, incorporations and others underpin the economy. In Canada, businesses are able to use legal software to incorporate companies, update corporate records, execute due diligence searches, and service personal property liens. In order to facilitate these functions, among others, legal software providers access, synthesize and produce reports from numerous sources of public records data.

### *Due Diligence Searches*

Due diligence searches are an essential component of most mergers and acquisitions and financing transactions. In the course of a due diligence undertaking, law firms and lenders will often order a series of public records searches in an effort to verify third party information and reduce transaction risk. While the type and volume of searches varies depending on the characteristics of each transaction, the majority of these searches are of public records maintained by provincial or federal government agencies.

Due diligence searches allow for, among other things, the verification of the operational status of a corporation, produce historic and current information on a corporation existing in that jurisdiction, provide information on outstanding registered liens on personal property, and information on bankruptcies and insolvencies, and historic litigation. Typically ordered by law clerks or financial service institutions administration staff, the information produced from due diligence searches provides transacting parties with valuable counterparty information that is maintained by and produced from trusted third party sources.

### *Registrations (Corporate Filings and Lien Management)*

Whether in connection with a secured financing transaction, or following the completion of an acquisition, government registrations are often required to complete a transaction or perfect security interests. Two common registration types include registrations against personal property and corporate filings.

In Canada, for the purposes of perfecting a security interest against the personal property of a debtor, secured parties will often require the registration of a financing statement under the applicable personal property legislation. Such registration provides the secured party with a statutory safeguard and priority against other parties with competing security interests against the applicable property. Once a secured party has been paid out or the security against the debtor is otherwise terminated, registrations are then discharged and removed from the government records to reflect that fact.

Corporate filings, on the other hand, include the incorporation of companies or the updating of corporate records. These filings are often required to legally effect certain transactions, including amendments to a company's governing articles, amalgamations, or the continuance of a company from one province into another. Following a corporate action, additional filings, such as a change in registered address or changes to a board of directors, may be required to ensure government records are current.

### *Real Estate Conveyancing (Canada and the United Kingdom)*

In Canada and the United Kingdom, real estate lawyers and financial service institutions participate in the process of transferring ownership in real property, mortgaging real property, and registering claims and liens against real property. In order to facilitate this work, real estate lawyers and financial service institutions are required to prepare legal documents, which are registered on the public record with the applicable government authority. Increasingly, these processes are becoming automated, with real estate lawyers and financial service institutions utilizing legal software to complete these functions.

### *Conveyance (Document Preparation, Closing Calculations and Registrations)*

In Canada and the United Kingdom, government agencies are tasked with maintaining land registration systems, which record title to and associated interests in real property. In these jurisdictions, real estate lawyers and financial service institutions are able to use legal software to expedite and manage the process of buying, selling and financing real estate. This legal software connects transaction participants in the property transfer process, automates the process of creating legal documents, and facilitates the updating of public records through electronic filings.

### *Due Diligence Searches*

In Canada and the United Kingdom, legal due diligence searches are often performed in connection with the purchase or financing of real estate to check or verify material information about a property. Although the scope and process of real estate due diligence changes from jurisdiction to jurisdiction, one commonality in all Canadian jurisdictions and in England and Wales is the title search component. A title search is often the first

due diligence search undertaken in connection with a real estate purchase or financing. Title searches ensure that the seller has the legal right to sell the property, and that there are no other encumbrances on the property (such as liens or mortgages), or property line issues that could impact title to the acquired property. In jurisdictions where title insurance is not a common element of a conveyancing or refinancing transaction, a more thorough due diligence process is undertaken. Legal software providers have begun to provide clients with an automated process to complete off-title due diligence searches to streamline the processing of real estate transactions.

## **Competition**

### ***Business Law Solutions***

Competition in the business law industry subset is largely divided between Dye & Durham, ESC Corporate Services (Information Services Corporation), Cyberbahn (Thomson Reuters Corporation), and local independent registry agents.

### ***Real Estate Conveyancing Solutions***

In Canada, Dye & Durham has two principal competitors of its real estate conveyance segment, Do Process Software LP (Teranet Inc.), and LawyerDoneDeal Corp.

In England & Wales, the major competitors on the case management, report and document creation subset of the market are LEAP Legal Software, Ochresoft Ltd., and Redbrick Solutions Ltd.

The Company has four major competitors in the public records search subset of the industry in the England & Wales Search market, being Property Information Exchange Limited, SearchFlow Limited, TM Group, Inc., and InfoTrack Ltd.

## THE COMPANY'S BUSINESS

### Business Model

Since 2013, management has transformed Dye & Durham into a leading Canadian legal technology company. Today, the Company provides users access to a cloud-based platform called *e-market*, which is an all-in-one cloud-based solution that automates the process of public records due diligence searches, document creation and electronic records filings.

The *e-market* platform provides users with a single log-in that offers all of Dye & Durham's on-demand solutions through a single gateway. Additionally, like cloud-based software providers in other industries, *e-market* users benefit from a reduced cost of software installation and maintenance, reduced operating expenses (such as information technology costs), increased security, and reduced disaster recovery risk. This cloud-based model has allowed the Company to scale its revenue significantly, with minimal additional expenses.

Dye & Durham earns the majority of its revenue on a reoccurring transactional-fee basis, as clients perform automated public record due diligence searches, associated document preparation, or electronic public records filings through the Company's *e-market* platform. *e-market* clients hold a pre-paid account balance which is generally based on an average volume of past transactions, with the ability to top up the balance at any time as usage increases. For pre-paid accounts, fees are deducted from the account balance each time a user processes a transaction on the platform. Other clients are generally invoiced for services on a monthly basis. The transaction fees incurred by Dye & Durham's clients are often passed along to such clients' customers as disbursements, and generally represent a small part of an overall transaction expense. Management believes this business model offers minimal accounts receivable and promotes usage as clients are not required to enter payment information on a transaction-by-transaction basis. Further, this transactional model is complemented with additional recurring revenue generated from other value-added service offerings and capabilities.

Dye & Durham believes that *e-market's* ease of use and track record of innovation translates into a loyal user base, ongoing penetration within the client's organization and increasing revenue over time.

Given the fixed cost nature of a cloud-based platform, the *e-market* platform experiences economies of scale as the Company increases client penetration and adoption of new users over time. With each incremental dollar of revenue earned, the Company enjoys an incrementally larger contribution to its EBITDA. This is evidenced by the Company's Adjusted EBITDA Margin which has expanded over time.

### Clients

For Fiscal 2018, the Company's average length of a client relationship was 17.5 years<sup>19</sup> and its Net Revenue Retention was 114%.

Dye & Durham has a strong blue-chip customer base of over 5,000 clients, comprised of a number of Canada's largest law firms, financial service institutions (including several chartered banks), to sole-practitioner law firms and small businesses.<sup>20</sup> Management believes that the Company's customer base includes less than 10%<sup>21</sup> of all law firms in Canada, and less than 5%<sup>22</sup> of all law firms in the United Kingdom who practise conveyancing, as well as many additional well known government agencies and financial service institutions. The Company is not substantially dependent on any one client, as no single client accounts for more than 3% of revenue.

The Company's sales cycle varies in length and complexity and is often based on its clients' size and specialties. Once a client is onboarded, the Company has experienced low churn, as evidenced by a Customer

<sup>19</sup> Based on the Company's top 100 clients by revenue in Fiscal 2018.

<sup>20</sup> Includes clients that generated greater than \$1,000 in revenue in Fiscal 2017 or greater than \$1,000 of revenue in Fiscal 2018, which were also clients in Fiscal 2017, but does not include clients of *easyconvey*.

<sup>21</sup> Assuming 69% of 5,397 Fiscal 2018 clients (including *ESILaw* clients) are law firms (based on a 250 randomized sample of client base), 42,270 registered legal firms in Canada; does not entail 100% share of wallet from each client.

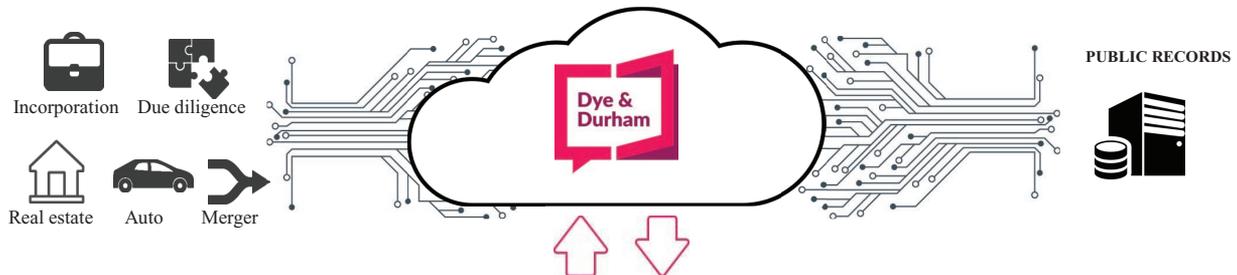
<sup>22</sup> Represents 132 firms which are clients of Dye & Durham out of 6,325 registered law firms with the United Kingdom Law Society who conduct residential conveyancing.

Churn Rate of only 2.3% in Fiscal 2018. Dye & Durham believes this high client retention rate can be attributed to the fact that management has built a business that is well aligned with its clients' needs. This can be evidenced by the Company's overall Net Promoter Score of 69, which is well above the software industry average of 31.<sup>23</sup>

## The e-market Platform

Dye & Durham's e-market platform provides the following client-specific offerings:

A One-stop Gateway to Legal Registries & Public Records Data



## Business Law Solutions

### e-core

Dye & Durham's e-core application provides a complete all-in-one solution that gives users the capability to automate the due diligence process, document creation and electronic records filings for corporations. Although the software application has the value proposition of being a single product with multiple application uses, it is primarily used for processing due diligence searches on mergers and acquisitions and financing transactions, corporate search and registrations (provincial and federal filing of articles of incorporation, amendments and dissolutions, business name searches, corporate name searches and registrations) and security searches and registrations (PPSA and Bank Act). e-core users in British Columbia also use the application to electronically request various types of litigation searches, submissions and services in that jurisdiction, and in connection with real estate due diligence searches, electronic registration of land transfers and other similar derivative products.

e-core creates a better client experience by using technology wherever possible to fully automate a user's work flow, which allows for fewer touchpoints and a real time return of submitted requests. The platform also automates often tedious and repetitive processes allowing users to work faster, improve accuracy, and reduce

<sup>23</sup> NICE Systems, Inc. 2018 U.S. Consumer Net Promoter Benchmarks.

manual data input by way of automated improved throughput. The overall result is increased productivity, which benefits professional services practitioners and financial service institutions.

*e-core* users benefit from the ability to connect to what management believes is the most comprehensive array of public records data services available anywhere in Canada. The *e-core* platform has a robust product offering that the Company continues to develop, expand and improve to meet users' unique needs.

Incorporated into *e-core* is Dye & Durham's proprietary technology which allows users of the platform to review large and cumbersome bulk public records data, a task that traditionally took many hours or days of manual work. *e-core* summarizes the results within a matter of seconds, as a result of its fully automated data summarization capability. Additionally, the *e-core* platform integrates with most major legal back office accounting systems, including the Company's ESILaw software, for data pass-through and cost recovery automation, which reduces risk, reduces costs and enhances client ease of use.

#### *ecorp*

Available in British Columbia, *ecorp* is the all-in-one enterprise-level cloud-based application used by law firms and sole practitioners to manage and process all corporate records online on behalf of their clients.

The application provides users with instant access to Dye & Durham's extensive and up-to-date library of precedents and legal forms, the workflow required to accurately prepare corporate documents in seconds for federal and provincial filings. *ecorp* is accessible and organized in a way that is easy to understand and manage. Clients are also able to process many regulatory filings directly within the application and can access several defined reports that are part of their day-to-day work.

#### ***Real Estate Conveyancing Solutions***

##### *econveyance (British Columbia, Alberta and Ontario)*

Available in British Columbia, Alberta and Ontario, *econveyance* simplifies and expedites the process of buying, selling, and financing real estate by connecting many of the participants in the property transfer process, and offers a secure and efficient means of completing transactions online. The application assists users through the process of real estate due diligence searches, legal document and form creation, as well as facilitating the electronic registration of the transaction.

Users of *econveyance* have the advantage of being able to have multiple parties across multiple locations share in the completion of conveyancing files, and the Company has the ability to better deploy changes to the software in response to regulatory or land registry change. *econveyance*'s highly scalable technology allows users to process significant volumes of transactions, including seasonal spikes, without compromising quality or speed.

Additionally, Dye & Durham is in the process of developing proprietary artificial intelligence technology that will provide users of *econveyance* with the ability to undertake many of the due diligence tasks the users traditionally had to complete manually, such as reviewing records and understanding what follow-up on due diligence searches is required based on the results received. This technology will automate the review of records, identify the follow-up information that may be required (e.g., charge documents, corporate profiles reports, etc.), automatically obtain the stipulated follow-up on records, and pre-populate the results throughout the application. Management believes that this technology will provide users with a competitive advantage in the marketplace. This product capability is currently in the beta testing stage with select clients, and Dye & Durham expects this offering to be available in British Columbia in the near future.

##### *CASA (England and Wales)*

Similar to *econveyance*, *CASA* also simplifies and expedites the process of buying, selling, and financing real estate. The software application synthesizes information and compiles it into legal documents and statutory forms that are required to complete a real estate transaction. Users benefit from Dye & Durham's technology and vigorous transaction management capabilities which helps accommodate often short regulatory and contractual deadlines. Management believes that *CASA* is well positioned in the English and Welsh market as its transaction management system captures the intersection between public records and document creation. *CASA*

is fully integrated with Dye & Durham's *easysearch* technology, delivering off-title local authority searches, which are often part of the due diligence process a legal professional must perform on behalf of their client when purchasing real estate, right into the *CASA* application.

### ***Complementary Solutions***

Dye & Durham also provides services in two adjacent segments within the legal technology industry, legal accounting and litigation solutions.

#### *Accounting solutions*

With its *ESILaw* software, the Company offers legal accounting and practice management software, which provides law firms with functionality designed to organize and centralize information management within the firm as it pertains to its clients, legal trust accounting, and the law practice itself. Accounting functions include, but are not limited to time or fee recording, expense tracking, cheque writing, billing, receivables, payables, trust accounting, banking, and firm and financial reporting.

*ESILaw* delivers a scalable all-in-one desktop, cloud, or a combination of both, solution to law firms, enabling them to remain in compliance with applicable trust accounting rules. *ESILaw* integrates the Company's business, real estate and litigation solutions directly into a centralized front and back office legal accounting and practice management solution. *ESILaw* reduces the friction points within a law firms back office, thereby reducing the number of disbursement errors and allowing law firms to focus on value-add tasks.

#### *Litigation solutions*

In British Columbia, the Company's litigation solutions provide clients with access to efficient filing and issuing of court documents at all levels of the judicial system. Dye & Durham provides litigation assistance to legal professionals from litigation due diligence, to commencement of legal proceedings, to judgment and enforcement. As with all Dye & Durham products, the Company's focus on technology provides clients with intelligent workflow and improved throughput that is more efficient than conducting the work manually in-house.

### **Growth Strategy**

Dye & Durham's current addressable market is estimated at approximately \$1.1 billion<sup>24</sup>, of which approximately 3% is currently captured by the Company. As larger law firms are generally comprised of a number of different practice groups, these figures may not indicate a full share of wallet from each client and Dye & Durham may only be providing a specific solution to a singular department rather than the full suite of products to the entire firm.

Over the past three fiscal years, the Company has grown revenue at a CAGR of approximately 93% by (a) expanding within its existing customer base; (b) broadening its customer base; (c) pursuing accretive acquisitions and integrating acquired businesses; and (d) continuing to innovate and extend its platform with new product enhancements, features, and functionality and realizing commensurate pricing changes. Over that period, the Company has achieved Adjusted EBITDA Margin expansion from 23% in Fiscal 2016 to approximately 60% in Fiscal 2018.

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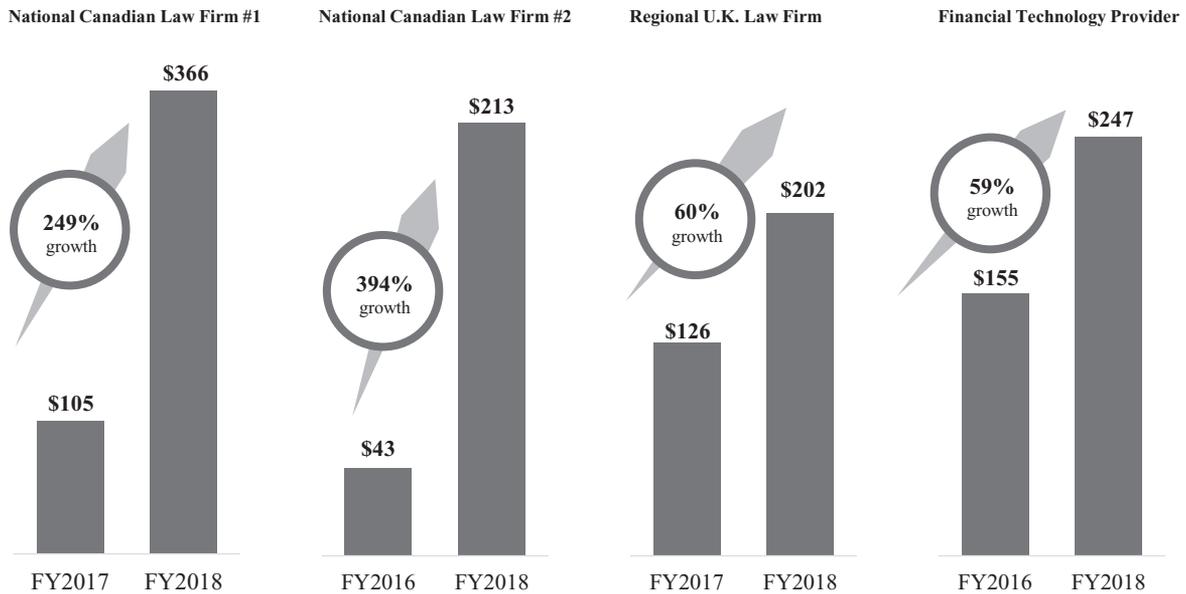
<sup>24</sup> Deloitte Report.

Dye & Durham believes it has ample opportunities for continued growth, supported by the following key strategies:

**Expand within existing customer base**

Management plans to increase client penetration by cross-selling existing offerings and developing additional products for its clients. Over the past two fiscal years, the Company grew revenue from existing clients<sup>25</sup> by over 30%. As clients realize the benefits of the Company’s platform, they often increase the number of users who access the *e-market* platform, increase their use of the Company’s products, and begin using additional Dye & Durham product offerings. The Company’s ability to expand its user base and offerings within organizations (discussed below under “— Sales and Marketing”) is demonstrated by the following examples:

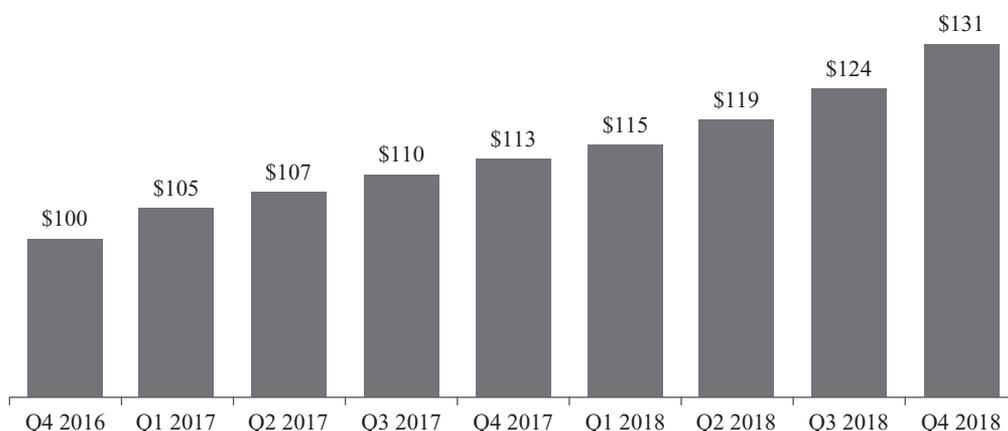
**Revenue**  
(C\$ 000’s)



- Dye & Durham’s sales and marketing teams actively promoted the automation and efficiency of the Company’s products over that of its competitors
- Transitioned all due diligence searches and lien management requirements to Dye & Durham
- Sales and marketing teams undertook an action plan to grow the account revenue by better demonstrating the full value proposition and benefit of additional services that Dye & Durham provided
- Greater utilization of the full suite of Dye & Durham products
- Sales and marketing teams offered bespoke integration with panels and real estate agents to enable the firm to grow its book of business
- The firm further took on the Company’s full suite of efficiency systems such as AML and Case Tracking which improves their profitability and operation
- The firm signed a 36 month subscription to ensure they could forecast technology costs
- Increased government regulation and compliance requirements led to increased due diligence searches by the client on revised terms

<sup>25</sup> Clients with over \$1,000 in fees in last 12 months.

Dye & Durham’s ability to expand within its existing customer base is further demonstrated by the chart below, which illustrates the growth of average revenue per account<sup>26</sup> during Fiscal 2017 and Fiscal 2018 (indexed to \$100 in fourth quarter Fiscal 2016):



**Broaden customer base**

Dye & Durham believes that the market for a comprehensive, all-in-one legal software solution is large and underserved. The Company intends to increase penetration by investing in sales and marketing efforts to expand into new markets and grow its customer base. The cumulative effect of onboarding clients has resulted in over \$3.9 million of new compounded revenue over the last three fiscal years, as demonstrated below:<sup>27</sup>

**Revenue**  
(\$000’s)



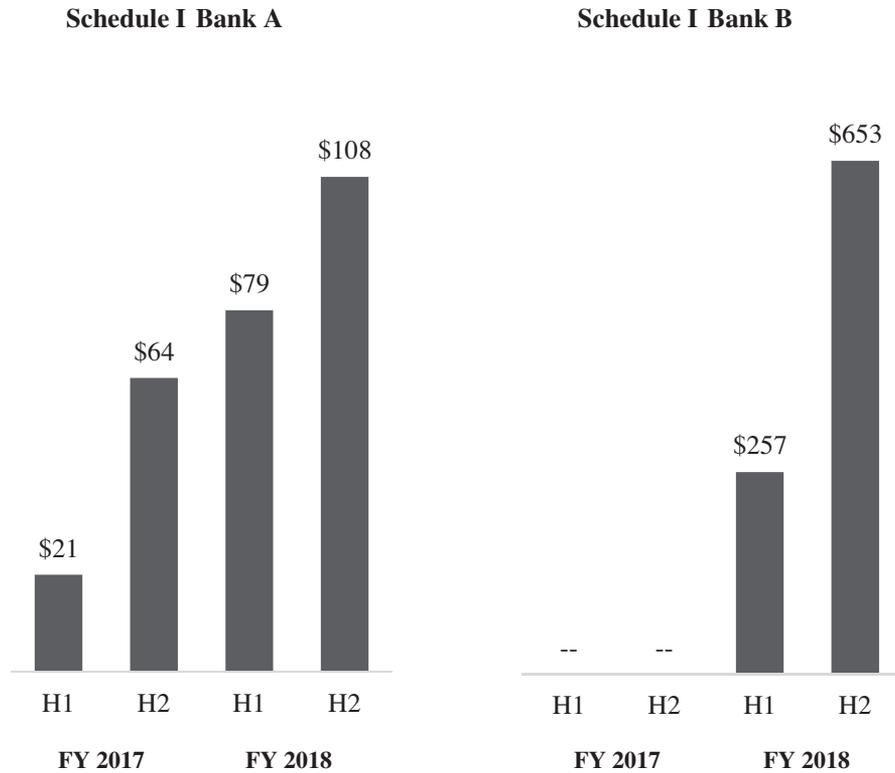
In Fiscal 2017, the Company achieved \$10.1 million in new revenue, including the addition of a Schedule I Bank (“**Schedule I Bank A**”) in the first quarter of Fiscal 2017. As set out below, the Company significantly increased revenue generated from Schedule I Bank A by providing the proprietary technology that automates the KYC compliance process for all new account openings for one of the bank’s divisions (to date, over 30,000 new banking customers have used this service). In addition, and also as set out below, Dye & Durham added another Schedule I Bank (“**Schedule I Bank B**”) in the second quarter of Fiscal 2018. Schedule I Bank B has gone on to become one of the Company’s largest clients by subscribing to Dye & Durham’s technology-

<sup>26</sup> Average revenue per account is calculated with accounts over \$1,000 in fees in last 12 months.

<sup>27</sup> Represents *pro forma* customer base: (a) 2016 New Cohort represents clients with no fees during the third and fourth quarters of Fiscal 2015, (b) 2017 New Cohort represents clients with no fees during third and fourth quarters of Fiscal 2015 and Fiscal 2016, and (c) 2018 New Cohort represents clients with no fees during third and fourth quarters of Fiscal 2015, and Fiscal 2016 and 2017. Cohort composition remains the same for each subsequent year’s fees of the respective cohort of new clients. Amounts in thousands of dollars.

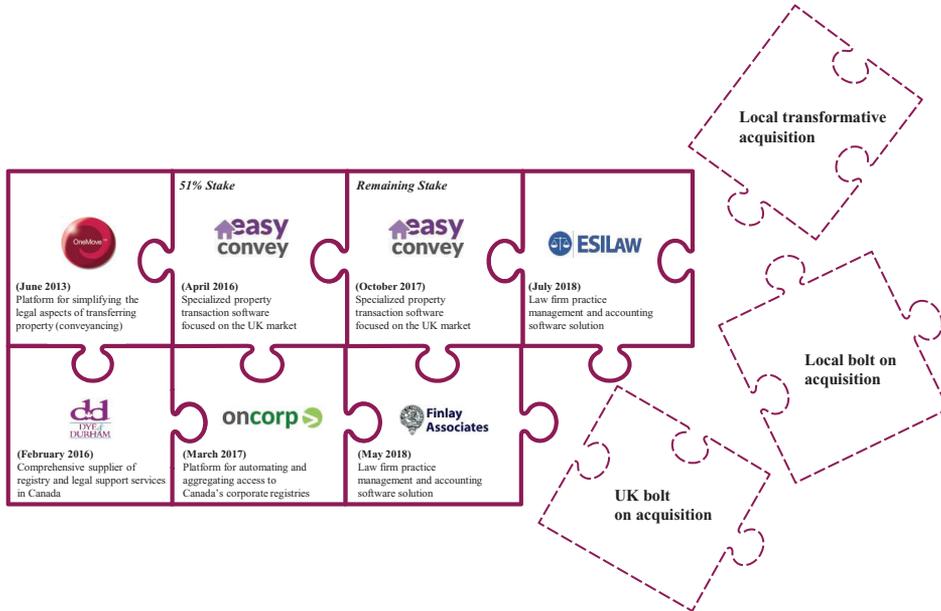
enabled services that offer a convenient way for its small business customers to register or incorporate new businesses.

**Revenue**  
(\$000's)



**Pursue accretive acquisitions**

Dye & Durham has a significant opportunity to further expand its share of its total addressable market, both organically and through acquisitions. The Company has a proven track record of acquiring, integrating and leveraging complementary targets to enhance its platform.



The Company follows a disciplined acquisition approach that evaluates targets against specific criteria and prioritizes immediate synergies. Management believes that active administration, which includes performance measurement, visibility to plan, and alignment of individual goals to the Company's goals, leads to a culture of employee buy-in, which minimizes risk, and offers the greatest chance of success.

Dye & Durham has successfully completed multiple acquisitions since February 2016. The Company has realized synergies by improving acquired products and incorporating them into the *e-market* platform. The Company's success is demonstrated by the following:

**Adjusted EBITDA Bridge**  
(\$000,000s)



Notes:

- (1) Represents June 30, 2013 year end audited financials.
- (2) Represents the addition of Dye & Durham's December 31, 2015 unaudited year end EBITDA, annualized easyconvey EBITDA for period September 1, 2015 to June 30, 2016 with a GBP/CAD conversion rate of 1.75, and OnCorp's December 31, 2016 year end EBITDA.

***Continue to innovate and extend its platform***

Dye & Durham has a well-defined technology roadmap to introduce new features and functionality to its platform that management believes will enhance its ability to generate revenue. These new features will expand the use of the platform by existing clients and broaden its appeal to potential new clients. The Company has demonstrated the value of its improvements based on low levels of attrition, as evidenced by its Fiscal 2018 Customer Churn Rate of 2.3%.

The ability to deliver product enhancements is a result of a 38 person product and software development team which is responsible for new products and product enhancements. This team continually works to improve the platform and add additional services which become entrenched in the daily workflow of the Company's clients.

## Fiscal 2019 Targets

### Q1 Fiscal 2019

Based on the Company's preliminary unaudited financial results for the three months ended September 30, 2018 ("Q1 2019"), management estimates Q1 2019 revenue to be approximately \$9.2 million, which represents an increase of over 21.65% from the same three month period in Fiscal 2018. Excluding the impact of this Offering, management believes that Q1 2019 Adjusted EBITDA and Adjusted EBITDA Margin will be in line with expectations.

A portion of the Company's revenue, that is driven from the real estate conveyancing segment, has experienced and is expected to continue to experience moderate seasonality due to seasonal patterns in the real estate market. This is due to the fact that land titles revenue fluctuates in line with real estate transaction activity. Typically, the Company's fourth quarter generates higher real estate-related revenue than other quarters, as this is when real estate activity is traditionally highest.

The foregoing information reflects the Company's preliminary estimates based on currently available information. The Company's financial closing procedures for Q1 2019 are not yet complete and, as a result, its final results upon completion of its closing procedures may vary from the preliminary estimates. These estimates should not be viewed as a substitute for interim financial statements prepared in accordance with IFRS. Please see "Risk Factors" and "Forward-Looking Statements". These preliminary estimates have been prepared by and are the responsibility of management. The Company's independent registered public accounting firm has not conducted a review of, and does not express an opinion or any other form of assurance with respect to, these preliminary estimates.

### Targets

Dye & Durham believes it has substantial opportunities to grow its market share within its existing total addressable market. The Company has identified and is continuing to execute against its four key strategic growth priorities, which are: (a) expanding within its existing customer base; (b) broadening its customer base; (c) pursuing accretive acquisitions and integrating acquired businesses; and (d) continuing to innovate and extend its platform with new product enhancements, features, and functionality and realizing commensurate pricing changes. See "The Company's Business — Growth Strategy".

The Company believes an opportunity exists to achieve the following financial targets by the end of Fiscal 2019:

<u>Financial Targets</u>	<u>2016-2018</u>	<u>Fiscal 2019 Target</u>
Revenue Growth . . . . .	93% <sup>(1)</sup>	20% - 25%
Adjusted EBITDA Margin . . . . .	43% <sup>(2)</sup>	55% - 60% <sup>(3)</sup>

#### Notes:

- (1) Represents Fiscal 2016 to Fiscal 2018 CAGR.
- (2) Represents average of Fiscal 2016 to Fiscal 2018.
- (3) Fiscal 2019 Adjusted EBITDA Margin target takes into account the increased ongoing costs associated with being a public company.

The foregoing information demonstrates Dye & Durham's growth objectives, which are not forecasts or estimates of its financial position, but are based on the implementation of its strategic goals, growth prospects and growth initiatives. Management's assessments of, and outlook for, target revenue growth and Adjusted EBITDA Margin for Fiscal 2019 set out above are generally based on the following assumptions: (a) Dye & Durham's results of operations will continue as expected, (b) the Company will effectively execute against its four key strategic growth priorities (namely, increasing client penetration by selling more services to existing clients, and demonstrating an ability to monetize improvements in its offerings with commensurate pricing changes that are tied to product additions and enhancements), (c) the Company will continue to retain and grow its existing customer base and market share, (d) the Company will be able to take advantage of future prospects and opportunities, (e) there will be no changes in legislative or regulatory matters that negatively impact Dye &

Durham's business, (f) current tax laws will remain in effect and will not be materially changed, (g) economic conditions will remain relatively stable throughout the period, and (h) the legal technology industry will continue to grow consistent with past experience. The Company considers these assumptions to be reasonable in the circumstances, given the time period for such projections and targets. The achievement of target revenue growth and Adjusted EBITDA Margin for Fiscal 2019 set out above is subject to significant risks including: (a) that the Company will be unable to effectively execute against its key strategic growth priorities and (b) the Company will be unable to continue to retain and grow its existing customer base and market share. For more information on the assumptions and risk underlying Dye & Durham's objectives, see "Forward-Looking Statements", "The Company's Business — Growth Strategy" and the risks contained in "Risk Factors".

### **Competitive Strengths**

Dye & Durham is a leading provider of a complete all-in-one cloud-based software solution. Dye & Durham intends to continue to deliver value to its customer base by expanding on the comprehensive array of services offered on *e-market* as well as providing exceptional client service and leading edge proprietary technology.

Dye & Durham's business has several key competitive strengths, including:

#### ***Continuous innovation***

Dye & Durham has a relentless focus on serving its clients with best-in-class tools that improve the efficiency and effectiveness of day-to-day tasks. This focus is supported by the Company's Chief Operating Officer and a dedicated team of 38 information technology development professionals. Dye & Durham offers a continuous feedback loop between its clients and development team, and regularly updates its software to improve productivity and support client requests. As a result, over the past year, the Company has released 23 major new features and 171 product enhancements. These releases are in addition to periodic bug fixes and maintenance releases performed outside of the Company's normal release schedule to address client issues and improve product quality.

#### ***Loyal blue-chip customer base***

The Company has over 5,000 clients spanning longstanding and newly developed client relationships, with an annual Customer Churn Rate of only 2.3% and an average client relationship of 17.5 years.<sup>28</sup> The Company equates this robust customer base to, among other things, its performance track record and strong brand recognition. The Company's focus on continuous development and client support aligns the Company's business with the needs of its clients, which can be evidenced by the Company's overall Net Promoter Score of 69, which is well above the software industry average of 31<sup>29</sup>. In addition, Dye & Durham's long history of serving the legal, business and government community in Canada has resulted in strong brand recognition within its industry, which management believes makes the Company "top of mind" for clients and helps drive demand and pricing power. As a result, management believes that its existing clients are committed to the Company and less likely to switch providers.

#### ***Resilient business model***

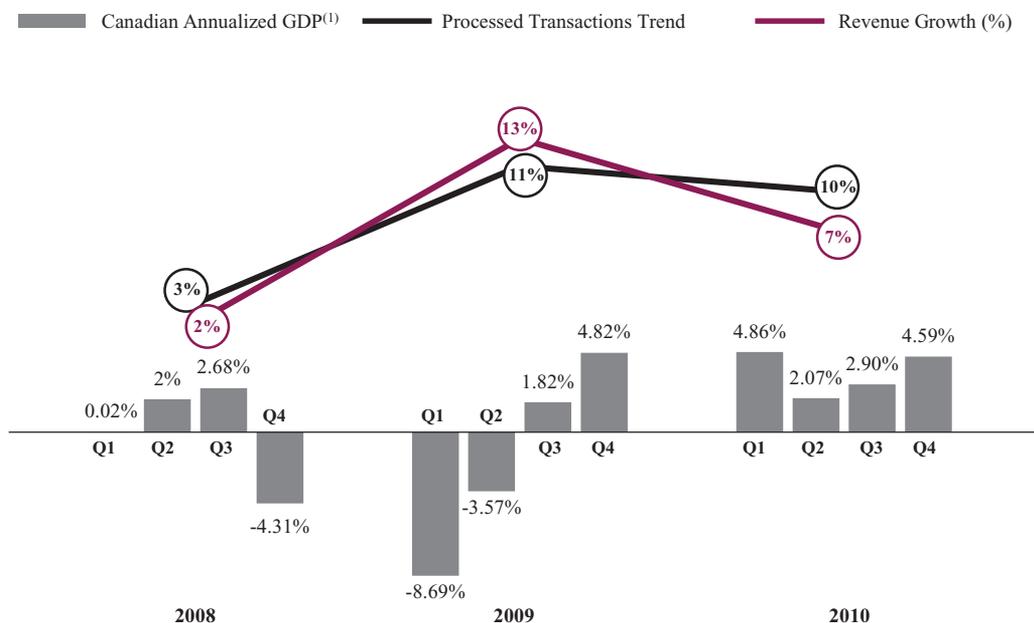
Management believes that Dye & Durham's strong value proposition, coupled with a business that services transactions in both strong and weak economic times, will enable the Company's continued strong performance in all economic conditions. This is evidenced by the Company's performance during the 2008 global financial crisis, as the Company's total transaction volume CAGR from 2008 to 2010 was 10.3%.

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<sup>28</sup> Based on the Company's top 100 clients by revenue in Fiscal 2018.

<sup>29</sup> NICE Systems, Inc. 2018 U.S. Consumer Net Promoter Benchmarks.

The Company's transaction volumes and revenue, on a *pro forma*<sup>30</sup> basis, increased from 2008 through to 2010.



Note:

(1) Source: Bloomberg Data.

## Product and Software Development

Historically, product and software development has been an important portion of the Company's overall operating cost model as the Company has invested significantly in the development and ongoing support of its proprietary cloud-based software technology. Dye & Durham's product and software development team applies an Agile Scrum methodology, with each project sub-team comprising a product owner, scrum master, software engineers, and quality assurance specialists. The Company believes the Agile Scrum methodology is the most effective strategy of achieving its product roadmap goals, which are based on the Company's key priorities. Quarterly commitments ensure that product and software development is aligned with the product roadmap, while the iterative development process results in continuous innovation of the product suite, delivering new features and enhancements to clients as soon as available.

For Fiscal 2018, the Company spent 30.1% of its operating expenses (excluding interest, amortization and depreciation, and including capitalized development costs) on product and software development. Given the scalability of the Dye & Durham business model, and the high Adjusted EBITDA Margin it produces, management believes that presenting the Company's product and software development spend as a percentage of operating expenses (excluding interest, amortization and depreciation, and including capitalized development costs) is a better reflection of the Company's allocation of resources. The Company spent 14.2% of its revenue on product and software development.

## Technology

### Technology

Dye & Durham is a leader in offering advanced cloud platform solutions and services to the legal industry. Using industry-leading web technologies, the Company's clients have access to their legal workflow solutions from any location. The Company's platform is based on a modular three-tier architecture (data, logic and

<sup>30</sup> Combined historical business of Dye & Durham, OnCorp and OneMove. Transaction volumes based off of management records.

presentation layers) which has been designed and optimized to allow for interoperability of various registries and customization of presentation layers to a client's needs.

The data layer is driven by internally developed data retrieval and filing solutions which are able to integrate with both legacy government systems (i.e. mainframes through terminal emulation, AS400 etc.) as well as any modern automation technology. This layer's interoperability with almost any registry technology allows Dye & Durham to provide clients with access to disparate registries through its search and registration platform.

The platform's ability to summarize retrieved information through the internally-developed parsing engine using custom templates for each client's needs and specifications is another core competency of the Company. This allows clients to not only access various registries but also display obtained results in a multitude of different formats. For example, *e-core* allows for 14 different types of reports for mergers and acquisitions and financing related searches.

More specifically, the *econveyance* platform is built using a multitude of different technologies all chosen to suit the needs of the client. The technology underlying *econveyance's* custom document management solution allows for manipulation and parsing of large sums of data quickly for document insertion. This allows the platform to output over 1,300 custom and standard documents in an hour during peak hours. The platform also makes use of flexible end-to-end communication using advanced message queuing technology to communicate data throughout the platform.

The *econveyance* platform was designed with a focus on service-oriented architecture. There are over 25 different distributed services implemented within the *econveyance* platform, all spanning different technologies and operating systems. Owning and operating scalable architecture allows Dye & Durham to maintain pace with the Company's customer base while still being able to manage peak performance. The scalability built into the platform's architecture allows it to allocate additional resources based on services utilized. This in turn increases performance by ensuring the efficient use of available resources. As well, the services provided on the platform operate independently from one another, further increasing reliability of the entire platform.

All Dye & Durham applications are built with the same complexity that defines the legal processes on which the applications are designed. The user friendly interfaces are easy to follow for beginners, yet robust to the point of handling complex processes for advanced users. The Company's users span multiple jurisdictions, all with their own unique legal processes. All of these processes are captured within the Company's applications and overhauled to improve ease and efficiency for the end user. Being able to greatly expedite formerly manual processes is a core attribute of the Company's application design.

The Company's ability to develop all core technology capabilities internally allows for increased speed and agility in deploying new technology with direct client input. The Company works closely with its clients to continuously improve the platform's capabilities based on direct feedback. The ability to amend the platform's web layer with little delay is essential in the legal technology industry given ever-changing regulations. Clients rely on Dye & Durham to update capabilities and workflow processes promptly following regulatory changes.

The development of Dye & Durham's platform has been made possible through robust technology implementation and a deep understanding of the client's needs, while being embedded in their processes. This secure and highly scalable architecture is the foundation for providing valuable solutions. Dye & Durham's clients rely on its high availability and access to key services and data when needed. Management takes pride in the platform's user friendly interfaces, efficient workflows and intelligent real-time document generation algorithms. With deep electronic integrations into third party systems, Dye & Durham provides extensive interoperability into a client's diverse ecosystem. Over the last two years Dye & Durham has spent over \$7.0 million in the pursuit of advancing its cloud-based platform. The Company has automated difficult and complex tasks in the background for its clients so they can in turn focus on their own clients.

### ***Network and Security***

All communication with Dye & Durham's cloud products are protected by industry standard encryption and rely on multiple levels of authorization for system access. Communication with third party services is also encrypted. All servers are hosted in an N-Tier configuration, allowing for only specific client-facing servers to be

internet accessible with increasing security as clients access respective security tiers. Servers are hardened, consistent with industry standards and information technology environments at Dye & Durham are subject to regular penetration tests. In addition to 24/7 physical monitoring by the Company's Managed Service Provider, the Company utilizes industry-leading application and infrastructure monitoring to alert staff of any issues in the network or with the application. The Company employs industry standard, centrally controlled anti-virus packages and intrusion prevention systems that are monitored and updated on a continual basis. At present, the Company strives to maintain service level availability with its clients of 99.9999%.

### ***Cloud Hosting***

Dye & Durham uses industry-leading technologies and practices in its two offsite secure datacenters, which are managed by third party service providers. These datacenters are located in Vancouver, British Columbia and Toronto, Ontario. The Company's primary datacenter (located in Vancouver) features high security standards with 24/7 onsite security, biometric access, tailgate-proof mantrap and closed circuit CCTV. Approximately 95% of the power used in the Vancouver center comes from renewable energies, and its multiple onsite diesel generators offer a one week supply of diesel in case of a power outage. The Company's secondary datacenter (located in Toronto), used for disaster recovery, features CSAE 3416 certification, combined biometric and card-access entry (dual-factor authorization) and 24/7 security and monitoring. It also features an uninterruptible power supply and a back-up diesel generator, ensuring continuous power delivery in the event of a blackout. In order to further mitigate risk, diverse fiber paths help ensure seamless failover to an alternate path in the event of a natural disaster. The Company's datacenters have achieved CSAE3416, SSAE16 and PCI/DSS certification.

### **Intellectual Property**

Dye & Durham protects its proprietary rights through a combination of copyright, trade-mark and trade secret laws as well as contractual provisions. The source code for its software is generally protected under Canadian and U.S. copyright laws.

Dye & Durham also seeks to avoid disclosure of its intellectual property and proprietary information through its general practice of requiring employees and consultants to execute non-disclosure and assignment of intellectual property agreements. Such agreements require employees and consultants to assign to the Company all intellectual property developed in the course of their employment or engagement, as applicable, and to keep information relating to the Company confidential.

The Company also utilizes non-disclosure agreements to govern interaction with business partners and prospective business partners and other relationships where disclosure of proprietary information may be necessary.

### **Sales and Marketing**

The Company's sales, marketing and client management functions are designed to support a cloud-based, transaction-based business model.

Dye & Durham's sales department, comprised of 20 employees, is focused on the development of new business from new clients who do not use the Company's product offerings, and existing clients who are identified as having additional incremental revenue potential. The sales process is focused on showcasing software through in-person or online presentations and demonstrating the benefits of the Company's products relative to alternatives. The sales approach begins with awareness and trial, and progresses to regular utilization by a core client. The sales cycle varies in length and complexity and is often based on its clients' size, specialties and whether the particular client is a new or existing client.

Dye & Durham utilizes a client management process (managed by a team referred to as the "**Client Success Team**") that begins once the client agrees to adopt the software. The Client Success Team becomes the main point of client contact and focuses on the implementation and consistent use of the Company's products. The team provides ongoing training and support, and monitors the Company's customer base to identify clients that

have notable variances in usage. The Client Success Team is responsible for strategies to reduce lapsed accounts and develop win-back strategies for clients who have reduced transaction volume.

Dye & Durham's marketing department has two primary objectives: business development and brand management. The Company's marketing team develops leads and identifies potential clients for its sales team to contact. The marketing team oversees Dye & Durham's brand communications and is responsible for growing client and marketplace awareness and brand affinity.

The Company's marketing communications position Dye & Durham products as "easy" and the most intuitive and feature-rich in the marketplace. Brand communications are aimed to the Company's target base of legal professionals and reinforce continuous innovation and best-in-class client service.

Dye & Durham has developed a range of important commercial relationships from industry leaders to various operational roles within its target customer base. These relationships drive software development and demonstrate the Company's leadership position in the category.

For Fiscal 2018, the Company spent 16.6% of its operating expenses on sales and marketing (excluding interest, amortization and depreciation, and including capitalized development costs). Given the scalability of the Dye & Durham business model, and the high Adjusted EBITDA Margin it produces, management believes that presenting the Company's sales and marketing spend as a percentage of operating expenses (excluding interest, amortization and depreciation, and including capitalized development costs) is a better reflection of the Company's allocation of resources. As a percentage of revenue the Company spent 7.8% on sales and marketing.

## **Employees**

As of August 31, 2018, the Company had 198 full-time employees, 179 of which are located in Canada, 19 of which are located in the United Kingdom and all of which are non-unionized. Dye & Durham's full time employees are comprised of technology professionals (i.e., software developers and engineers), operations staff, management, and sales and marketing personnel.

## **Facilities**

Dye & Durham's headquarters are in Toronto, Ontario. The Company also has principal offices in Vancouver and New Westminster, British Columbia and Lightwater, United Kingdom. The Company believes that its current facilities are adequate to meet its ongoing needs for the near and mid-term and that, if it requires additional space, it will be able to obtain additional facilities on commercially reasonable terms.

## **Regulatory Environment**

Dye & Durham is subject to applicable Canadian and foreign privacy laws regarding the collection, use, disclosure and protection of client and employee data. Among other things, Canada's federal Personal Information Protection and Electronic Documents Act ("**PIPEDA**") and its provincial counterparts, govern the collection, use and disclosure of personal information in the course of commercial activities by private sector organizations in Canada. In addition, personal information protection legislation regulates the Company's handling of employee personal information. PIPEDA and its provincial counterparts impose various obligations on the Company and restrict the Company's use of personal information to the purposes for which it was originally collected or for other specific purposes specified in the applicable legislation.

Dye & Durham, through its United Kingdom operations, is subject to the European Union *General Data Protection Regulations* ("**GDPR**") enshrined in the United Kingdom *Data Protection Act 2018*. These laws protect all use of data by "controllers" and "processors" by placing specific legal obligations on the use of personal data whether external or internal.

## USE OF PROCEEDS

The Company expects to receive approximately \$ ● in net proceeds from the Treasury Offering, after deducting that portion of the Underwriters' Commissions payable by the Company to the Underwriters in connection with the Treasury Offering of approximately \$ ● and the estimated expenses of the Offering of approximately \$ ● . The Company will not receive proceeds from the Secondary Offering.

The Company intends to use approximately \$35.0 million of the net proceeds from the Treasury Offering to permanently reduce a portion of the outstanding indebtedness under the Company's Term Loan. The remaining net proceeds from the Treasury Offering are expected to be used (a) to accomplish the business objectives of the Company (see "The Company's Business — Growth Strategy") which include continuing to pursue acquisition opportunities, and (b) for working capital and general corporate purposes. The indebtedness to be repaid was incurred in connection with the Company's repurchase of all of the equity held by ISC in October 2017.

For a description of the principal purposes for which indebtedness under the Credit Facility has been used, see "Description of Material Indebtedness".

The aggregate net proceeds to be received by the Selling Shareholders from the sale of Shares pursuant to the Secondary Offering are estimated to be \$ ● , after deducting that portion of the Underwriters' Commissions payable by the Selling Shareholders. The Company will not receive any of the proceeds payable to the Selling Shareholders under the Secondary Offering. As the incremental expenses of the Secondary Offering are not anticipated to be material, the Company has agreed to pay the expenses associated with the Secondary Offering and, as a result, the Selling Shareholders will not pay any expenses of the Offering other than the Underwriters' Commissions in respect of the Secondary Offering. The Company will pay all other expenses of the Offering. See "Plan of Distribution".

## DIVIDEND POLICY

Following completion of the Offering, the Company currently intends to reinvest all future earnings in order to finance the development and growth of its business. As a result, the Company does not currently intend to pay dividends on its Shares in the foreseeable future. Any future determination to pay dividends will be at the discretion of the Board and will depend on the financial condition, business environment, operating results, capital requirements, any contractual restrictions on the payment of dividends and any other factors that the Board of Directors deems relevant. See "Description of Share Capital".

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Basis of Presentation

This Management's Discussion and Analysis ("MD&A") has been prepared as of the date of this prospectus and discusses the Company's financial performance, business overview, strategy and outlook from management's viewpoint. This document should be read in its entirety and is intended to complement and supplement the Company's Consolidated Financial Statements (the "**Financial Statements**") for Fiscal 2018 and 2017 included in Appendix A of this prospectus. The audited consolidated financial statements which are discussed in this MD&A have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). The Company's fiscal year is the 12-month period ending June 30.

The Company presents its Financial Statements in Canadian dollars. In this MD&A, all references to "\$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated.

### Cautionary Note Regarding Non-IFRS Measures

This MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of the Company's results of operations from management's perspective and to discuss Dye & Durham's financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of Dye & Durham's financial information reported under IFRS. The Company uses non-IFRS measures including: "EBITDA", "Adjusted EBITDA", and "Adjusted EBITDA Margin". For a reconciliation of these measures, see "Selected Annual Information and Reconciliation of Non-IFRS Measures". For more information on the non-IFRS measures see "Non-IFRS Measures" in this prospectus.

### Caution Regarding Forward-Looking Information

Some of the information contained in this MD&A, including, in particular, the sections below entitled "Strategic Priorities" and "Liquidity and Capital Resources", contain forward-looking statements. The forward-looking statements and other forward-looking information are provided as of the date of this MD&A and are based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. The Company does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described below under the heading "Risk Factors" contained elsewhere in this prospectus.

The Company cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Forward-Looking Statements" and "Risk Factors" in this prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.

### Business Overview

Dye & Durham is a leading developer of cloud-based software and technology solutions designed to maximize efficiency and increase productivity for legal and business professionals. With a commitment to innovation, the Company has grown to 198 employees in Canada and the United Kingdom, as at August 31, 2018, and serves a large blue-chip customer base of over 5,000 legal firms, financial service institutions, and government organizations.

Dye & Durham's products provide automated public record due diligence searches, associated document preparation, and electronic public record filings related to legal due diligence, corporate formation and maintenance, lien registration, litigation and real estate conveyancing.

## Strategic Priorities

Dye & Durham's vision is to be the world's leading provider of public records registry data and the workflows this information powers. In order to continue to grow the business to achieve this goal, the Company has identified the following key strategic priorities:

- Expand within existing customer base.
- Successfully broaden customer base.
- Pursue accretive acquisitions and successfully integrate acquired businesses.
- Continue to innovate and extend its platform and realize commensurate pricing changes.

## Consolidated 2018 Highlights

- Revenue was \$32.5 million for Fiscal 2018, an increase of \$13.7 million (73%) compared to \$18.8 million for Fiscal 2017.
- Net income for Fiscal 2018, was \$1.2 million. For Fiscal 2017, net income was \$2.4 million.
- EBITDA<sup>31</sup> for Fiscal 2018 was \$14.1 million compared to \$4.7 million in the same period last year, an increase of \$9.4 million.
- Adjusted EBITDA<sup>12</sup> was \$19.2 million for Fiscal 2018 compared to \$8.7 million in Fiscal 2017, with an Adjusted EBITDA Margin<sup>12</sup> of 59% in Fiscal 2018 compared to 46% in Fiscal 2017.
- On May 31, 2018, the Company acquired Finlay Associates Limited (“**Finlay**”), a United Kingdom based registry search and filing company for an expected total purchase price of \$310,244, based on Finlay achieving certain future performance targets.
- On May 14, 2018, the Company executed a binding letter of intent to acquire ESI Software Inc. for \$11.0 million. The transaction subsequently closed on July 31, 2018.
- On April 25, 2018, Manulife subscribed for 3,203,121 Series 1 Preferred Shares of the Company for \$15.0 million. In conjunction with the Manulife investment, the Company amended the Credit Agreement and a new Canadian chartered bank purchased all the rights and obligations of one of the Company's original lenders under the Credit Agreement.
- On October 16, 2017, the Company acquired the remaining 49% of Easy Convey for a purchase price of \$1.3 million, subject to working capital adjustments and payable in two equal instalments, the first being paid on closing and the second due on October 16, 2018.
- On October 5, 2017, the Company repurchased all of the equity then owned by ISC for \$25.0 million. In conjunction with this repurchase the Company entered into the Credit Agreement.
- On October 1, 2017, the Company entered into a master services agreement with a Schedule I Bank to provide key technology enabled services that provide a convenient way for the bank's small business clients to register or incorporate a new business anywhere in Canada.

## Consolidated 2017 Highlights

- Revenue was \$18.8 million for Fiscal 2017, an increase of \$10.1 million (115%) compared to \$8.8 million for Fiscal 2016.
- Net income for Fiscal 2017 was \$2.4 million. For Fiscal 2016, net income was \$3.7 million.
- EBITDA for Fiscal 2017 was \$4.7 million compared to \$1.4 million in the same period for Fiscal 2016, an increase of \$3.3 million.
- On March 31, 2017, the Company acquired OnCorp.

<sup>31</sup> Adjusted EBITDA and Adjusted EBITDA Margin are non-IFRS measures. See “Non-IFRS Financial Measures” and “— Cautionary Note Regarding Non-IFRS Measures”.

- On February 28, 2017, the Company acquired certain registered and unregistered trademarks and domain names relating to the use of the name “Dye & Durham” in Canada from the former owners and licensees of such intellectual property for an aggregate purchase price of approximately \$0.5 million.

## **Factors Affecting the Company’s Performance**

### ***Operating, General and Administrative Expenses***

The Company’s operating, general and administrative expenses consist of the following:

- Technology and operations includes internet and information technology costs as well as the compensation expenses for employees in management, technology, operations, accounting and human resources. Compensation expenses include salaries, bonuses with related benefits, as well as pension plan contributions.
- Sales and marketing includes marketing and advertising expenses as well as the compensation expense for employees that work in sales and marketing. Compensation expenses include salaries, bonuses and commissions with related benefits, as well as pension plan contributions.
- Interest expense is the cost incurred for borrowed funds.
- Amortization and depreciation represent the proration of costs for intangible and tangible assets.
- General and administrative expense consists of consulting fees, insurance, office and general expenses, executive compensation, rent and utilities, travel and entertainment and telephone expenses.

### ***Seasonality***

A portion of the Company’s revenue, derived from the real estate conveyancing segment, has experienced and is expected to continue to experience moderate seasonality due to seasonal patterns in the real estate market. This is due to the fact that land titles revenue fluctuates in line with real estate transaction activity. Typically, the Company’s fourth quarter generates higher real estate-related revenue than other quarters, as this is when real estate activity is traditionally highest.

### ***Interest Expense***

The Company has borrowed funds from time to time to pursue acquisitions. As of June 30, 2018, the Company had approximately \$77.3 million of outstanding indebtedness, which is subject to fluctuating interest rates and matures on April 25, 2022. Fluctuations in interest rates will impact the carrying cost of the Company’s indebtedness and thereby affect its overall performance. In May 2018, the Company entered into the Swap Agreement to mitigate this risk. See “Financial Instruments and Other Instruments”.

Approximately \$35.0 million proceeds of the Treasury Offering will be applied to permanently reduce the Term Loan.

### ***Revenue***

Dye & Durham earns the majority of its revenue on a reoccurring transactional-fee basis, as clients perform automated public record due diligence searches, associated document preparation, or electronic public records filings through the Company’s *e-market* platform. If transaction volumes decrease, the Company may be impacted, and revenue may therefore be adversely impacted.

## **Selected Annual Information and Reconciliation of Non-IFRS Measures**

The following table summarizes the Company’s recent results of operations as of the dates and for the periods indicated below. The information should be read together with the Financial Statements included in Appendix A of this prospectus. The selected consolidated information set out below for Fiscal 2016, Fiscal 2017 and Fiscal 2018 has been derived from the Financial Statements which were prepared in accordance with IFRS. Note that (a) the Fiscal 2018 results included in the Financial Statements include a full financial year for OnCorp, which was acquired on March 31, 2017, (b) the Fiscal 2017 results included in the Financial Statements

only include OnCorp’s results for the three months ended June 30, 2017, and (c) the Fiscal 2016 results only include Dye & Durham’s results for the period. Historical financials and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that the Company believes are important in evaluating the operating performance of the business and making results more comparable from period to period. See “Non-IFRS Financial Measures”.

	For the years ended June 30,		
	2018	2017	2016
<b>Revenue</b> . . . . .	\$32,540,796	\$18,837,232	\$ 8,769,580
<b>Direct Costs</b> . . . . .	\$ 1,316,919	\$ 1,184,943	\$ 337,752
<b>Gross Profit</b> . . . . .	\$31,223,877	\$17,652,289	\$ 8,431,828
<b>Expenses</b> . . . . .	\$22,999,365	\$11,844,091	\$ 6,816,586
<b>Comprehensive income (loss)</b> . . . . .	\$ 650,908	\$ 2,369,324	\$ 3,679,387
<b>Comprehensive income (loss) items</b> . . . . .	\$ 584,858	\$ 27,119	\$ 3,403
<b>Net income (loss)</b> . . . . .	\$ 1,235,766	\$ 2,396,443	\$ 3,682,790
Amortization and depreciation . . . . .	\$ 5,452,996	\$ 1,848,679	\$ 332,449
Interest . . . . .	\$ 5,500,313	\$ 1,047,983	\$ 51,280
Tax expense (recovery) . . . . .	\$ 1,890,903	\$ (601,089)	\$(2,661,017)
<b>EBITDA<sup>(1)</sup></b> . . . . .	\$14,079,978	\$ 4,692,016	\$ 1,405,502
<b>Adjustments to EBITDA</b>			
Stock-based compensation <sup>(2)</sup> . . . . .	\$ 2,689,089	\$ —	\$ —
Acquisition and restructuring expenses <sup>(3)</sup> . . . . .	\$ 869,360	\$ 3,673,302	\$ 593,469
One-time corporate reorganization <sup>(4)</sup> . . . . .	\$ 767,014	\$ —	\$ —
Tax reassessment <sup>(5)</sup> . . . . .	\$ 772,380	\$ —	\$ —
Asset impairment <sup>(6)</sup> . . . . .	\$ —	\$ 339,542	\$ —
<b>Adjusted EBITDA<sup>(1)</sup></b> . . . . .	\$19,177,821	\$ 8,704,860	\$ 1,998,971
<b>Adjusted EBITDA Margin (% of revenue)<sup>(1)</sup></b> . . . . .	59%	46%	23%
<b>Cash provided by operations</b> . . . . .	\$10,943,278	\$ 2,454,296	\$ 610,592
<b>Total assets</b> . . . . .	\$84,786,637	\$88,146,043	\$17,342,509
<b>Total liabilities</b> . . . . .	\$94,521,926	\$71,591,381	\$10,420,552

Notes:

- (1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See “Non-IFRS Financial Measures”.
- (2) “Stock-based compensation” relates to a one-time non-reoccurring grant of Common Shares to a former director and current employee for past services. See “— Related Party Transactions”.
- (3) “Acquisition and restructuring expenses” relate to non-recurring costs incurred in connection with the one-time legal, advisory, banking (credit), and investment banking expenses associated with the repurchase of all of the equity previously owned by ISC and the issuance of Series 1 Preferred Shares to Manulife. See “— Consolidated 2018 Highlights”.
- (4) “One-time corporate reorganization” relates to severance and separation agreements for terminated positions, retention bonuses and costs related to the addition of new directors to the Board.
- (5) “Tax reassessment” relates to a reassessment of previous tax incentive claims made under the Scientific Research and Experimental Development tax incentive program.
- (6) “Asset Impairment” relates to impairment of a software technologies asset.

## Discussion of Operations

### Fiscal 2018

#### Revenue

Revenue was \$32.5 million for Fiscal 2018, an increase of \$13.7 million compared to \$18.8 million for Fiscal 2017. The increase was primarily attributable to:

- (a) the inclusion of OnCorp revenue for the full fiscal year compared to only three months in Fiscal 2017 (revenue for the three months in Fiscal 2017 was \$2.8 million); and
- (b) the execution of new growth initiatives in Fiscal 2018, which resulted in \$5.9 million in additional revenue.

#### Expenses

For Fiscal 2018 consolidated expenses were \$23.0 million, an increase of 94.2%, compared to \$11.8 million for the same period in 2017, as shown below.

<u>Expenses</u>	<u>2018 (\$)</u>	<u>2017 (\$)</u>
Sales and marketing . . . . .	2,543,725	1,409,471
Technology and operations . . . . .	5,426,191	4,196,677
General and administrative . . . . .	4,076,140	3,341,280
Amortization and depreciation . . . . .	5,452,996	1,848,679
Interest . . . . .	5,500,313	1,047,983
<b>Total expenses . . . . .</b>	<b>22,999,365</b>	<b>11,844,091</b>

The increase in expenses was due to a combination of the following:

- Technology and operations expenses were \$5.4 million for Fiscal 2018, an increase of \$1.2 million compared to Fiscal 2017. The increase was due to:
  - the inclusion of a full financial year of expenses for OnCorp, compared to Fiscal 2017, which only included OnCorp's expenses for the three month period ended June 30, 2017;
  - additional wages and salaries for new positions, primarily in management; and
  - annual merit and performance increases for technology and operations.
- General and administrative expenses were \$4.1 million for Fiscal 2018, up \$0.7 million compared to Fiscal 2017. The primary reason for this increase was the inclusion of a full financial year of expenses for OnCorp, compared to Fiscal 2017, which only included OnCorp's expenses for the three month period ended June 30, 2017, and the obtainment of additional leased premises.
- Sales and marketing expenses were \$2.5 million, up \$1.1 million, for Fiscal 2018, compared to Fiscal 2017. This increase was mainly due to additional wages and salaries for new sales and marketing positions commencing in Fiscal 2018.
- Amortization and depreciation increased significantly for Fiscal 2018 to \$5.5 million, compared to \$1.8 million for Fiscal 2017 as the Company began amortizing the costs of the acquired intangible assets from its acquisition of OnCorp.
- Interest expense for Fiscal 2018 was \$5.5 million, in comparison to \$1.0 million in Fiscal 2017. The increase of \$4.5 million was due to the Company entering into a \$55.0 million credit facility in March 2017 in conjunction with its acquisition of OnCorp and then subsequently entering into an \$84.5 million credit facility in October 2017, to replace the March 2017 credit facility.

### Net income

Net income for Fiscal 2018 was \$1.2 million, which was a decrease from Fiscal 2017, due to (a) significant increases in restructuring costs (\$5.1 million in 2018 compared to \$3.7 million in 2017), (b) increases to amortization and depreciation expenses (\$5.5 million in 2018 compared to \$1.8 million in 2017), due to the acquired OnCorp intangible assets being amortized for a full fiscal year, and (c) the increase in interest expense in 2018 (\$5.5 million compared to \$1.0 million) as a result of the increases in the credit facility in March 2017 and October 2018 as well as increase in tax expense.

### EBITDA

EBITDA in 2018 was \$14.1 million compared to \$4.7 million in 2017, an increase of \$9.4 million.

### Adjusted EBITDA

Adjusted EBITDA was \$19.2 million and Adjusted EBITDA Margin was 59% for Fiscal 2018, compared to \$8.7 million and 46%, respectively, for the same period in 2017. Adjusted EBITDA Margin increased due to increased revenue (from the Company's acquisition of OnCorp and revenue from the execution of new growth initiatives) outpacing the increase in expenses.

See "Selected Annual Information and Reconciliation of Non-IFRS Measures" for a reconciliation of revenue to Adjusted EBITDA.

### Fiscal 2017

#### Revenue

Revenue was \$18.8 million for Fiscal 2017, an increase of \$10.1 million compared to \$8.8 million for Fiscal 2016. The increase was primarily attributable to:

- (a) the inclusion of Dye & Durham revenue for a full fiscal year in 2017 compared to only approximately four and a half months in 2016 as a result of the Dye & Durham acquisition occurring on February 20, 2016;
- (b) the inclusion of three months of revenue for OnCorp (\$2.8 million), compared to nil for Fiscal 2016;
- (c) the inclusion of Easy Convey revenue for a full fiscal year in 2017 (\$1.1 million) compared to only approximately three months in 2016, as a result of the Easy Convey acquisition occurring on April 6, 2016; and
- (d) the remainder was attributable to other growth initiatives

#### Expenses

For Fiscal 2017 consolidated expenses were \$11.8 million, an increase of 73.8%, compared to \$6.8 million for the same period in 2017, as shown below:

<u>Expenses</u>	<u>2017 (\$)</u>	<u>2016 (\$)</u>
Sales and marketing . . . . .	1,409,471	775,053
Technology and operations . . . . .	4,196,677	2,627,557
General and administrative . . . . .	3,341,280	3,030,247
Amortization and depreciation . . . . .	1,848,679	332,449
Interest . . . . .	<u>1,047,983</u>	<u>51,280</u>
<b>Total expenses . . . . .</b>	<b>11,844,091</b>	<b>6,816,586</b>

The increase in expenses was due to a combination of the following:

- Technology and operations expense was \$4.2 million, for Fiscal 2017, an increase of \$1.6 million compared to Fiscal 2016 (\$2.6 million). The increase was due to:
  - the inclusion of a full financial year of expenses for Dye & Durham, compared to Fiscal 2016, which only included Dye & Durham's expenses from February 19, 2016, until the period ended June 30, 2016;
  - the inclusion of a three months of expenses for OnCorp, compared to nil for Fiscal 2016; and
  - annual merit and performance increases for technology and operations employees.
- General and administrative expenses were \$3.3 million in Fiscal 2017, up \$0.3 million from \$3.0 million, for Fiscal 2016. The primary reason for this increase was the inclusion of a full financial year of Dye & Durham's expenses, compared to Fiscal 2016, which only included Dye & Durham's expenses from February 19, 2016, until the period ended June 30, 2016, and the obtainment of additional leased premises.
- Amortization of intangible assets expense increased significantly for Fiscal 2017 to \$1.8 million, compared to \$0.3 million for Fiscal 2016, primarily due to the Company commencing amortization of the acquired intangible assets from OnCorp during the fourth quarter of 2017.
- Interest expense for Fiscal 2017 was \$1.0 million in comparison to \$0.1 million in Fiscal 2016. The increase was due to the Company entering into a \$55.0 million credit facility in March 2017 in conjunction with its acquisition of OnCorp.

#### *Net income*

Net income in Fiscal 2017 was \$2.4 million, a decrease of \$1.3 million from Fiscal 2016 (\$3.7 million). This 35% decrease was a result of increased amortization and interest expenses associated with the OnCorp acquisition.

#### *EBITDA*

EBITDA in Fiscal 2017 was \$4.7 million, an increase of \$3.3 million or 234% over Fiscal 2016 (\$1.4 million), as a result of a full year of Dye & Durham and three months of OnCorp results being reflected in the Fiscal 2017 results. This was compared to only four and one half months of Dye & Durham results being reflected in the Fiscal 2016 results.

See "Selected Annual Information and Reconciliation of Non-IFRS Measures" for a reconciliation of revenue to EBITDA.

#### *Adjusted EBITDA*

Adjusted EBITDA was \$8.7 million and Adjusted EBITDA Margin was 46%, for Fiscal 2017, compared to \$2.0 million and 23%, respectively, for the same period in 2016. The change was due to the inclusion of a full year of Dye & Durham results and three months of OnCorp in Fiscal 2017 results.

See "Selected Annual Information and Reconciliation of Non-IFRS Measures" for a reconciliation of revenue to Adjusted EBITDA.

#### **Summary of Quarterly Results**

The following table sets out select quarterly results for the past eight quarters. The Company's real estate conveyancing business segment experiences moderate seasonality, primarily because land titles revenue fluctuates with real estate transaction activity in Canada. Typically, the Company's fourth quarter generates higher revenue during the fiscal year when real estate activity is traditionally highest. The Company's business law solutions segment does not experience seasonality.

Expenses are generally consistent from quarter to quarter but can fluctuate due to the timing of project-related or acquisition activities. As a result, the Company's Adjusted EBITDA Margin fluctuates in line with the above factors.

### Quarterly Results

	<u>Q4 2018</u>	<u>Q3 2018</u>	<u>Q2 2018</u>	<u>Q1 2018</u>
<b>Revenue</b> .....	\$ 9,322,545	\$7,985,035	\$7,646,384	\$7,586,832
<b>Net income (loss)</b> .....	\$(1,642,087)	\$1,113,822	\$ 129,620	\$1,634,410
<b>EBITDA<sup>(1)</sup></b> .....	\$ 1,729,976	\$4,108,155	\$3,940,089	\$4,301,758
<b>Adjusted EBITDA<sup>(1)</sup></b> .....	\$ 5,284,637	\$4,533,965	\$4,648,405	\$4,710,815
<b>Adjusted EBITDA Margin<sup>(1)</sup> (% of revenue)</b> .....	57%	57%	61%	62%
	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
<b>Revenue</b> .....	\$7,109,569	\$3,637,100	\$3,669,797	\$4,420,766
<b>Net income (loss)</b> .....	\$ 622,810	\$ (549,974)	\$ 769,976	\$1,553,631
<b>EBITDA<sup>(1)</sup></b> .....	\$2,453,413	\$ (96,825)	\$ 629,248	\$1,706,180
<b>Adjusted EBITDA<sup>(1)</sup></b> .....	\$4,213,054	\$1,312,572	\$1,168,315	\$2,010,919
<b>Adjusted EBITDA margin<sup>(1)</sup>(% of revenue)</b> .....	59%	36%	32%	45%

Note:

(1) EBITDA, Adjusted EBITDA and Adjusted EBITDA Margin are not recognized measures under IFRS. See "Non-IFRS Financial Measures".

### Liquidity and Capital Resources

The Company manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. The Company defines capital to include share capital, the stock option component of its shareholders' equity as well as its borrowings. The Company intends to rely on positive cash flows from operations and, if required, additional financings to achieve its growth strategies.

### Cash Flows

The primary source of cash flow is revenue collected from transactions completed for clients. The Company's approach to liquidity is to always have sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

<u>Cash Flows</u>	<u>2018 (\$)</u>	<u>2017 (\$)</u>
Net cash provided by operating activities .....	10,943,278	2,454,296
Net cash provided by (used) financing activities .....	(5,936,866)	56,619,271
Net cash used in investing activities .....	(7,468,278)	(61,282,208)
Change in cash during the year .....	(2,461,866)	(2,208,641)
Cash and cash equivalents, beginning of year .....	2,605,360	4,841,120
Effect of foreign exchange on cash .....	(118,494)	(27,119)
<b>Cash and cash equivalents, end of year</b> .....	<b>25,000</b>	<b>2,605,360</b>

In Fiscal 2018, the Company had a net cash decrease of \$2.5 million in comparison to a decrease of \$2.2 million in Fiscal 2017. The Company increased its cash provided from operations to \$10.9 million from \$2.5 million in Fiscal 2017, primarily due to the full year inclusion of OnCorp operations in Fiscal 2018 compared to only three months in Fiscal 2017. Net cash used in financing activities was \$5.9 million in Fiscal 2018, a decrease of \$62.6 million from Fiscal 2017. This was due to the Company entering into a \$55 million credit facility in March 2017 to facilitate the acquisition of OnCorp. In addition, significant financing activities in

Fiscal 2018 included: (a) the issuance of \$15 million of Series 1 Preferred Shares to Manulife, (b) the return of capital to shareholders in the amount of \$15 million, and (c) the increase of the Term Loan from \$55 million to \$81.5 million to facilitate the repurchase of the Common Shares held by ISC for \$25 million. Cash used in investing activities was \$7.5 million in Fiscal 2018 compared to \$61.3 million in Fiscal 2017, as the Company acquired one of its predecessors. Principal investments in Fiscal 2018 included: (a) additions to intangible software (\$3.7 million), (b) increasing its ownership of its subsidiary, *easyconvey*, for \$1.3 million, and (c) leasehold improvements and equipment purchases of \$1.1 million.

### ***Capital Expenditures***

Dye & Durham's capital expenditures are primarily composed of technology infrastructure maintenance, technology upgrades, software product enhancement to support strategic initiatives and leasehold improvements.

Capital expenditures for Fiscal 2018 were \$4.4 million compared to \$2.0 million for Fiscal 2017. In Fiscal 2018, capital expenditures primarily relate to software application development efforts in connection with providing key technology enabled services to a Schedule I Bank, technology refresh efforts totaling \$3.3 million, leasehold improvements, and computer hardware and software additions of \$1.1 million. Capital expenditures for Fiscal 2017 were primarily related to ongoing leasehold improvements, computer hardware and software additions \$0.5 million, software refresh efforts of \$1.0 million, and the purchase of the Dye & Durham trademark rights for \$0.5 million.

### ***Credit Facilities***

The Company's Credit Agreement provides for a \$3.0 million revolving term loan and a fixed term loan of \$89.5 million, both of which mature on April 25, 2022. The Revolver is available for working capital and general operating requirements and for certain permitted acquisitions, and the Term Loan was used to repay debt previously issued in conjunction with certain business acquisitions and for the repurchase of Shares previously held by ISC.

Drawn funds on the Revolver and the Term Loan are subject to interest at Canadian prime or 30 days bankers' acceptances, plus the applicable spread based on total funded debt to EBITDA levels.

The Term Loan is subject to mandatory prepayment conditions, including: (a) 50% of the excess annual cash flow of the Company if the senior funded debt to EBITDA ratio is greater than 3.0:1, (b) 100% of the net cash proceeds of all issuances of equity interests of the Company in connection with a cure of certain defaults under the Credit Agreement, and (c) 50% of the net cash proceeds of all issuances of equity interests of the Company at all other times (including the issuance of Shares pursuant to the Treasury Offering). The Company is restricted to an aggregate annual Capital Expenditures limit of \$1.5 million.<sup>32</sup> Under the terms of the Credit Agreement, the Company is at all times required to maintain a fixed charge coverage ratio of not less than 1.10:1, and a prescribed total funded debt to EBITDA ratio.

The Credit Facilities are secured by a general security agreement, which provides the lender with a first, fixed and floating charge over all assets of the Company and its Canadian subsidiaries, including intellectual property, an unlimited guarantee and postponement of claim by all wholly owned subsidiaries, assignment of material contracts and permits, unconditional guarantees and indemnities by all of the obligors and first ranking pledges of equity interests in the capital of the Company.

As at June 30, 2018, outstanding balances under the Revolver and the Term Loan were \$2.0 million and \$75.3 million, respectively. Available capacity under the Revolver was \$1.0 million and nil under the Term Loan. The Company's total funded debt to EBITDA ratio (as defined and calculated in accordance with the Credit Agreement) was 4.01:1.

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<sup>32</sup> The Company has not adopted the definition of Capital Expenditures under the Credit Agreement for the purposes of the description of capital expenditures elsewhere in this prospectus. Please refer to the Credit Agreement for further information relating to the covenants thereunder.

## Contractual Obligations

Currently, the Credit Facilities have a four-year term ending on April 24, 2022, at which time the then remaining outstanding balance matures. The fixed interest rate swap payments are payable monthly based on a fixed interest rate of 2.75% on a notional \$50.0 million. The Swap Agreement has a four-year term ending May 9, 2022.

The Company is committed to the following annual office premises lease payments and minimum loan principal payments and fixed interest rate swap payments:

<u>For the years ended June 30</u>	<u>2019</u>	<u>2020 to 2021</u>	<u>2022 to 2023</u>	<u>After 2023</u>
Operating leases for offices . . . . .	\$1,048,636	\$1,076,432	\$ 1,109,787	\$534,455
Minimum loan principal payments . . . . .	\$6,712,500	\$7,071,875	\$53,933,033	\$ Nil
Fixed interest rate swap payments . . . . .	\$1,375,000	\$1,375,000	\$ 572,915	\$ Nil
Total . . . . .	\$8,573,317	\$7,561,658	\$55,615,735	\$534,455

## Financial Instruments and Other Instruments

The Company is a party to a 2002 ISDA Master Agreement with a chartered Canadian bank pursuant to which it entered into a swap transaction effective May 9, 2018 (the “**Swap Agreement**”), in order to exchange some of its floating interest rate obligations on its Term Loan for a fixed interest rate payment of 2.75% on a notional \$50 million. The interest rate swap has a four-year term ending May 9, 2022. Under the terms of the Swap Agreement, the Company is obligated to make monthly fixed interest rate payments of \$114,583, or \$1.375 million annually. As at June 30, 2018, the fair value of this interest rate swap resulted in a liability to the Company in the amount of \$703,352, and has been recognized in the calculation comprehensive income for Fiscal 2018.

## Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements as of the date of this report.

## Related Party Transactions

### *Compensation of key management personnel*

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
Consulting fees, salaries and bonuses . . . . .	\$1,906,474	\$658,444	\$500,062

As at June 30, 2018, \$717,000 (2017 — \$175,482) was included in accounts payable and accrued liabilities for consulting fees, bonus and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand. As at June 30, 2018, there were four members comprising the executive team (2017 — two members).

Additionally, in April 2018, 57,108 common shares at a value of \$312,405 were issued to a former director as part of the one-time corporate restructuring prior to the equity investment by Manulife.

## Outstanding Share Information

As at June 30, 2018, the authorized capital of the Company consists of an unlimited number of Shares, an unlimited number of Series 1 Preferred Shares, an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares.

On April 25, 2018, the Company issued 228,432 Shares for past services rendered by an employee and a former director. Immediately thereafter, the Company issued 3,203,121 Series 1 Preferred Shares to Manulife. A portion of the proceeds from the issuance of the Series 1 Preferred Shares were used to return paid up capital to holders of Shares.

As at June 30, 2018, there are 20,465,241 Common Shares, no Class A Common Shares, no Class B Common Shares, 3,203,121 Series 1 Preferred Shares and no Series 2 Preferred Shares outstanding. The changes in the share capital since June 30, 2018 are summarized as follows:

<u>Date of Issuance</u>	<u>Security</u>	<u>Issue Price Per Security (\$)</u>	<u>Number of Securities</u>
July 31, 2018 . . . . .	Series 2 Preferred Shares	5.66	625,442
August 28, 2018 . . . . .	Series 2 Preferred Shares	5.66	8,834

### **Subsequent Transactions**

On July 1, 2018, OnCorp Direct. Inc. and Dye & Durham Corporation were amalgamated to form the Company under the name “Dye & Durham Corporation”. As a result of the amalgamation, the Company expects that its approximately \$9.1 million of non-capital loss carry forwards will be applied to significantly reduce its expected Fiscal 2019 income tax expense.

On July 31, 2018, Dye & Durham purchased all the outstanding shares of ESI Software Inc., a legal accounting and practice management software provider for \$11.0 million. The transaction was financed through an \$8.0 million increase in the Term Loan and the issuance of 634,276 Series 2 Preferred Shares for gross proceeds of approximately \$3.6 million.

Effective July 31, 2018, in conjunction with the purchase of ESI Software Inc. the Credit Facilities were amended as follows: (a) the Term Loan was increased by \$8.0 million; and (b) quarterly principal repayments of the Term Loan increased to approximately \$1.7 million effective September 30, 2018 until June 30, 2020, at which time they increase to approximately \$2.2 million for the remainder of the term of the facility.

No grants of options were issued in the period ending June 30, 2018. Following June 30, 2018, the Company granted an aggregate of 926,235 options to acquire Shares at a price range of \$4.81 to \$5.66 per Share and with expiration dates ranging from July 2023 to September 2023. The options were granted pursuant to the Company’s Legacy Stock Option Plan, which was adopted by the Board on May 28, 2018. 5,909 of such options were cancelled in connection with the resignation of an employee of the Company.

### **Critical Accounting Estimates**

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- The carrying value and impairment assessment of intangible assets. The Company estimates the useful lives of intangible assets based on the expected life of the project. The estimated useful lives of the intangible assets are reviewed periodically and are updated if expectations differ from the previous estimates due to technical or commercial obsolescence. In addition, at each reporting period, assets or cash generating units are evaluated to determine whether there are any indications of impairment. If any such indication exists, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of the intangible asset is calculated based on cash flow projections using several assumptions and estimates that represent management’s best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.
- The Company makes estimates related to the fair values assigned to assets and liabilities in the purchase price allocation of the business combination. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.
- Goodwill is reviewed for impairment annually and in the year of acquisition. The Company performs an annual test for goodwill impairment for each of the cash generating units and whenever events or circumstances make it more likely than not that an impairment may have occurred. Determining whether

an impairment has occurred requires valuation of the respective cash generating unit, which is estimated using a discounted cash flow method.

Please refer to note 2 of the Financial Statements for a description of the Company's critical accounting estimates and judgments.

### **Changes in Accounting Policies (including initial adoption)**

The Company has not made any material changes to its accounting policies during Fiscal 2018. Please refer to note 3 of the Financial Statements for a description of the Company's accounting policies.

### **Risks and Uncertainties**

#### ***Credit Risk***

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. The Company is exposed to credit risk in the event of non-performance by clients, but does not anticipate any such non-performance which would be material. To the extent necessary, the Company takes steps to monitor the credit risk of clients.

#### ***Interest Rate Risk***

Interest rate risk is the risk that the values of a financial instrument will be affected by changes in market interest rates. The Company's Credit Facilities include the Revolver and the Term Loan that each bear interest based on floating market rates. Changes in these rates result in fluctuations in the required cash flow to service this debt. It is expected that nil will be drawn on the Revolver and \$ 0 million will be drawn on the Term Loan following the Closing. It is expected that such debt will bear interest at 0%. The Company has mitigated its risk to interest rate changes by executing an interest rate swap agreement in May 2018 as fully described above.

#### ***Market Risk***

The Company is exposed to market risk primarily in terms of revenue generation. The Company's revenue is driven by transaction volumes which have increased with the growth and strength of the Canadian economy. The Company monitors the market conditions in an effort to capture fluctuations that may affect the ongoing revenue. That said, historically the Company's business model has proven to be resilient in market downturns. See "The Company's Business — Competitive Strengths — Resilient business model" in the prospectus.

#### ***Liquidity Risk***

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as they fall due. The Company's cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as debt, trade and other payables, accrued liabilities and dividends payable are exposed to liquidity risk.

## DESCRIPTION OF SHARE CAPITAL

### Share Capital Information Prior to Pre-Closing Capital Changes

The Company is currently authorized to issue an unlimited number of Common Shares, an unlimited number of Class A Common Shares, an unlimited number of Class B Common Shares, an unlimited number of Series 1 Preferred Shares and an unlimited number of Series 2 Preferred Shares. As of the date of this prospectus, prior to giving effect to the Pre-Closing Capital Changes, there are 20,465,241 Common Shares, no Class A Common Shares, no Class B Common Shares, 3,203,121 Series 1 Preferred Shares and 634,276 Series 2 Preferred Shares outstanding.

All shareholders in the Company are signatories to a unanimous shareholder agreement of the Company, which will be automatically terminated on Closing.

### Pre-Closing Capital Changes

Concurrently with the Closing, (a) the outstanding Series 1 Preferred Shares and Series 2 Preferred Shares shall convert into Shares, and (b) the Company will amend its articles to delete the Class A Common Shares, the Class B Common Shares, the Series 1 Preferred Shares and the Series 2 Preferred Shares, to restate the Shares and to create the Preferred Shares (collectively, the “**Pre-Closing Capital Changes**”).

The articles of amendment shall, among other things:

- increase the authorized capital of the Company by creating an unlimited number of preferred shares, issuable in series (the “**Preferred Shares**”); and
- decrease the authorized capital of the Company by deleting the Class A Common Shares, the Class B Common Shares, the Series 1 Preferred Shares and the Series 2 Preferred Shares and all rights, privileges, restrictions and conditions attaching thereto.

As a result of the Pre-Closing Capital Changes, the authorized share capital of the Company will consist of an unlimited number of Shares, of which 24,302,638 Shares will be issued and outstanding immediately prior to the completion of the Offering, and an unlimited number of Preferred Shares, none of which will be issued and outstanding.

On Closing, 29,858,194 to 30,552,638 Shares will be issued and outstanding (assuming no exercise of the Over-Allotment Option or any options or other convertible securities issued by the Company, including as described under “Options to Purchase Securities”). Any further issuances of Shares or Preferred Shares will result in immediate dilution to existing shareholders and may have an adverse effect on the value of their shareholdings.

The following is a description of the material terms of the Shares and the Preferred Shares, each as to be set forth in the Company’s articles.

### Shares

The holders of the Shares are entitled to receive notice of and to attend any shareholders’ meetings and are entitled to one vote in respect of each Share held at such meetings.

The holders of the Shares are entitled to participate equally in dividends, if any, declared in the Shares.

In the event of the liquidation, dissolution or wind-up of the Company or other distribution of assets of the Company among shareholders for the purpose of winding-up the Company’s affairs, the Shares shall rank equally as to priority of distribution. Such distribution shall be made in equal amount per share on all the Shares outstanding without preference or distinction.

### Preferred Shares

Upon completion of the Pre-Closing Capital Changes, the Board will have the authority, without action by the Company’s shareholders, to designate and issue an unlimited number of Preferred Shares in one or more series and to designate the rights, preferences and privileges of each series. The Preferred Shares of each series

rank on par with the Preferred Shares of every other series and, if so designated by the Board, are entitled to preference over the Shares with respect to payment of dividends and distribution of any assets in the event of the Company's liquidation, dissolution or winding-up. Where the Company does not pay cumulative dividends in full with respect to a series of its Preferred Shares, the shares of all series of the Preferred Shares will participate rateably with respect to the accumulated dividends in accordance with the amounts that would be payable on those shares if all the accumulated dividends were paid in full.

The issuance of Preferred Shares and the terms selected by the Board could decrease the amount of earnings and assets available for distribution to holders of the Shares and/or adversely affect the rights and powers, including the voting rights, of the holders of the Shares without any further vote or action by the shareholders. Any series of Preferred Shares issued by the Board could have priority over the Shares in terms of dividend or liquidation rights or both. The issuance of Preferred Shares, or the issuance of rights to purchase Preferred Shares, could make it more difficult for a third party to acquire a majority of the Company's outstanding voting shares and thereby have the effect of delaying, deferring or preventing a change of control of the Company or an unsolicited acquisition proposal, and could make the removal of management more difficult. Additionally, the issuance of Preferred Shares may have the effect of decreasing the market price of the Shares.

The Company has no current intention to issue any Preferred Shares.

### **Options**

Following Closing, the Company will have options outstanding to acquire an aggregate of 920,326 Shares at a price range of \$4.81 to \$5.66 per Share.

### **Registration Rights**

In connection with its investment in the Company, Manulife was granted demand and piggyback registration rights, which rights shall terminate on April 25, 2023.

## DESCRIPTION OF MATERIAL INDEBTEDNESS

### Credit Facility

The Company's Credit Agreement provides for a \$3.0 million revolving term loan (the "**Revolver**") and a fixed term loan ("**Term Loan**", and together with the Revolver, the "**Credit Facilities**") for an aggregate amount of \$89.5 million and matures on April 25, 2022. As of the date of this prospectus, a total of \$82.7 million is outstanding under the Term Loan. The Revolver is available for working capital and general operating requirements and for certain permitted acquisitions, and the Term Loan was used to repay debt previously issued in conjunction with certain business acquisitions and for the repurchase of Shares previously held by ISC.

Drawn funds on the Revolver and the Term Loan are subject to interest rates at Canadian prime or Canadian 30 day bankers' acceptances, plus the applicable spread based on total funded debt to EBITDA levels.

The Term Loan is subject to mandatory prepayment conditions, including: (a) 50% of the excess annual cash flow of the Company if the senior funded debt to EBITDA ratio is greater than 3.0:1, (b) 100% of the net cash proceeds of all issuances of equity interests of the Company in connection with a cure of certain defaults under the Credit Agreement, and (c) 50% of the net cash proceeds of all issuances of equity interests of the Company at all other times (including the issuance of Shares pursuant to the Treasury Offering). The Company is restricted to an aggregate annual Capital Expenditures limit of \$1.5 million. Under the terms of the Credit Agreement, the Company is at all times required to maintain a fixed charge coverage ratio of not less than 1.10:1, and a prescribed total funded debt to EBITDA ratio.

The Credit Facilities are secured by a general security agreement, which provides the lender with a first, fixed and floating charge over all assets of the Company and its Canadian subsidiaries, including intellectual property, an unlimited guarantee and postponement of claim by all wholly owned subsidiaries, assignment of material contracts and permits, unconditional guarantees and indemnities by all of the obligors and first ranking pledges of equity interests in the capital of the Company.

The Company will use \$35.0 million of the net proceeds from the Treasury Offering for the permanent repayment of indebtedness under the Term Loan. After this repayment, a total of approximately \$ ● will be outstanding under the Term Loan. See "Use of Proceeds".

The foregoing summary is subject to, and qualified in its entirety by reference to the Credit Agreement, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### Interest Rate Swap

The Company is a party to a 2002 ISDA Master Agreement with a chartered Canadian bank pursuant to which it entered into a swap transaction effective May 9, 2018 (the "**Swap Agreement**") in order to exchange some of its floating interest rate obligations on its Term Loan for a fixed interest rate payment of 2.75% on a notional \$50.0 million. The Swap Agreement has a four-year term ending May 9, 2022. Under the terms of the Swap Agreement, the Company is obligated to make monthly fixed interest rate payments of \$114,583, or \$1,375,000 annually.

## CONSOLIDATED CAPITALIZATION

The following table sets forth the Company’s share capitalization as at the financial period ended June 30, 2018, and its *pro forma* capitalization as at June 30, 2018, after giving effect to the Offering (assuming no exercise of the Over-Allotment Option). This table should be read in conjunction with the Company’s unaudited interim condensed consolidated financial statements and audited annual consolidated financial statements and the related notes included elsewhere in this prospectus and with the information set forth under “Summary Financial Information”, “Management’s Discussion and Analysis”, and “Use of Proceeds” and “Description of Share Capital — Pre-Closing Capital Changes”.

	<u>as at</u> <b>June 30, 2018</b>	<u>Pro Forma as at</u> <b>June 30, 2018<sup>(1)(2)</sup></b>
	(amounts in thousands of dollars)	
<b>Cash</b> .....	(528,500)	●
<b>Total debt</b> .....		●
Revolver .....	2,000,000	●
Term Loan .....	75,342,408	●
<b>Shareholders’ equity</b>		
Share capital .....	13,358,392	●
Contributed surplus .....	773,757	●
Accumulated other comprehensive income (loss) .....	(852,368)	●
Non-controlling interest .....	—	●
Deficit .....	(23,015,070)	●
<b>Total capitalization</b> .....	67,078,619	●

Notes:

- (1) On July 31, 2018, 625,442 Series 2 Preferred Shares were issued, and on August 28, 2018, 8,834 Series 2 Preferred Shares were issued. All such shares will be converted into Shares pursuant to the Pre-Closing Capital Changes.
- (2) As of the date of this prospectus, the Company has \$82.7 million outstanding under its Credit Facilities and approximately \$0.8 million in cash on hand. The Company will use \$35.0 million of the net proceeds from the Treasury Offering for the permanent repayment of indebtedness under the Term Loan.

## OPTIONS TO PURCHASE SECURITIES

### Options

The following table sets out information regarding the outstanding options to purchase Shares under the Legacy Stock Option Plan as of the date of this prospectus.

<u>Holder of Options</u>	<u>Number of Optionees</u>	<u>Shares Underlying Options</u>	<u>Exercise Price Range (\$)</u>	<u>Expiry Date Range</u>
Current and Former Executive Officers . . .	3	398,967	4.81 - 5.66	July 2023 - September 2023
Current Directors (other than those who are executive officers) . . . . .	2	180,000	5.66	August 2023
Other Current and Former Employees . . .	26	341,359	4.81 - 5.66	July 2023 - September 2023
Total . . . . .	31	920,326	4.81 - 5.66	July 2023 - September 2023

See “Executive Compensation — Components of Compensation — Long-Term Incentive Plans — Legacy Stock Option Plan” for additional information concerning the Legacy Stock Option Plan.

### PRIOR SALES

The following table summarizes details of the Shares or securities convertible or exercisable into Shares issued by the Company during the 12-month period prior to the date of this prospectus.

<u>Date of Issuance</u>	<u>Security</u>	<u>Issue / Exercise Price Per Security (\$)</u>	<u>Number of Securities</u>
April 25, 2018 <sup>(1)</sup> . . . . .	Common Shares	4.81	228,432
April 25, 2018 <sup>(2)</sup> . . . . .	Series 1 Preferred Shares	4.81	3,203,121
July 1, 2018 <sup>(3)</sup> . . . . .	Options	4.81	607,266
July 31, 2018 <sup>(4)</sup> . . . . .	Series 2 Preferred Shares	5.66	625,442
August 14, 2018 <sup>(5)</sup> . . . . .	Options	5.66	180,000
August 28, 2018 <sup>(4)</sup> . . . . .	Series 2 Preferred Shares	5.66	8,834
September 14, 2018 <sup>(6)</sup> . . . . .	Options	5.66	138,969

Notes:

- (1) Common Shares were issued in consideration for past services rendered to the Company by a former director and current employee. See “Management’s Discussion and Analysis — Related Party Transactions”.
- (2) Series 1 Preferred Shares were issued to Manulife. In connection with the Pre-Closing Capital Changes, the Series 1 Preferred Shares will be converted to Shares on a one for one basis. See “Management’s Discussion and Analysis — Consolidated 2018 Highlights” and “Description of Share Capital — Pre-Closing Capital Changes”.
- (3) Options were granted under the Legacy Stock Option Plan to employees and officers of the Company as equity compensation. 5,909 of such options were cancelled in connection with the resignation of an employee of the Company.
- (4) Series 2 Preferred Shares were issued to current shareholders of the Company in connection with the Company’s acquisition of ESI Software Inc. In connection with the Pre-Closing Capital Changes, the Series 2 Preferred Shares will be converted to Shares on a one for one basis. See “Management’s Discussion and Analysis — Subsequent Transactions” and “Description of Share Capital — Pre-Closing Capital Changes”.
- (5) Options were granted under the Legacy Stock Option Plan to directors of the Company as equity compensation.
- (6) Options were granted under the Legacy Stock Option Plan to officers of the Company as equity compensation.

## PRINCIPAL AND SELLING SHAREHOLDERS

Upon the completion of the Offering, the Selling Shareholders will, collectively, directly or indirectly, own approximately 48.7% to 53.3% of the issued and outstanding Shares (approximately 41.0% to 46.3% if the Over-Allotment Option is exercised in full). Each of the Selling Shareholders has entered into a lock-up agreement with the Underwriters which will preclude the Selling Shareholders from, other than in connection with this Offering, selling any Shares held by them for a period of 365 days after Closing, as more fully described under “Plan of Distribution — Lock-Up Arrangements”.

The following table shows the names of the persons or companies who, as at the Closing Date, will own of record, or who, to its knowledge, will own beneficially, directly or indirectly, more than 10% of the outstanding Shares.

Name of Shareholder <sup>(1)(2)(3)</sup>	Number of Shares Owned Prior to the Offering and Immediately Following the Pre-Closing Capital Changes	Number of Shares to be Sold pursuant to the Secondary Offering	Number of Shares Owned Immediately Following the Offering	Percentage of Outstanding Shares Immediately Following the Offering
Plantro Ltd. <sup>(4)</sup> . . . . .	10,218,414	3,719,403	6,499,011	21.53%
Seastone Invest Limited <sup>(5)</sup> . . . . .	8,167,664	2,972,950	5,194,714	17.21%

Notes:

- (1) To the knowledge of the Company, none of these Shares are or will be following the Closing subject to any voting trust or similar agreement.
- (2) The information set forth in the table and in the notes above assumes that the Over-Allotment Option is not exercised, in whole or in part, and that the shareholders listed above do not acquire any Shares pursuant to the Offering.
- (3) Shares are registered in the name of the applicable shareholder.
- (4) Plantro Ltd. is a non-resident corporation which was one the entities that indirectly acquired OneMove in June of 2013. Matthew Proud currently owns Class A non-voting shares of Plantro Ltd.
- (5) Seastone Invest Ltd. is a non-resident corporation that was formed on behalf of Tyler Proud, and was one the entities that indirectly acquired OneMove in June of 2013.

Below are the names and holdings of Shares of, and certain other information with respect to, the Selling Shareholders.

Name of Selling Shareholder <sup>(1)(2)(3)</sup>	Number and Percentage of Shares Owned, Controlled or Directed Prior to the Offering	Number of Shares to be Sold Pursuant to the Secondary Offering <sup>(4)</sup>	Number and Percentage of Shares Owned, Controlled or Directed after giving effect to the Offering (assuming no exercise of the Over-Allotment Option / assuming exercise in full of the Over-Allotment Option)	Percentage of Shares on a fully-diluted basis after giving effect to the Offering and exercise of Over-Allotment Option
Plantro Ltd. . . . .	10,218,414 (42.05)%	3,719,403	6,499,011 (21.53%) / 5,569,160 (18.45%)	●%
Seastone Invest Limited .	8,167,664 (33.61)%	2,972,950	5,194,714 (17.21%) / 4,451,476 (14.75%)	●%
Manulife . . . . .	3,733,156 (15.36)%	1,358,832	2,374,324 (7.87%) / 2,034,615 (6.74%)	●%
Ronnie Wahi . . . . .	1,947,905 (8.02)%	709,018	1,238,887 (4.10%) / 1,061,632 (3.52%)	●%
Adrian Turchet . . . . .	173,974 (0.72)%	63,325	110,649 (0.37%) / 94,818 (0.31%)	●%

Notes:

- (1) To the knowledge of the Company, none of these Shares are or will be following the Closing subject to any voting trust or similar agreement. Following Closing, no Selling Shareholder (nor any affiliate thereof) shall have any board nomination rights.

- (2) Unless otherwise indicated, the information set forth in the table and in the notes above assumes that the Over-Allotment Option is not exercised, in whole or in part, and that the shareholders listed above do not acquire any Shares pursuant to the Offering.
- (3) Shares are registered in the name of the applicable shareholder.
- (4) ● Shares to be sold pursuant to the secondary offering were acquired by ● on ● at a cost of \$ ● per Share for aggregate proceeds of \$ ● .

## DIRECTORS AND EXECUTIVE OFFICERS

The Board consists of five directors. The directors will be elected by shareholders at each annual meeting of the Company's shareholders, and all directors will hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. The nominees for election by shareholders as directors will be determined by the Board in accordance with the provisions of applicable corporate law and the charter of the Board.

The following are the names and municipalities of residence of the Company's directors and executive officers, their positions and offices with the Company and corresponding start dates, and their principal occupations during the last five years:

Name, Province or State and Country of Residence <sup>(1)</sup>	Office held with Dye & Durham	Director and/or Executive Officer since	Present principal occupation and positions held <sup>(2)</sup>
<b>Tyler Proud</b> . . . . . Ontario, Canada	Chair	March 2013 <sup>(5)</sup>	Chief Executive Officer of Avesdo Technologies Inc.
<b>Brian L. Derksen</b> <sup>(3)(4)</sup> . . . . . Dallas, Texas	Lead Director	August 2018	Corporate Director
<b>Matthew Proud</b> . . . . . Ontario, Canada	Chief Executive Officer and Director	March 2013 <sup>(6)</sup>	Chief Executive Officer and Director of Dye & Durham
<b>Randy Fowlie</b> <sup>(3)(4)</sup> . . . . . Ontario, Canada	Director	August 2018	Corporate Director
<b>Craig Ferguson</b> <sup>(2)(4)</sup> . . . . . Ontario, Canada	Director	April 2018	Managing Director of Manulife Capital
<b>Eric Tong</b> . . . . . Ontario, Canada	Chief Operating Officer	March 2008 <sup>(7)</sup>	Chief Operating Officer of Dye & Durham
<b>Ian MacNeily</b> . . . . . Ontario, Canada	Chief Financial Officer	August 2017	Chief Financial Officer of Dye & Durham
<b>Charlie MacCready</b> . . . . . Ontario, Canada	General Counsel & Corporate Secretary	May 2018 <sup>(8)</sup>	General Counsel & Corporate Secretary of Dye & Durham

Notes:

- (1) The Board has determined that Matthew Proud, the Chief Executive Officer of Dye & Durham, and Tyler Proud, who is an immediate family member of Matthew Proud, are not considered independent. Each of Brian L. Derksen, Randy Fowlie, and Craig Ferguson are considered independent.
- (2) Each of the persons has held these positions for five years other than as described below.
- (3) Member of the Audit Committee.
- (4) Member of the Compensation and Governance Committee.
- (5) Tyler Proud was appointed Chair in October 2017.
- (6) Matthew Proud was appointed Chief Executive Officer in March 2014.
- (7) Eric Tong was Chief Operating Officer of OnCorp from March 2008 until his appointment as an executive officer of the Company in July 2017, in connection with the Company's acquisition of OnCorp. Mr. Tong was appointed Chief Operating Officer of the Company in July 2018.
- (8) Charlie MacCready acted as external counsel to the Company from June 2013 until he joined the Company in May 2018.

In addition to the directors noted above, the Company intends to appoint an additional independent director to the Board.

## **Directors**

### **Tyler Proud**

Tyler Proud has served as Chair of the Board for the past year, and as a member of the Board for the past five years. Tyler previously served as the Company's Chief Strategy Officer, responsible for leading Dye & Durham's acquisition growth strategy and international expansion. In addition to his position at Dye & Durham, Tyler is Chief Executive Officer of Avesdo Technologies Inc., a provider of sales automation software for new home developers across Canada and the United States. Tyler also serves as a member at University Health Network Transplant Foundation committee. Tyler holds an MBA from the University of Toronto's Rotman School of Management.

### **Brian L. Derksen**

Brian L. Derksen is the Lead Director of the Board. In addition, Brian currently serves on the board of directors of three other companies, including Oneok, Inc., Fish Technologies LLC and Brookshire Grocery Company. Brian had a 36-year career with Deloitte LLP before retiring in 2014. During his tenure with Deloitte, Brian held many senior management roles including the position of Deputy Chief Executive Officer, and served on Deloitte's Global board of directors for 12 years. Brian also previously served on the national Board of the American Red Cross, the national Board of the U.S. Chamber of Commerce and the Board of Visitors of Duke University's Fuqua School of Business. Brian holds a BSc from the University of Saskatchewan, an MBA from Duke University's Fuqua School of Business and is a U.S. Certified Public Accountant.

### **Matthew Proud**

Matthew Proud is the Company's Chief Executive Officer, a position he has held since 2014, when he was Chief Executive Officer of OneMove, a predecessor to the Company. Matthew's extensive business and operations experience has been the driving force behind Dye & Durham's growth. Matthew is passionate about the continual reinforcement of Dye & Durham's vision, values, and goals. Under Matthew's leadership, Dye & Durham's business has grown through multiple acquisitions and partnerships. In 2018, Matthew's leadership was recognized when he was announced as one of CNW Group/The Caldwell Partners International Inc.'s Canada's Top 40 Under 40 Honourees. Matthew holds a BA from the University of Cambridge and a Bachelor of Laws from the University of Buckingham.

### **Randy Fowlie**

Randy Fowlie is a member of the Board. From 2011 to 2017, Randy was the President and Chief Executive Officer of RDM Corporation, a public company providing specialized hardware and software solutions in the electronic payment industry. Previously, Randy operated a consulting practice from 2006 to 2011. Randy also held the position of Vice President and General Manager, Digital Media, of Harris Corporation, formerly Leitch Technology Corporation, and served as Chief Operating Officer and Chief Financial Officer of Inscribe Technology Corporation. Randy was also a partner with KPMG LLP as a chartered accountant. Randy is currently a director of Open Text Corporation, a public company traded on the TSX and NASDAQ exchanges, and InvestorCom Inc. Randy holds a BBA (Honours) from Wilfrid Laurier University and is a Chartered Professional Accountant.

### **Craig Ferguson**

Craig Ferguson is a member of the Board. Craig is Managing Director of Manulife Capital, where he is responsible for transaction origination, execution and portfolio management of private equity and mezzanine investments, including direct investments and fund investments. Craig is involved with the board of directors of several other private companies and Advisory Boards of investment funds in Canada and the U.S. Craig joined Manulife Capital in 2011 and has over 15 years of investment experience. Prior to joining Manulife Capital, Craig was with McKenna Gale Capital, where he was involved with originating, structuring, and managing private equity and mezzanine investments. Craig has also worked in the lending groups of GE Capital and CIT Group, having begun his career with KPMG. Craig holds a BBA (Honours) from Wilfrid Laurier University, is a Chartered Professional Accountant, and a CFA charterholder.

## Executive Officers

### **Matthew Proud**, *Chief Executive Officer and Director*

See Matthew Proud's biography in this section under the heading "Directors".

### **Eric Tong**, *Chief Operating Officer*

Eric Tong is the Company's Chief Operating Officer, a position he attained after first serving as Dye & Durham's Chief Information Officer. Previously, Eric was Chief Operating Officer at OnCorp, a predecessor to the Company, where he oversaw the day-to-day operations for 14 years. At OnCorp, Eric led the product development team to successfully bring new products and services to the market. Eric brings extensive product, technology and operational leadership experience to the Company's management team, which he joined through Dye & Durham's acquisition of OnCorp. Eric's prior experience also involves technology and the legal community, having served as an information technology consultant at Nurun (a Quebecor Media company) and as a programmer at PCLaw (now LexisNexis). Eric holds a BSc in computer engineering from the University of Toronto and an MBA from Queen's University.

### **Ian MacNeily**, *Chief Financial Officer*

Ian MacNeily is the Company's Chief Financial Officer and is based in the Toronto office. Ian is a senior financial executive with more than 20 years of experience as chief financial officer and directorships with TSX listed companies, including; Abacus Mining & Exploration Corp., where he acted as Chief Financial Officer from February 2011 to August 2014, Strategic Resource Acquisition Corp., North American Palladium Ltd. and Pangea Goldfields Inc. Previously, Ian was a Vice President with BMO Nesbitt Burns Inc. Ian is a Chartered Professional Accountant (CA) and holds a BA in Economics from Acadia University.

### **Charlie MacCready**, *General Counsel & Corporate Secretary*

Charlie MacCready is the Company's General Counsel & Corporate Secretary. Based in Toronto, Charlie has over 20 years of experience practicing corporate securities law and mergers & acquisitions. Over the course of his career in private practice, Charlie has been a partner of several national and global law firms. Charlie has specialized in public and private mergers and acquisitions, public financings, regulatory compliance, board and special committee representation and other securities-related matters for public and private entities and securities dealers. Charlie also has experience as a Senior Counsel and Manager, both at the Ontario Securities Commission and the TSX. Charlie holds a BScH degree in Mathematics and Computer Science from McGill University and a law degree from Osgoode Hall Law School.

## Other Reporting Issuer Experience

The following table sets out the current and/or proposed directors of the Company that are or were directors of other reporting issuers (or the equivalent) in Canada or a foreign jurisdiction during the last five years:

<u>Director</u>	<u>Name of Reporting Issuer</u>
Brian L. Derksen . . . . .	Oneok, Inc.
Randy Fowle . . . . .	Open Text Cororation RDM Corporation

## Security Holding

Immediately after the Closing, the directors and executive officers of the Company, as a group, will beneficially own, directly or indirectly, or exercise control or direction over ● Shares, representing approximately ● % of the Shares outstanding before giving effect to the exercise of the Over-Allotment Option ( ● % of the Shares outstanding after giving effect to the exercise of the Over-Allotment Option in full).

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

To the knowledge of the Company, except as set forth below: (a) no director or executive officer of the Company (or a personal holding company of such person) is, as at the date of this prospectus or was within the last 10 years, a director, chief executive officer or chief financial officer of any company that was subject to a cease trade order or similar order, or an order that denied the relevant company access to any exemption under securities legislation, that was in effect for a period of more than 30 consecutive days that was issued: (i) while the person was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was issued after the person ceased to be a director, chief executive officer or chief financial officer and which resulted from an event that occurred while that person was acting in the capacity as director, trustee, chief executive officer or chief financial officer; (b) no director or executive officer of the Company, or no shareholder holding a sufficient number of securities of the Company to affect materially the control of the Company, (i) is, as at the date of this prospectus or has been within the last 10 years, a director, trustee or executive officer of any company (including the Company) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; (ii) has in the last 10 years before the date of this prospectus, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold such person's assets; (iii) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority; or (iv) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision. Mr. Fowlie was a Director of Meikle Group Inc., a private company, from June 2009 to April 2010. Subsequent to Mr. Fowlie's resignation, as part of a restructuring, creditors appointed a receiver to sell the business assets and transfer employees of Meikle Group, as a going concern, to a newly financed company. Ian MacNeily was the chief financial officer and a director of Strategic Resource Acquisition Corporation ("SRA") from December 2006 to March 2009. SRA entered into the CCAA protection in January 2009 and subsequently exited CCAA in May 2009 after restructuring its affairs.

## **Majority Voting Policy**

Following Closing, the Company will adopt a majority voting policy. Pursuant to the policy, shareholders will vote for the election of individual directors at each annual meeting of shareholders, rather than for a fixed slate of directors. Further, in an uncontested election of directors at an applicable meeting of shareholders, the votes cast in favour of the election of a director nominee will be required to represent a majority of the shares voted and withheld for the election of the director. If that is not the case, that director must tender his or her resignation to the Chair. The Compensation and Governance Committee will promptly consider such tendered resignation and recommend to the Board the action to be taken with respect to such tendered resignation, and the Board shall accept the resignation absent exceptional circumstances and it must promptly disclose its decision via press release.

## **Conflicts of Interest**

The OBCA requires, among other things, that the directors and executive officers of the Company act honestly and in good faith with a view to the best interest of the Company, to disclose any personal interest which they may have in any material contract or transaction which is proposed to be entered into with the Company and, in the case of directors, to abstain from voting as a director for the approval of any such contract or transaction. To the extent that conflicts of interest arise, such conflicts will be resolved in accordance with the provisions of the OBCA as administered by the Compensation and Governance Committee. See also "Corporate Governance" in this prospectus.

## **Indemnification and Insurance**

The Company has indemnification agreements with each of its directors and officers. The indemnification agreements generally require that the Company indemnify and hold the indemnitees harmless to the fullest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith with a view to the best interests of the Company and in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, the indemnitees had reasonable grounds for believing that his or her conduct was lawful. The indemnification agreements also provide for the advancement of defense expenses to the indemnitees by the Company.

In addition, the Company's directors and officers are covered under its existing directors' and officers' liability insurance. Under this insurance coverage, the Company will be reimbursed for insured claims where payments have been made under indemnity provisions on behalf of the Company's directors and officers, subject to a deductible for each loss, which will be paid by the Company. The Company's individual directors and officers will also be reimbursed for insured claims arising during the performance of their duties for which they are not indemnified by the Company. Excluded from insurance coverage are illegal acts, acts which result in personal profit and certain other acts.

## EXECUTIVE COMPENSATION

### Introduction

The following discussion describes the significant elements of the compensation program for the named executive officers (“NEOs”) of the Company. The discussion below also reflects certain contemplated changes to the Company’s compensation program that would be implemented in connection with, and contingent upon, the completion of the Offering. The anticipated NEOs for Fiscal 2019 are:

- Matthew Proud, Chief Executive Officer and Director
- Eric Tong, Chief Operating Officer
- Ian MacNeily, Chief Financial Officer
- Charlie MacCready, General Counsel & Corporate Secretary

### Compensation Discussion and Analysis

#### *Overview*

Dye & Durham operates in a dynamic and rapidly evolving market. To succeed in this environment and achieve its business and financial objectives, the Company needs to attract, retain and motivate a highly talented executive team. The Company intends to design its executive officer compensation program to achieve the following objectives:

- provide compensation opportunities in order to attract and retain talented, high-performing and experienced executive officers, whose knowledge, skills and performance are critical to its success;
- motivate its executive team to achieve its business and financial objectives;
- align the interests of its executive officers with those of its shareholders by tying a meaningful portion of compensation directly to the long-term value and growth of its business; and
- provide incentives that encourage appropriate levels of risk-taking by its executive team.

The Company offers its executive officers cash compensation in the form of base salary and an annual bonus, and equity-based compensation which has historically been awarded in the form of stock options under the Legacy Stock Option Plan. In the future, the Company may grant long-term incentives consisting of stock options, performance share units (“PSUs”) and/or restricted share units (“RSUs”) under a new omnibus equity incentive plan (the “**Omnibus Plan**”), which the Company intends to adopt in connection with the Closing, and offer to its executive officers. The Company believes that equity-based compensation awards motivate its executive officers to achieve its business and financial objectives, and also aligns their interests with the long-term interests of the Company’s shareholders.

As the Company transitions from being a privately-held company to a publicly-traded company, it will continue to evaluate its philosophy and compensation program as circumstances require and plans to continue to review compensation on an annual basis. As part of this review process, the Company expects to be guided by the philosophy and objectives outlined above, as well as other factors which may become relevant, such as the cost to it if it were required to find a replacement for a key employee.

#### *Compensation-Setting Process*

The Compensation and Governance Committee will be responsible for assisting the Board in fulfilling its governance and supervisory responsibilities, and overseeing the Company’s human resources and compensation policies, processes and practices. The Compensation and Governance Committee will also be responsible for ensuring that the Company’s compensation policies and practices provide an appropriate balance of risk and reward consistent with its risk profile.

The Board has adopted a written charter for the Compensation and Governance Committee, which sets out its responsibilities for administering the Company’s compensation programs and reviewing and making recommendations to the Board concerning the level and nature of the compensation payable to the Company’s

directors and executive officers. The Compensation and Governance Committee's oversight will include reviewing objectives, evaluating performance and ensuring that total compensation paid to the Company's executive officers, personnel who report directly to the Company's Chief Executive Officer and various other key officers and managers is fair, reasonable and consistent with the objectives and philosophy of the Company's compensation program. See also "Corporate Governance — Committees of the Board — Compensation and Governance Committee".

It is anticipated that the Company's Chief Executive Officer will make recommendations to the Compensation and Governance Committee each year with respect to the compensation for the other NEOs.

The committee may engage an independent compensation consultant to evaluate the Company's executive compensation program against market practice.

In July 2018, the Company retained Hugessen Consulting Inc., an independent consulting firm, to provide services relating to executive officer and director compensation in connection with the Offering, including, among other things, assisting in reviewing the competitiveness of the Company's current cash and equity-based compensation arrangements for its NEOs.

As of the date hereof, Hugessen Consulting Inc. has billed the Company an aggregate of approximately \$14,000 (plus HST) for the foregoing services, which were provided from July 1, 2018 to July 31, 2018.

Following Closing, the Company anticipates establishing a peer group to assist it in reviewing the competitiveness of its compensation program.

### **Risk and Executive Compensation**

In reviewing the Company's compensation policies and practices each year, the Compensation and Governance Committee will seek to ensure the executive compensation program provides an appropriate balance of risk and reward consistent with the risk profile of the Company. The Compensation and Governance Committee will also seek to ensure the Company's compensation practices do not encourage excessive risk-taking behaviour by the executive team.

### ***Share Ownership Guidelines***

Following Closing, the Board will consider the adoption of share ownership guidelines.

### ***Trading Restrictions***

All of the Company's executive officers, including the NEOs, directors and employees will be subject to its insider trading policy, which will prohibit trading in the Company's securities while in possession of material undisclosed information about the Company. Under this policy, such individuals will also be prohibited from entering into certain types of hedging transactions involving the securities of the Company, such as short sales, puts and calls. Furthermore, the Company will permit its executive officers, including the NEOs, to trade in the Company's securities, including the exercise of options, only during prescribed trading windows.

### ***Clawback Policies***

Following Closing, the Company intends to adopt a clawback policy relating to annual bonus payments and long-term incentive awards to executive officers, including the NEOs.

### **Components of Compensation**

On Closing, the compensation of the Company's executive officers is expected to include three major elements: (a) base salary, (b) short-term incentives, consisting of an annual bonus, and (c) long-term equity incentives, consisting of stock options, PSUs and/or RSUs granted from time to time under the Omnibus Plan. Perquisites and benefits are not expected to be a significant element of compensation of the Company's executive officers.

### ***Base Salaries***

Base salary is provided as a fixed source of compensation for the Company's executive officers. Base salaries are determined on an individual basis taking into account the scope of the executive officer's responsibilities and their prior experience. Base salaries are expected to be reviewed annually by the Board and may be increased based on the executive officer's success in meeting or exceeding individual objectives, as well as to maintain market competitiveness. In addition, base salaries can be adjusted as warranted throughout the year to reflect promotions or other changes in the scope or breadth of an executive officer's role or responsibilities.

### ***Annual Bonuses***

Annual bonuses are designed to motivate the Company's executive officers to meet its business and financial objectives generally and its annual financial performance targets in particular. Annual bonus targets will be set as a percentage of the relevant executive officer's base salary, which will vary based on his or her position, if financial performance targets are achieved. Individual annual bonus payouts will be higher or lower than the target amount depending on the level of achievement of the applicable performance targets. Bonus payments for the executive management group are expected to be determined by the Board on the recommendation of the Compensation and Governance Committee.

### ***Long-Term Incentive Plans***

#### ***Omnibus Plan***

On Closing, the Company will establish the Omnibus Plan. The material features of the Omnibus Plan are summarized below.

#### Purpose

The purpose of the Omnibus Plan is to provide the Company with a share-related mechanism to attract, retain and motivate qualified directors, employees and consultants of the Company, to reward such of those non-employee directors, employees and consultants as may be granted Awards (as hereinafter defined) under the Omnibus Plan by the Board from time to time for their contributions toward the long term goals and success of the Company and to enable and encourage such non-employee directors, employees and consultants to acquire Shares (as defined in the Omnibus Plan) as long term investments and proprietary interests in the Company.

#### Types of Awards

The Omnibus Plan provides for the grant of options ("**Options**"), deferred share units ("**DSUs**"), restricted share units ("**RSUs**"), performance share units ("**PSUs**") and other share-based awards ("**Other Share-Based Awards**") and together with the Options, DSUs, PSUs and RSUs, the "**Awards**"). All Awards will be granted by an agreement or other instrument or document evidencing the Award granted under the Omnibus Plan (an "**Award Agreement**").

#### Plan Administration

The Omnibus Plan will be administered by the Board, which may delegate its authority to any duly authorized committee of the Board (the "**Plan Administrator**"). The Plan Administrator has sole and complete authority, in its discretion, to:

- (a) determine the individuals (the "**Participants**") to whom grants of Awards under the Omnibus Plan may be made;
- (b) make grants of Awards under the Omnibus Plan, whether relating to the issuance of Shares or otherwise (including any combination of Options, RSUs, PSUs, DSUs or Other Share-Based Awards),

in such amounts, to such Participants and, subject to the provisions of the Omnibus Plan, on such terms and conditions as it determines, including, without limitation:

- (i) the time or times at which Awards may be granted;
  - (ii) the conditions under which: (A) Awards may be granted to Participants; or (B) Awards may be forfeited to the Company, including any conditions relating to the attainment of specified performance goals;
  - (iii) the number of Shares to be covered by any Award;
  - (iv) the price, if any, to be paid by a Participant in connection with the purchase of Shares covered by any Awards;
  - (v) whether restrictions or limitations are to be imposed on the Shares issuable pursuant to grants of any Award, and the nature of such restrictions or limitations, if any; and
  - (vi) any acceleration of exercisability or vesting, or waiver of termination regarding any Award, based on such factors as the Plan Administrator may determine;
- (c) establish the form or forms of Award Agreements;
  - (d) cancel, amend, adjust or otherwise change any Award under such circumstances as the Plan Administrator may consider appropriate in accordance with the provisions of the Omnibus Plan;
  - (e) construe and interpret the Omnibus Plan and all Award Agreements;
  - (f) adopt, amend, prescribe and rescind administrative guidelines and other rules and regulations relating to the Omnibus Plan, including rules and regulations relating to sub-plans established for the purpose of satisfying applicable foreign laws or for qualifying for favorable tax treatment under applicable foreign laws; and
  - (g) make all other determinations and take all other actions necessary or advisable for the implementation and administration of the Omnibus Plan.

#### Shares Available for Awards

Subject to adjustments as provided for under the Omnibus Plan, the maximum number of Shares available for issuance pursuant to Awards granted under the Omnibus Plan will not exceed 10% of the Company's total issued and outstanding Shares from time to time. As of the date of Closing there are estimated to be approximately ● Shares reserved and available for issuance under the Omnibus Plan.

The Omnibus Plan is considered to be an "evergreen" plan, since the Shares covered by Awards which have been exercised or terminated will be available for subsequent grants under the Omnibus Plan and the total number of Awards available to grant increases as the number of issued and outstanding Shares increases.

The aggregate number of Shares: (a) issuable to Insiders (as defined in the Omnibus Plan) at any time under all of the Company's security based compensation arrangements (which, for greater certainty, includes the Legacy Stock Option Plan) may not exceed 10% of the Company's total issued and outstanding Shares; and (b) issued to Insiders within any one-year period, under all of the Company's security based compensation arrangements may not exceed 10% of the Company's total issued and outstanding Shares.

#### Blackout Period

In the event that the date of grant of an Award occurs, or an Award expires, at a time when an undisclosed material change or material fact in the affairs of the Company exists, the effective date of grant for such award, or expiry of such Award, as the case may be, will be no later than 10 business days after which there is no longer such undisclosed material change or material fact, and the Market Price (as hereinafter defined) with respect to the grant of such Award will be calculated based on the five business days immediately preceding the effective grant date.

## Description of Awards

Subject to the provisions of the Omnibus Plan and such other terms and conditions as the Plan Administrator may prescribe, including with respect to performance and vesting conditions, the Plan Administrator may, from time to time, grant the following types of Awards to any Participant.

### Options

An Option entitles a holder thereof to purchase a Share at an exercise price set at the time of the grant, which exercise price must in all cases be not less than the Market Price on the date of grant. Market Price is defined as the volume weighted average closing price of the Shares on the TSX for the five trading days immediately preceding the date of grant (or, if such Shares are not then listed and posted for trading on the TSX, on such stock exchange on which the Shares are listed and posted for trading as may be selected for such purpose by the Board); provided that, for so long as the Shares are listed and posted for trading on the TSX, the Market Price shall not be less than the market price, as calculated under the policies of the TSX. The term of each option will be fixed by the Plan Administrator, but may not exceed 10 years from the Date of Grant.

### Deferred Share Units

A DSU is a unit equivalent in value to a Share that vests upon grant but does not settle until a future date, generally upon termination of service with the Company. The number of DSUs (including fractional DSUs) granted at any particular time will be calculated by dividing (a) the amount of any compensation that is to be paid in DSUs, as determined by the Plan Administrator, by (b) the Market Price of a Share on the grant date.

The Plan Administrator will have the sole authority to determine the settlement terms applicable to the grant of DSUs. Subject to the terms of the Omnibus Plan and except as otherwise provided in an Award Agreement, on the settlement date for any DSU, the Participant will redeem each vested DSU for a Share, a cash payment, or a combination thereof.

Unless otherwise determined by the Plan Administrator and set forth in the particular Award Agreement, DSUs will be credited with dividend equivalents in the form of additional DSUs as of each dividend payment date in respect of which normal cash dividends are paid on Shares. Dividend equivalents will vest in proportion to the DSUs to which they relate and will be settled in the same manner as the DSUs.

### Restricted Share Units

An RSU is a unit equivalent in value to a Share that does not vest until after a specified period of time, or satisfaction of other vesting conditions as determined by the Plan Administrator, and which may be forfeited if vesting conditions are not met. The number of RSUs (including fractional RSUs) granted at any particular time will be calculated by dividing (a) the amount of any compensation that is to be paid in RSUs, as determined by the Plan Administrator, by (b) the Market Price of a Share on the grant date.

The Plan Administrator will have the sole authority to determine the settlement terms applicable to the grant of RSUs. Subject to the terms of the Omnibus Plan and except as otherwise provided in an Award Agreement, on the settlement date for any RSU, the Participant will redeem each vested RSU for a Share, a cash payment, or a combination thereof.

Unless otherwise determined by the Plan Administrator and set forth in the particular Award Agreement, RSUs will be credited with dividend equivalents in the form of additional RSUs as of each dividend payment date in respect of which normal cash dividends are paid on Shares. Dividend equivalents will vest in proportion to the RSUs to which they relate and will be settled in the same manner as the RSUs.

### Performance Share Units

The Plan Administrator will issue performance goals prior to the grant date to which such performance goals pertain. The performance goals may be based upon the achievement of corporate, divisional or individual goals and may be applied relative to performance relative to an index or comparator group, or on any other basis determined by the Plan Administrator. The Plan Administrator may modify the performance goals as necessary to align them with the Company's corporate objectives, subject to any limitations set forth in an Award Agreement or other agreement with a Participant. The performance goals may include a threshold level of

performance below which no payment will be made (or no vesting will occur), levels of performance at which specified payments will be made (or specified vesting will occur), and a maximum level of performance above which no additional payment will be made (or at which full vesting will occur), all as set forth in the applicable Award Agreement.

Each PSU will consist of a right to receive a Share, cash payment, or a combination thereof, upon the achievement of such performance goals during such performance periods as the Plan Administrator may establish.

Other Share-Based Awards

Each Other Share-Based Award shall consist of a right (a) which is other than an Award or right described above, and (b) which is denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to, Shares (including, without limitation, securities convertible into Shares) as are deemed by the Plan Administrator to be consistent with the purposes of the Omnibus Plan; provided, however, that such right will comply with applicable law. Subject to the terms of the Omnibus Plan and any applicable Award Agreement, the Plan Administrator will determine the terms and conditions of Other Share-Based Awards.

Effect of Termination on Awards

The following table describes the impact of certain events upon the Participants under the Omnibus Plan, including termination for cause, resignation, termination without cause, disability, death or retirement, subject, in each case, to the terms of a Participant’s employment agreement, Award Agreement or other written agreement:

<u>Event Provisions</u>	<u>Provisions</u>
Termination for cause	Forfeiture of any unexercised Option or other Award.
Resignation	Forfeiture of any unexercised Option or other Award.
Termination without cause	Vesting of a portion of any unvested Options or other Awards equal to the number of unvested Options or other Awards held by the Participant as of the termination date multiplied by a fraction, the numerator of which is the number of days between the grant date and the termination date and the denominator of which is the number of days between the grant date and the date any unvested Options or other Awards were originally scheduled to vest, which vested Options or other Awards may be exercised on the earlier of the expiry date of such Award and 90 days after the termination date.
Disability	Vesting of all unvested Options or other Awards, which may be exercised until the expiry date of such Award.
Death	12 month vesting period after death for all unvested Options or other Awards and the earlier of the expiry date and 12 months after death to exercise.
Retirement	Option or other Award continues to vest in accordance with its terms and the earlier of the expiry date and three years after retirement date to exercise; if the Participant commences employment following retirement, any Option or other Award held by the Participant that has not been exercised as of such date is immediately forfeited.

Notwithstanding the foregoing, the Plan Administrator may, in its discretion, permit the acceleration of vesting of any or all Awards or waive termination of any or all Awards, all in the manner and on the terms as may be authorized by the Plan Administrator.

### Change in Control

Except as may be set forth in an employment agreement, Award Agreement or other written agreement between the Company or a subsidiary of the Company and the Participant, the Plan Administrator may, without the consent of any Participant, take such steps as it deems necessary or desirable, including to cause:

- (a) the conversion or exchange of any outstanding Awards into or for, rights or other securities of substantially equivalent value, as determined by the Plan Administrator in its discretion, in any entity participating in or resulting from a Change in Control (as defined in the Omnibus Plan);
- (b) outstanding Awards to vest and become exercisable, realizable, or payable, or restrictions applicable to an Award to lapse, in whole or in part prior to or upon consummation of such Change in Control, and, to the extent the Plan Administrator determines, terminate upon or immediately prior to the effectiveness of such Change in Control;
- (c) the termination of an Award in exchange for an amount of cash and/or property, if any, equal to the amount that would have been attained upon the exercise or settlement of such Award or realization of the Participant's rights as of the date of the occurrence of the transaction net of any exercise price payable by the Participant (and, for the avoidance of doubt, if as of the date of the occurrence of the transaction, the Plan Administrator determines, in good faith, that no amount would have been attained upon the exercise or settlement of such Award or realization of the Participant's rights net of any exercise price payable by the Participant, then such Award may be terminated by the Company without payment);
- (d) the replacement of such Award with other rights or property selected by the Board in its sole discretion; or
- (e) any combination of the foregoing.

In taking any of the foregoing actions, the Plan Administrator will not be required to treat all Awards similarly in the transaction.

Notwithstanding the foregoing, and unless otherwise determined by the Plan Administrator, if, as a result of a Change in Control, the Shares will cease trading on a stock exchange, the Company may terminate all of the Awards granted under the Omnibus Plan at the time of and subject to the completion of the Change in Control by paying to each holder an amount for each Award equal to the fair market value of the Award held by such Participant as determined by the Plan Administrator, acting reasonably.

### Assignability

Except as required by law, the rights of a Participant under the Omnibus Plan are not capable of being assigned, transferred, alienated, sold, encumbered, pledged, mortgaged or charged unless otherwise approved by the Plan Administrator.

### Amendment, Suspension or Termination of the Omnibus Plan

The Plan Administrator may from time to time, without notice and without approval of the Shareholders, amend, modify, change, suspend or terminate the Omnibus Plan or any Awards granted pursuant thereto as it, in its discretion, determines appropriate, provided, however, that: (a) no such amendment, modification, change, suspension or termination may materially impair any rights of a Participant or materially increase any obligations of a Participant under the Omnibus Plan without the consent of the Participant, unless the Plan Administrator determines such adjustment is required or desirable in order to comply with any applicable securities laws or TSX requirements; and (b) any amendment that would cause an Award held by a U.S. taxpayer to be subject to the additional tax penalty under the U.S. tax code will be null and void with respect to the U.S. taxpayer unless his or her consent is obtained.

Without limiting the generality of the foregoing, but subject to the below, the Plan Administrator may, without shareholder approval, at any time or from time to time, amend the Omnibus Plan for the purposes of:

- any amendments to the general vesting provisions of each Award;
- any amendment regarding the effect of termination of a participant's employment or engagement;

- any amendments to add covenants of the Company for the protection of Participants, provided that the Plan Administrator must be of the good faith opinion that such additions will not be prejudicial to the rights or interests of the Participants;
- any amendments not inconsistent with the Omnibus Plan as may be necessary or desirable with respect to matters or questions which, in the good faith opinion of the Plan Administrator, having in mind the best interests of the Participants, it may be expedient to make, including amendments that are desirable as a result of changes in law in any jurisdiction where a Participant resides, provided that the Plan Administrator must be of the opinion that such amendments and modifications will not be prejudicial to the interests of the Participants and non-employee directors; or
- any such changes or corrections which, on the advice of counsel to the Company, are required for the purpose of curing or correcting any ambiguity or defect or inconsistent provision or clerical omission or mistake or manifest error, provided that the Plan Administrator must be of the opinion that such changes or corrections will not be prejudicial to the rights and interests of the Participants.

Notwithstanding the foregoing and subject to any rules of the TSX, shareholder approval will be required for any amendment, modification or change that:

- increases the percentage of Shares reserved for issuance under the Omnibus Plan, except pursuant to the provisions in the Omnibus Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- increases or removes the 10% limits on Shares issuable or issued to Insiders;
- reduces the exercise price of an Award except pursuant to the provisions in the Omnibus Plan which permit the Plan Administrator to make equitable adjustments in the event of transactions affecting the Company or its capital;
- extends the term of an Award beyond the original expiry date (except where an expiry date would have fallen within a blackout period applicable to the Participant or within five business days following the expiry of such a blackout period);
- permits an Award to be exercisable beyond 10 years from its grant date (except where an expiry date would have fallen within a blackout period);
- increases or removes the non-employee director participation limits;
- permits Awards to be transferred to a person;
- changes the eligible participants of the Omnibus Plan; or
- deletes or reduces the range of amendments which require shareholder approval.

#### *Legacy Stock Option Plan*

The Company's Stock Option Plan (the "**Legacy Stock Option Plan**") is a part of a legacy compensation program pursuant to which certain employees, directors and consultants of the Company or its subsidiaries were granted options to purchase shares in the capital of the Company. No additional awards will be made under the Legacy Stock Option Plan, but options previously granted under the plan will remain outstanding in accordance with their terms and will continue to be governed by the provisions of the plan. In connection with Closing, the vesting of 50% of all unvested outstanding options will automatically accelerate and become immediately vested.

If there is a change of control of the Company, the Board shall determine the treatment of the outstanding options upon completion of such change of control, which may include (a) assumption or replacement of options by a successor to the Corporation; (b) the cancellation for no consideration of any such options that remain unexercised immediately following the completion of such change of control provided that the vesting of all unvested options was accelerated to render the optioned Shares available for purchase prior to the change of control; or (c) the acceleration of the vesting of any unvested options such that they are fully exercisable immediately prior to (and conditional on) the completion of such change of control.

In the event a participant is terminated without cause or resigns for good reason during the 12-month period following completion of a change of control of the Company, any options that were assumed or replaced by other options upon a change of control and remain unvested on the date of termination shall vest in full on such date and

shall be exercisable until the earlier of (a) the close of business on the expiry date of the option; and (b) 90 days following the date of the termination or resignation as applicable (which date shall be calculated without reference to any notice or severance period to which the participant may be entitled whether by contract or at law).

### Benefit Plans

The Company provides its executive officers, including the NEOs, with life, disability, health and dental insurance programs on the same basis as other employees as well as paid time off. The Company offers these benefits consistent with local market practice.

### Perquisites

The Company generally does not offer significant perquisites as part of its compensation program, unless otherwise described below under “— Employment Agreements”.

### Termination and Change of Control Benefits

For a summary of the termination and change of control benefits provided under each long-term incentive plan, please refer to the “— Components of Compensation — Long-Term Incentive Plans”. For a summary of the termination benefits provided under the NEOs’ employment agreements, please refer to the “— Employment Agreements” section below.

### Summary Compensation Table

The following table sets out information concerning the expected Fiscal 2019 compensation to be earned by, paid to, or awarded to the NEOs.

Name and Principal Position	Fiscal	Salary (\$) <sup>(1)</sup>	Share Based Awards (\$) <sup>(2)</sup>	Option Based Awards (\$) <sup>(3)</sup>	Non-Equity Incentive Plan Compensation		All Other Compensation (\$) <sup>(5)</sup>	Total Compensation (\$)
					Annual Incentive Plans (\$) <sup>(3)</sup>	Long-Term Incentive Plans (\$)		
<b>Matthew Proud</b> . . . . . Chief Executive Officer and Director	2019	350,000	—	—	210,000	—	—	560,000
<b>Eric Tong</b> . . . . . Chief Operating Officer	2019	300,000	—	—	150,000	—	—	450,000
<b>Ian MacNeily</b> . . . . . Chief Financial Officer	2019	250,000	—	—	325,000	—	—	575,000
<b>Charlie MacCreedy</b> . . . . . General Counsel & Corporate Secretary	2019	300,000	—	—	150,000	—	—	450,000

Notes:

- (1) Represents the base salary expected to be paid in Fiscal 2019.
- (2) The Company has yet to establish equity compensation levels for its NEOs.
- (3) The fair value of options granted at the grant date will be estimated using the Black-Scholes valuation model.
- (4) Represents target bonuses payable.
- (5) None of the NEOs are entitled to perquisites or other personal benefits which, in the aggregate, are worth over \$50,000 or over 10% of their base salary.

### Employment Agreements

#### *Matthew Proud, Chief Executive Officer and Director*

On Closing, the Company plans to enter into an amended employment agreement with Mr. Proud which will set forth the terms and conditions of his employment. It is expected that Mr. Proud’s employment agreement will provide for base salary, an annual performance bonus and benefits. It is also expected that Mr. Proud will participate in the Omnibus Plan.

The employment agreement with Mr. Proud will specify the amounts or items payable, including severance, to Mr. Proud in the event that he is terminated for cause, without cause or resigns.

If Mr. Proud resigns or is terminated for cause, it is expected that he will receive only his accrued but unpaid base salary and vacation pay up to the termination date. If Mr. Proud is terminated without cause, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the Company will pay Mr. Proud 24 months severance and 50% of his target bonus.

Mr. Proud's employment agreement is also expected to contain customary confidentiality and non-disparagement covenants and certain restrictive covenants that will continue to apply following the termination of his employment, including non-competition and non-solicitation provisions which are in effect during Mr. Proud's employment and for a period following the termination of his employment.

***Eric Tong, Chief Operating Officer***

Mr. Tong's employment agreement provides for base salary, an annual performance bonus and benefits. It is expected that Mr. Tong will participate in the Omnibus Plan.

The employment agreement with Mr. Tong specifies the amounts or items payable, including severance, to Mr. Tong in the event that he is terminated without cause or resigns.

If Mr. Tong is terminated without cause or resigns, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the Company will pay Mr. Tong severance in accordance with the provisions of the employment standards legislation in Ontario.

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

***Ian MacNeily, Chief Financial Officer***

Mr. MacNeily's employment agreement provides for base salary, an annual bonus and benefits. It is expected that Mr. MacNeily will participate in the Omnibus Plan.

The employment agreement with Mr. MacNeily specifies the amounts or items payable, including severance, to Mr. MacNeily in the event that he is terminated for cause, without cause or resigns.

If Mr. MacNeily is terminated without cause, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the Company will pay severance in accordance with the provisions of the employment standards legislation in Ontario and a payment of \$125,000 (plus any accrued bonus)

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

***Charlie MacCready, General Counsel & Corporate Secretary***

Mr. MacCready's employment agreement provides for base salary, an annual performance bonus and benefits. It is expected that Mr. MacCready will participate in the Omnibus Plan.

The employment agreement with Mr. MacCready specifies the amounts or items payable, including severance, to Mr. MacCready in the event that he is terminated for cause, without cause or resigns.

If Mr. MacCready is terminated without cause, then in addition to his accrued but unpaid base salary and vacation pay up to the termination date, and benefits continuation, the Company will provide Mr. MacCready with six months notice (or a combination of notice and pay in lieu thereof).

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

The table below shows the incremental payments that would be made to the Company's NEOs under the terms of their employment agreements upon the occurrence of certain events, if such events were to occur immediately following completion of the Offering.

<u>Name and Principal Position</u>	<u>Event</u>	<u>Severance (\$)</u>	<u>Other Payments (\$)<sup>(1)</sup></u>	<u>Total (\$)</u>	<u>Following Change of Control</u>
<b>Matthew Proud</b> . . . . . Chief Executive Officer and Director	Termination without cause	805,000	2,050	807,050	807,050
<b>Eric Tong</b> . . . . . Chief Operating Officer	Termination without cause	46,154	1,319	47,473	47,473
<b>Ian MacNeily</b> . . . . . Chief Financial Officer	Termination without cause	134,615	13,819	148,434	148,434
<b>Charlie MacCready</b> . . . . . General Counsel & Corporate Secretary	Termination without cause	150,000	16,319	166,319	166,319

Note:

(1) Amounts reflect the NEO's benefits coverage for their severance period.

### Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information concerning the option-based and share-based awards granted to the Company's NEOs that it expects to be outstanding on Closing:

<u>Name and Principal Position</u>	<u>Option-based Awards</u>			
	<u>Number of securities underlying unexercised options (#)</u>	<u>Option exercise price (\$)</u>	<u>Option expiration date</u>	<u>Value of unexercised in-the-money options (\$)<sup>(1)</sup></u>
<b>Matthew Proud</b> . . . . . Chief Executive Officer and Director	—	—	—	—
<b>Eric Tong</b> . . . . . Chief Operating Officer	141,817	4.81	July 2023	●
<b>Ian MacNeily</b> . . . . . Chief Financial Officer	115,333	5.66	September 2023	●
<b>Charlie MacCready</b> . . . . . General Counsel & Corporate Secretary	141,817	4.81	July 2023	●

Note:

(1) The value of the unexercised in-the-money options is calculated based on the Offering Price.

## Incentive Plan Awards — Value Vested or Earned During the Year

The following table sets out, for each of the Company’s NEOs, the value of the option-based awards expected to vest in accordance with their terms during Fiscal 2019. None of the NEOs hold any share-based awards.

<u>Name and Principal Position</u>	<u>Option-Based Awards — Value Expected to be Vested During the Year (\$) <sup>(1)</sup></u>
<b>Matthew Proud</b> . . . . . Chief Executive Officer and Director	Nil
<b>Eric Tong</b> . . . . . Chief Operating Officer	155,334
<b>Ian MacNeily</b> . . . . . Chief Financial Officer	215,199
<b>Charlie MacCready</b> . . . . . General Counsel & Corporate Secretary	155,334

Note:

(1) Reflects the grant date fair value of stock options (determined in accordance with the Black-Scholes valuation model).

## DIRECTOR COMPENSATION

### General

The following discussion describes the significant elements of the expected compensation program for members of the Board and its committees. The compensation of the Company’s directors is designed to attract and retain committed and qualified directors and to align their compensation with the long-term interests of its shareholders. Executive directors (each, an “**Excluded Director**”) will not be entitled to receive any compensation for his or her service as a director of the Board.

### Director Compensation

The Company’s director compensation program is designed to attract and retain the most qualified individuals to serve on the Board. The Board, on the recommendation of the Compensation and Governance Committee, will be responsible for reviewing and approving any changes to the directors’ compensation arrangements. In consideration for serving on the Board, each director (other than Excluded Directors) will be paid an annual retainer. All directors will be reimbursed for their reasonable out-of-pocket expenses incurred while serving as directors. See also “Executive Compensation — Components of Compensation”.

The chart below outlines the Company’s proposed director compensation program for its directors (other than Excluded Directors).

<u>Type of Fee</u>	<u>Amount (\$)</u>
<b>Board Retainer</b> . . . . . Excluded directors	Nil
Non-Excluded directors	\$70,000

### Long-Term Incentive Plan

#### *Omnibus Plan*

On Closing, the Company will establish the Omnibus Plan, which will provide for the grant of DSUs. See “Executive Compensation — Components of Compensation — Long-Term Incentive Plans — Omnibus Equity Incentive Plan”.

Each year, the Company's directors, other than Excluded Directors who will not be receiving director compensation, may elect to take all or a portion of their annual Board retainer in the form of DSUs. Participation by the eligible directors in the Omnibus Plan is entirely voluntary.

Following the end of an eligible director's tenure as a member of the Board, the director will receive Shares, a payment in cash at the fair market value of the Shares represented by his or her DSUs, or a combination of the two on the director's elected redemption date. Each director's elected redemption date will not be earlier than the date the director's tenure as a member of the Board ceases and will not be later than December 15<sup>th</sup> of the year following the year in which the director's tenure as a member of the Board ceases.

### Outstanding Option-Based Awards and Share-Based Awards

The following table sets out information concerning the option-based and share-based awards granted to each of the individuals who will not be Excluded Directors that it expects to be outstanding on Closing:

Name and Principal Position	Option-based Awards			
	Number of securities underlying unexercised options (#)	Option exercise price (\$)	Option expiration date	Value of unexercised in-the-money options (\$) <sup>(1)</sup>
<b>Tyler Proud</b> . . . . .	—	—	—	—
<b>Brian L. Derksen</b> . . . . .	90,000	5.66	August 2023	●
<b>Randy Fowlie</b> . . . . .	90,000	5.66	August 2023	●
<b>Craig Ferguson</b> . . . . .	—	—	—	—

Note:

(1) The value of the unexercised in-the-money options is calculated based on the Offering Price.

### Share Ownership Guidelines

Following Closing, the Board will consider the adoption of share ownership guidelines.

### INDEBTEDNESS OF DIRECTORS AND EXECUTIVE OFFICERS

None of the Company's current or former directors, officers, or employees or any of their respective associates is indebted to the Company or has been subject of a guarantee, support agreement, letter of credit or similar arrangement or understanding provided by the Company or any of its subsidiaries.

### CORPORATE GOVERNANCE

#### Statement of Corporate Governance Practices

The Company's corporate governance disclosure obligations are set out in the Canadian Securities Administrators' NI 52-110, NI 58-101 and NP 58-201. These instruments set out a series of guidelines and requirements for effective corporate governance (collectively, the "Guidelines"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of Board members. NI 58-101 requires the disclosure by each listed corporation of its approach to corporate governance with reference to the Guidelines.

Set out below is a description of the Company's approach or anticipated approach to corporate governance in relation to the Guidelines.

## **Board Composition**

### ***Board of Directors***

The Company's Board is currently comprised of five directors: Tyler Proud (Chair), Brian L. Derksen (Lead Director), Matthew Proud, Randy Fowlie, and Craig Ferguson. In addition to the foregoing directors, following Closing, the Company intends to appoint an additional independent director to the Board.

The primary function of the Board is to supervise the management of the business and affairs of the Company, including the responsibility for the strategic planning process, assessing the performance of and overseeing the Company's management, the issuance of securities, ensuring effective and adequate communication with shareholders, other stakeholders and the public, oversight of the Company's internal control and management information systems, corporate governance, director compensation and assessment and approving material transactions and contracts. The Board will also be responsible for reviewing the succession plans for the Company, including appointing and monitoring senior management to ensure that the Board and management have appropriate skills and experience. The Board has established two committees: the Audit Committee and the Compensation and Governance Committee. See "Directors and Executive Officers" in this prospectus for a table setting out the membership of each of the committees of the Board.

The Board will delegate to the applicable committee those duties and responsibilities set out in each committee's proposed charters.

The primary mandate of the Audit Committee is to provide assistance to the Board in fulfilling its responsibility to the shareholders of the Company, to oversee the work and review the qualifications and independence of the external auditors of the Company, to review the financial statements of the Company and public disclosure documents containing financial information and to assist the Board with the legal compliance with respect to financial reporting and audit matters.

The primary mandate of the Compensation and Governance Committee will be to assess the effectiveness of the Board, each of its committees and individual members of the Board, administer any securities-based compensation or incentive plans of the Company, review and approve the compensation program and compensation paid by the Company, if any, to the officers of the Company, review and make recommendations to the Board concerning the level and nature of the compensation payable to officers of the Company, and, advise the Board on enhancing the Company's corporate governance through a continuing assessment of the Company's approach to corporate governance.

The Company currently does not have a nominating committee and the Board as a whole identifies new candidates for the Board where and when appropriate, who have expertise in an area of strategic importance to Dye & Durham, a willingness to serve on the Board of Directors and any of its committees and the ability to devote sufficient time to Board service.

### ***Independence of the Board***

NI 58-101 defines an "independent director" as a director who has no direct or indirect material relationship with the Company. A "material relationship" is in turn defined as a relationship which could, in the view of the Board, be reasonably expected to interfere with such member's independent judgment. In determining whether a particular director is an "independent director" or a "non-independent director", the Board considers the factual circumstances of each director in the context of the Guidelines.

The Board is comprised of five directors, three of whom are considered independent under NI 52-110. The Board has determined that Matthew Proud, the Chief Executive Officer of Dye & Durham, and Tyler Proud, who is an immediate family member of Matthew Proud, are not considered independent. Each of Brian L. Derksen, Randy Fowlie, and Craig Ferguson are considered independent.

The Board recognizes the importance of independent leadership on the Board, and has appointed Brian L. Derksen, independent director, as Lead Director. The Board has developed a formal position description for the Lead Director of the Board. The position description for the Lead Director of the Board provides, among other things, that the Lead Director will (a) assist the Chair in (i) leading, managing and organizing the Board consistent with the approach to governance adopted by the Board from time to time, (ii) promoting cohesiveness

among the directors, (iii) being satisfied that the responsibilities of the Board and its committees are well understood by the directors, (b) ensure that the independent directors have adequate opportunities to meet without members of the executive management group present, (c) preside over *in camera* meetings of the independent directors if the Chair is not independent and communicating to the executive management group as appropriate the results thereof, and (d) encourage free and open discussion at meetings of the Board.

### ***Meetings***

The Board will meet not less than four times per year: three meetings to review quarterly results and one meeting prior to the issuance of the annual financial results of the Company. The Board shall meet periodically without Management present to ensure that the Board functions independent of Management. At each Board meeting, unless otherwise determined by the Board, an *in camera* meeting of independent directors will take place, which session will be chaired by the Chair of the Board or Lead Director if the Chair is not independent within the meaning of NI 52-110.

The Board appreciates having certain members of senior management attend each Board meeting to provide information and opinion to assist the members of the Board in their deliberations. Management attendees who are not Board members will be excused for any agenda items which are reserved for discussion among directors only.

### ***Succession planning***

The Board will provide primary oversight of succession planning for senior management, the performance assessment of the Chief Executive Officer, and the Chief Executive Officer's assessments of the other senior officers. In addition, from time to time, as appropriate, the Compensation and Governance Committee will review policies and programs in place and under development related succession planning.

### **Charters and Position Descriptions**

The Board will be responsible for the overall stewardship of the Company. The Board will discharge this responsibility directly and through delegation of specific responsibilities to committees of the Board, the Chair, and officers of the Company, all as more particularly described in the Board's charter which is appended hereto as Appendix D. The committee charters for the Audit Committee and the Compensation and Governance Committee set out in writing the responsibilities of the committees vis-à-vis the Board and management of the Company.

The Board also has, or will have, written position descriptions for the Chair, the Lead Director, chairs of each of the committees of the Board and the Chief Executive Officer. Each position description will set out, without limitation, the requirements and responsibilities of each such position.

### **Director Term Limits/Mandatory Retirement**

The Board will consider the matters of term limits and mandatory retirement. At this time, the Board does not believe that these types of policies are necessary. The Board believes that its self-evaluation process combined with input from an external third party governance firm is an effective and transparent manner to ensure that the Company's directors add value and remain strong contributors.

### **Diversity**

#### ***Board of Directors***

Dye & Durham recognizes the benefits that diversity brings to the Company. The Board will aim to be comprised of directors who have a range of perspectives, insights and views in relation to the issues affecting the Company. The Company believes that the Board should include individuals from diverse backgrounds, having regard to, among other things, gender, status, age, business experience, professional expertise, education, nationality, race, culture, language, personal skills and geographic background and will consider the adoption of a diversity policy following Closing.

As of Closing, none of the directors will be female. The Company recognizes the value of the contribution of members with diverse attributes on the Board. However, the Company does not intend to establish a target regarding the number of women on the Board. The Company believes a target would not be the most effective way of ensuring the Board is comprised of individuals with diverse attributes and backgrounds. The Company will, however, evaluate the appropriateness of adopting targets in the future.

### ***Management***

As of Closing, none of the executive officers of the Company will be female. The Company does not intend to establish a target regarding the number of women in executive officer or senior leadership positions. The Company believes that the most effective way to achieve its goal of increasing the representation of women in leadership roles at all levels of the organization is to identify high-potential women within the Company and work with them to ensure they develop the skills, acquire the experience and have the opportunities necessary to become effective leaders. The Company will, however, evaluate the appropriateness of adopting targets in the future.

### **Orientation and Continuing Education**

The Board will oversee an appropriate orientation for new Board members in order to familiarize them with the Company and its business (including the Company's reporting and organizational structure, strategic plans, significant financial, accounting and risk issues, compliance programs and policies, management and the external auditors), the role of the Board and its committees and the contribution that an individual director is expected to make to the Board, its committees (as applicable) and the Company. The Board will also coordinate the development of continuing education activities or programs for directors, from time to time as appropriate, that shall, among other things, assist directors to maintain or enhance their skills and abilities as directors, and assist directors in ensuring that their knowledge and understanding of the Company and its business remain current.

In addition, Board members will be expected to keep themselves current with industry trends and developments and will be encouraged to communicate with management and, where applicable, auditors, advisors and other consultants of the Company. Board members will have access to the Company's in-house and external legal counsel in the event of any questions or matters relating to the Board members' corporate and director responsibilities and to keep themselves current with changes in legislation. Board members have full access to the Company's records.

### **Ethical Business Conduct**

Following Closing, the Board will adopt a Code of Business Conduct and Ethics for the Company's directors, officers and employees that sets out the Board's expectations for the conduct of such persons in their dealings on behalf of the Company. The Board will establish confidential reporting procedures in order to encourage employees, directors and officers to raise concerns regarding matters addressed by the Code of Business Conduct and Ethics on a confidential basis free from discrimination, retaliation or harassment. Employees who violate the Code of Business Conduct and Ethics may face disciplinary actions, including dismissal.

The Code of Business Conduct and Ethics will be designed to deter wrongdoing and promote honest and ethical conduct; the avoidance of conflicts of interests; confidentiality of corporate information; protection and proper use of corporate assets and opportunities; compliance with applicable governmental laws, rules and regulations; prompt internal reporting of any violations of the Code of Business Conduct and Ethics; accountability for adherence to the Code of Business Conduct and Ethics; and the Company's culture of honesty and accountability.

The Board will monitor compliance with the Code of Business Conduct and Ethics by delegating responsibility for investigating and enforcing matters related to the Code of Business Conduct and Ethics to management, who will report breaches of the Code of Business Conduct and Ethics to the appropriate officer of the Company. Any such investigations and resolutions of complaints will be reviewed by the General Counsel who will report annually to the Board thereon. Certain of the matters covered by the Code of Business Conduct

and Ethics will also be subject to Audit Committee oversight. Any employee who becomes aware of a violation of the Code of Business Conduct and Ethics will be required to report the violation to a member of management. Directors and executive officers will be required by applicable law and the Code of Business Conduct and Ethics to promptly disclose any potential conflict of interest that may arise. If a director or executive officer has a material interest in an agreement or transaction, applicable law, the Code of Business Conduct and Ethics and principles of sound corporate governance will require them to declare the interest in writing or request to have such interest entered in the minutes of meetings of directors and where required by applicable law abstain from voting with respect to the agreement or transaction. The Compensation and Governance Committee will be responsible for monitoring such conflicts of interest under the Code of Business Conduct and Ethics. The Board will delegate the communication of the Code of Business Conduct and Ethics to employees and to management who will be expected to encourage and promote a culture of ethical business conduct.

### **Insider Trading Policy**

Following Closing, the Board intends to adopt a policy relating to the trading in securities of the Company by directors, senior executives, employees and other insiders of the Company and its subsidiaries (the “**Insider Trading Policy**”). Among other things, the following are expected to be prohibited by the Insider Trading Policy: (a) short sales of the Company’s securities; (b) transactions in puts, calls or other derivative securities, on an exchange or in any other organized market; (c) hedging or monetization transactions that allow an individual to continue to own the covered securities, but without the full risks and rewards of ownership; and (d) the resale of securities of the Company purchased in the open market prior to the expiration of three months from the purchase date. Consequently, the foregoing prohibitions in the expected Insider Trading Policy will not permit a Company executive officer or director to purchase financial instruments that are designed to hedge or offset a decrease in market value of the Company’s equity securities granted as compensation or held, directly or indirectly, by an executive officer or director of the Company.

### **Committees of the Board**

#### *Audit Committee*

The Audit Committee consists of Randy Fowlie (Chair), Brian L. Derksen and Craig Ferguson, each of whom is and must at all times be financially literate and independent within the meaning of NI 52-110. The relevant education and experience of each member of the Audit Committee is described as part of their respective biographies above under “Directors and Executive Officers — Directors”.

The Board has adopted a written Charter for the Audit Committee, which sets out the Audit Committee’s responsibility in reviewing and approving the financial statements of Dye & Durham and public disclosure documents containing financial information and reporting on such review to the Board, ensuring that adequate procedures are in place for the reviewing of Dye & Durham’s public disclosure documents that contain financial information, overseeing the work and reviewing the independence of the external auditors. The text of the Charter of the Audit Committee is appended hereto as Appendix E.

The members of the Audit Committee will be appointed annually by the Board, and each member of the Audit Committee will serve at the request of the Board until the member resigns, is removed, or ceases to be a member of the Board.

All non-audit services to be provided by the Company’s external auditor will be required to be pre-approved by the Audit Committee.

### External Audit Service Fees

The fees billed to Dye & Durham by its auditor for Fiscal 2018 and 2017 were as follows:

<u>Year</u>	<u>Audit Fees<sup>(1)</sup></u>	<u>Audit-Related Fees<sup>(2)</sup></u>	<u>Tax Fees<sup>(3)</sup></u>	<u>All Other Fees<sup>(4)</sup></u>
<b>2018</b> .....	120,000	4,620	38,520	165,163
<b>2017</b> .....	133,000	—	12,600	164,662

Notes:

- (1) The aggregate of fees billed for annual audit services relating to the audit of the Company.
- (2) Total fees earned for general accounting advice and review.
- (3) The aggregate fees billed for professional services rendered for tax compliance, tax advice and tax planning, including the preparation of corporate tax returns and general tax advisory services.
- (4) The aggregate fees incurred for products and services other than set out under the headings, “Audit Fees”, “Audit Related Fees” and “Tax Fees”, including consultation services on due diligence, incident response services and information technology assessments.

### Compensation and Governance Committee

The Compensation and Governance Committee consists of Brian L. Derksen (Chair), Randy Fowlie and Craig Ferguson, each of whom is independent within the meaning of NI 52-110.

The Board has established a written charter setting forth the purpose, composition, authority and responsibility of the Compensation and Governance Committee consistent with the Company’s corporate governance guidelines. In accordance therewith, the Compensation and Governance Committee shall:

- (a) Make recommendations to the Board concerning the hiring, retention, employment terms and termination of the Chief Executive Officer.
- (b) From time to time, as appropriate, review with the Chair, the Lead Director, if applicable, and the Chief Executive Officer of the Company the long-term goals and objectives of the Company in relation to compensation.
- (c) At least annually, review and make recommendations to the Board with respect to the corporate goals and objectives relevant to the compensation of the Chief Executive Officer and evaluate the Chief Executive Officer’s performance in light of those goals and objectives.
- (d) At least annually, review and make recommendations to the Board with respect to the compensation of the Chief Executive Officer and, based on the recommendation of the Chief Executive Officer, the other members of the executive management group, including salary, incentive compensation plans, equity-based plans, the terms of any employment agreements, severance arrangements and change of control arrangements or provisions, and any special or supplemental benefits provided that the committee will not be required to review or approve annual cash bonuses to employees of the Company other than the executive management group if such bonuses were provided for in the year’s budget or fiscal plan.
- (e) Recommend awards under any incentive compensation or equity-based plans of the Company.
- (f) From time to time, as appropriate, review key human resources policies and programs in place and under development related to manpower planning, management development, succession planning, career path planning and performance evaluation and their consistency with the strategy of the Company.
- (g) From time to time, as appropriate, review the Company’s policies on salary administration, recruitment, job evaluation, pay and employment equity, basic incentive and total cash compensation, retirement benefits, and long-term incentives and recommend changes to the Board if appropriate.

- (h) Review management's policies and practices for ensuring that the Company complies with legal prohibitions, disclosure and other requirements on making or arranging for personal loans and amending or extending any such loans or arrangements.
- (i) From time to time as appropriate, review the appropriateness of the governance practices of the Company (including separate meetings of non-management Board members) and recommend any proposed changes to the Board for approval.
- (j) Oversee the legal obligations of the Company, its subsidiaries and their directors, officers and employees with respect to confidential information.
- (k) From time to time, as appropriate, review the powers, mandates and performance, and the membership of the various committees of the Board and, if appropriate, make recommendations to the Board.
- (l) From time to time, as appropriate, review the relationship between the executive management group and the Board and, if appropriate, make recommendations to the Board with a view to ensuring that the Board is able to function independent of management.

The members of the Compensation and Governance Committee will be appointed annually by the Board, and each member of the Compensation and Governance Committee will serve at the request of the Board until the member resigns, is removed, or ceases to be a member of the Board. Each member of the Compensation and Governance Committee must be independent within the meaning of NI 52-110.

#### **By-Laws**

Prior to Closing, the Company will adopt new by-laws, suitable for a public company, such by-laws to include Advance Notice Provisions (as defined below) and provisions related to forum selection. A copy of the by-laws, once adopted, may be obtained by contacting the Company and will be available for review under the Company's profile on the SEDAR website at [www.sedar.com](http://www.sedar.com) on Closing.

#### ***Advance Notice Provisions***

The by-laws will include certain advance notice provisions with respect to the election of directors (the "**Advance Notice Provisions**"). The Advance Notice Provisions are intended to (a) facilitate orderly and efficient annual general meetings or, where the need arises, special meetings, (b) ensure that all shareholders receive adequate notice of Board nominations and sufficient information with respect to all nominees and (c) allow shareholders to register an informed vote. Only persons who are nominated by shareholders in accordance with the Advance Notice Provisions will be eligible for election as directors at any annual meeting of shareholders, or at any special meeting of shareholders if one of the purposes for which the special meeting was called was the election of directors.

Under the Advance Notice Provisions, a shareholder wishing to nominate a director would be required to provide the Company notice, in the prescribed form, within the prescribed time periods. These time periods include, (a) in the case of an annual meeting of shareholders (including annual and special meetings), not less than 30 days prior to the date of the annual meeting of shareholders; provided, that if the first public announcement of the date of the annual meeting of shareholders (the "**Notice Date**") is less than 50 days before the meeting date, not later than the close of business on the 10<sup>th</sup> day following the Notice Date; and (b) in the case of a special meeting of shareholders (which is not also an annual meeting) called for any purpose which includes electing directors, not later than the close of business on the 15<sup>th</sup> day following the Notice Date, provided that, in either instance, if notice-and-access (as defined in National Instrument 54-101 — *Communication with Beneficial Owners of Securities of a Reporting Issuer*) is used for delivery of proxy-related materials in respect of a meeting described above, and the Notice Date in respect of the meeting is not less than 50 days prior to the date of the applicable meeting, the notice must be received not later than the close of business on the 40<sup>th</sup> day before the applicable meeting.

### ***Forum Selection***

The Company will include a forum selection provision in its by-laws that provides that, unless the Company consents in writing to the selection of an alternative forum, the Superior Court of Ontario (Commercial List), Canada and the appellate courts therefrom will be the sole and exclusive forum for (a) any derivative action or proceeding brought on the Company's behalf, (b) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers, or other employees to the Company, (c) any action or proceeding asserting a claim arising pursuant to any provision of the OBCA or the articles or the by-laws of the Company (as either may be amended from time to time), or (d) any action or proceeding asserting a claim otherwise related to the relationships among the Company, its affiliates and their respective shareholders, directors and/or officers, but excluding claims related to the business carried on by the Company or its affiliates and their respective shareholders, directors and/or officers. The forum selection provision also provides that the Company's securityholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of the foregoing provisions.

## **PLAN OF DISTRIBUTION**

### **General**

Pursuant to the Underwriting Agreement dated ●, 2018 among the Company, the Selling Shareholders and the Underwriters, the Company and the Selling Shareholders have agreed to sell and the Underwriters have severally agreed to purchase, on the Closing Date, an aggregate of ● Shares, each at a price of \$ ● per Share, payable in cash to the Company or the Selling Shareholders, as applicable, against delivery of the Shares, for aggregate gross proceeds of \$50.0 million to the Company and \$75.0 million to the Selling Shareholders. In consideration for their services in connection with the Offering, the Company and the Selling Shareholders have agreed to pay the Underwriters a fee equal to \$ ● per Share sold pursuant to the Offering, including any Shares sold pursuant to the Over-Allotment Option. It is estimated that the total expenses of the Offering, not including the Underwriters' Commissions, will be approximately \$ ●. All such expenses of the Offering will be paid by the Company.

The obligations of the Underwriters under the Underwriting Agreement are conditional and may be terminated at their discretion upon the occurrence of certain stated events, including "material change out", "disaster out", "proceeding to restrict distribution out" and "market out" clauses. The Underwriters are, however, obligated to take up and pay for all of the Shares, if any, purchased under the Underwriting Agreement.

Under applicable securities laws in Canada, certain persons and individuals, including the Company, the Selling Shareholders and the Underwriters, have statutory liability for any misrepresentation in this prospectus, subject to available defences. The Company and the Selling Shareholders have severally agreed to indemnify the Underwriters and their affiliates and their directors, officers, employees and agents against certain liabilities, including, without restriction, civil liabilities under securities legislation in Canada, and to contribute to any payments that the Underwriters may be required to make in respect thereof. In addition, in connection with the Offering, the Company will indemnify the Selling Shareholders in respect of any third party claims relating thereto.

The Offering is being made in each of the provinces and territories of Canada. The Shares will be offered in each of the provinces and territories of Canada through those Underwriters or their affiliates who are registered to offer the Shares for sale in such provinces and territories and such other registered dealers as may be designated by the Underwriters. Subject to applicable law, the Underwriters may offer the Shares outside of Canada.

The Company has applied to have its Shares listed on the TSX. Listing is subject to the approval of the TSX in accordance with its original listing requirements. The TSX has not conditionally approved the Company's listing application and there is no assurance that the TSX will approve the listing application. Closing of the Offering is conditional upon the Shares being approved for listing on the TSX.

There is no market through which the Shares may be sold. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares and the extent of issuer regulation. See “Risk Factors”.

Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. It is expected that the Closing will occur on or about ● , 2018, or such later date as the Company, the Selling Shareholders and the Underwriters may agree, but in any event not later than ● , 2018.

The Shares offered hereby have not been and will not be registered under the U.S. Securities Act or any state securities laws and may not be offered or sold in the U.S. or to, or for the account or benefit of, a U.S. person (within the meaning of Regulation S under the U.S. Securities Act) except pursuant to an exemption from the registration requirements of the U.S. Securities Act and applicable state securities laws. Accordingly, except to the extent permitted by the Underwriting Agreement, the Shares may not be offered or sold in the U.S. or to, or for the account or benefit of, U.S. persons. The Underwriting Agreement provides that the Underwriters may offer and sell the Shares that they have acquired pursuant to the Underwriting Agreement to qualified institutional buyers in the U.S. in accordance with Rule 144A under the U.S. Securities Act and in compliance with applicable state securities laws. The Underwriting Agreement also provides that the Underwriters will offer and sell the Shares outside the U.S. only in accordance with Regulation S under the U.S. Securities Act. In addition, until 40 days after the commencement of the Offering, an offer or sale of the Shares within the U.S. by any dealer (whether or not participating in the Offering) may violate the registration requirements of the U.S. Securities Act if such offer or sale is made otherwise than in reliance on Rule 144A under the U.S. Securities Act.

In connection with the Offering, certain of the Underwriters or securities dealers may distribute the prospectus electronically.

On Closing, assuming there has been no exercise of the Over-Allotment Option, the Company expects to have a total of 30,184,991 Shares issued and outstanding on a non-diluted basis and, if the Over-Allotment Option is exercised in full, a total of 30,184,991 Shares issued and outstanding on a non-diluted basis.

### **Pricing of the Offering**

Prior to the Offering, there was no public market for the Shares. The Offering Price has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters. The Underwriters propose to offer the Shares initially at the Offering Price. After the Underwriters have made a reasonable effort to sell all of the Shares at the Offering Price, the price may be decreased and may be further changed from time to time to an amount not greater than the Offering Price, and the compensation realized by the Underwriters will be decreased by the amount that the aggregate price paid by purchasers for the Shares is less than the Offering Price paid by the Underwriters to the Company and the Selling Shareholders.

### **Price Stabilization, Short Positions and Passive Market Making**

In connection with the Offering, subject to applicable law, the Underwriters may over-allocate or effect transactions that stabilize or maintain the market price of the Shares at levels other than those that 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 Shares while the Offering is in progress. These transactions may also include making short sales of the Shares, which involve the sale by the Underwriters of a greater number of Shares 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 Shares in the open market. In making this determination, the Underwriters

will consider, among other things, the price of Shares available for purchase in the open market compared with the price at which they may purchase Shares through the Over-Allotment Option.

The Underwriters must close out any naked short position by purchasing Shares 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 Shares in the open market that could adversely affect investors who purchase in the Offering. Any naked short sales will form part of the Underwriters' over-allocation position. A purchaser who acquires Shares forming part of the Underwriters' over-allocation position resulting from any covered short sales or naked short sales will, in each case, acquire such Shares under this prospectus, regardless of whether the Underwriters' over-allocation position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

In addition, in accordance with rules and policy statements of certain Canadian securities regulators, the Underwriters may not, at any time during the period of distribution, bid for or purchase Shares. The foregoing restriction is, however, subject to exceptions where the bid or purchase is not made for the purpose of creating actual or apparent active trading in, or raising the price of, the Shares. These exceptions include a bid or purchase permitted under the rules of applicable regulatory authorities and the applicable stock exchange, including the Universal Market Integrity Rules for Canadian Marketplaces, relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a client where the order was not solicited during the period of distribution.

As a result of these activities, the price of the 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 any stock exchange on which the Shares are listed, in the over-the-counter market, or otherwise.

### **Over-Allotment Option**

Each of the Selling Shareholders, on a *pro rata* basis, has granted to the Underwriters the Over-Allotment Option, exercisable, in whole or in part, at the sole discretion of the Underwriters (subject to the condition that the Shares subject to the Over-Allotment Option are listed on the TSX at the time of closing the Over-Allotment Option), for a period of 30 days from the Closing Date, to purchase up to ● additional Shares (representing 15% of the Shares offered hereunder), at the Offering Price, payable in cash against delivery of such additional Shares. The Over-Allotment Option is exercisable in whole or in part only for the purpose of covering over-allotments, if any, and for market stabilization purposes. Each Selling Shareholder will pay the Underwriters' Commission in respect of the Shares sold thereby under the Over-Allotment Option if the Over-Allotment Option is exercised. If the Over-Allotment Option is exercised in full, the total price to the public, Underwriters' Commissions, net proceeds to the Company and net proceeds to the Selling Shareholders before deducting other expenses of the Offering will be \$ ● , \$ ● , \$ ● and \$ ● , respectively.

This prospectus qualifies the grant of the Over-Allotment Option. A purchaser who acquires Shares forming part of the Underwriters' over-allocation position acquires those Shares under this prospectus, regardless of whether the position is ultimately filled through the exercise of the Over-Allotment Option or secondary market purchases.

### **Lock-Up Arrangements**

Without the prior written consent of the Lead Underwriters, on behalf of the Underwriters:

- (a) for a period beginning at the Closing Date and ending 180 days after the closing date of the Offering the Company will not, directly or indirectly, (i) offer, issue, grant any option, right or warrant to purchase, or otherwise transfer or dispose of any Shares, financial instruments or securities convertible into or exercisable or exchangeable for Shares or announce any intention to do any of the foregoing, in a public offering, by way of private placement or otherwise (except pursuant to employee or executive incentive compensation arrangements approved by the Lead Underwriters, or issued to vendors as consideration for the acquisition of a business or assets provided that such vendors agree to not transfer such securities prior to the date that is 180 days after the Closing, or (ii) enter into any swap or

other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares, other securities, cash or otherwise; and

- (b) for a period beginning on the Closing Date and ending (i) for the Locked-up Selling Shareholders, 365 days after the Closing Date, and (ii) for the Locked-up Securityholders, 180 days after the Closing Date, each such person has agreed, except for transactions related to the Offering, to not, directly or indirectly, (i) offer, sell, contract to sell, secure, pledge, grant or sell any option, right or warrant to purchase, or otherwise lend, transfer or dispose of any Shares or securities convertible into or exercisable or exchangeable for Shares (except for transfers to affiliates, provided they remain affiliates); or (ii) make any short sale, engage in any hedging transaction, or enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of Shares, whether any such transaction is to be settled by delivery of Shares, other securities, cash or otherwise (the “**Shareholder Lock-up**”).

As a result of the Shareholder Lock-up, 99.7% of Shares outstanding prior to the Offering on a non-diluted basis, excluding the Shares sold to the Underwriters by the Selling Shareholders under this prospectus, will be locked-up by current shareholders and therefore not freely tradeable for a period of 365 days after the Closing Date, as applicable.

### **Non-Certificated Inventory System**

In most instances, other than Shares sold in the U.S. pursuant to Rule 144A of the U.S. Securities Act, which will be represented by individual certificates representing such Shares, no certificates representing the Shares to be sold in the Offering will be issued to purchasers under this prospectus. Registration will be made in the depository service of CDS, or to its nominee, and electronically deposited with CDS on the Closing Date. Each purchaser of Shares will receive only a client confirmation of purchase from the participants in the CDS depository service (“**CDS Participants**”) from or through which such Shares are purchased, in accordance with the practices and procedures of such CDS Participant. Transfers of ownership of Shares in Canada will be effected through records maintained by the CDS Participants, which include securities brokers and dealers, banks and trust companies. Indirect access to the CDS book entry system is also available to other institutions that maintain custodial relationships with a CDS Participant, either directly or indirectly. Certificates representing the Shares sold or delivered in the U.S. will bear a legend to the effect that the Shares they represent are not registered within the meaning of the U.S. Securities Act or any applicable state securities laws in the U.S. and may not be offered, sold or delivered, directly or indirectly, except under certain exemptions from the registration requirements of the U.S. Securities Act.

### **CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS**

In the opinion of Goodmans LLP, counsel to the Company, and Osler, Hoskin & Harcourt LLP, counsel to the Underwriters, the following is, as of the date hereof, a general summary of the principal Canadian federal income tax considerations pursuant to the Tax Act generally applicable to a holder (a) who acquires Shares, as beneficial owner, pursuant to the Offering, (b) who, for purposes of the Tax Act and at all relevant times, holds the Shares as capital property, (c) who deals at arm’s length with the Company, the Selling Shareholders and each of the Underwriters and is not affiliated with the Company or any of the Selling Shareholders or Underwriters, in each case, for purposes of the Tax Act, and (d) who, for purposes of the Tax Act and any applicable income tax treaty or convention, and at all relevant times, is (or is deemed to be) a resident of Canada (a “**Holder**”). Generally, Shares will be considered to be capital property to a holder provided that the holder does not hold the Shares in the course of carrying on a business of trading or dealing in securities and has not acquired them in one or more transactions considered to be an adventure or concern in the nature of trade. Certain Holders who might not otherwise be considered to hold their Shares as capital property may, in certain circumstances, be entitled to have their Shares, and all other “Canadian securities” (as defined in the Tax Act) owned by such Holders in the year of the election or any subsequent year, treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Such Holders should consult their own tax advisors for advice with respect to whether an election under subsection 39(4) of the Tax Act is available or advisable having regard to their particular circumstances.

This summary is not applicable to a holder (a) that is a “financial institution” (as defined in the Tax Act for the purposes of the mark-to-market rules), (b) an interest in which would be a “tax shelter investment” (as defined in the Tax Act), (c) that is a “specified financial institution” (as defined in the Tax Act), (d) that makes or has made a functional currency reporting election pursuant to section 261 of the Tax Act, or (e) that has entered or will enter into a “derivative forward agreement”, “synthetic disposition arrangement” or a “dividend rental arrangement” (each as defined in the Tax Act) with respect to Shares. In addition, this summary does not address the possible application of the “foreign affiliate dumping” rules in section 212.3 of the Tax Act to a holder that is a corporation resident in Canada and is (or does not deal at arm’s length for purposes of the Tax Act with a corporation resident in Canada that is), or becomes as part of a transaction or event or series of transactions or events that includes the acquisition of a Share, controlled by a non-resident corporation for purposes of such rules. Any such holder should consult its own tax advisor with respect to an investment in Shares.

This summary is based upon the provisions of the Tax Act in force as of the date hereof, all specific proposals to amend the Tax Act that have been publicly announced prior to the date of the Prospectus by or on behalf of the Minister of Finance (Canada) (the “**Proposed Amendments**”) and counsel’s understanding of the administrative policies and assessing practices of the Canada Revenue Agency made publicly available in writing prior to the date hereof. This summary assumes the Proposed Amendments will be enacted in the form proposed; however, no assurance can be given that the Proposed Amendments will be enacted in such form, if at all. This summary is not exhaustive of all possible Canadian federal income tax considerations and, except for the Proposed Amendments, does not take into account any changes in the law or in the administrative policies or assessing practices of the Canada Revenue Agency, whether by legislative, governmental or judicial action, nor does it take into account provincial, territorial or foreign tax considerations, which may differ significantly from those discussed herein.

**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 a Share, and no representations with respect to the income tax consequences to any holder or prospective holder are made. Consequently, holders and prospective holders of Shares should consult their own tax advisors for advice with respect to the tax consequences to them of acquiring Shares pursuant to the Offering, having regard to their particular circumstances.**

#### *Dividends on Shares*

A dividend received (or deemed to be received) in a taxation year on a Share held by a Holder will be included in computing the Holder’s income for such year for purposes of the Tax Act.

In the case of a Holder who is an individual (other than certain trusts), such dividend will be subject to the gross-up and dividend tax credit rules in the Tax Act normally applicable to dividends received from taxable Canadian corporations, including the enhanced gross-up and dividend tax credit in respect of dividends designated by the Company as “eligible dividends”. A dividend will be eligible for the enhanced gross-up and dividend tax credit if the recipient receives written notice (which may include a notice published on the Company’s website) from the Company designating the dividend as an eligible dividend.

A taxable dividend received (or deemed to be received) by a Holder who is an individual (including certain trusts) may be relevant for purposes of calculating the Holder’s liability for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

In the case of a Holder that is a corporation, a dividend received (or deemed to be received) on a Share held by the Holder generally will be deductible in computing its taxable income, with the result that no tax will be payable by it in respect of such dividend. In certain circumstances, subsection 55(2) of the Tax Act will treat a taxable dividend received by a Holder that is a corporation as proceeds of disposition giving rise to a capital gain. A Holder that is a “private corporation” or “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 in respect of a dividend received (or deemed to be received) on a Share to the extent the dividend is deductible in computing the Holder’s taxable income. Holders that are corporations should consult their own tax advisors having regard to their particular circumstances.

### *Disposition of Shares*

A disposition (or deemed disposition) of a Share by a Holder (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 the open market) generally will result in the Holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition of the Share exceed (or are exceeded by) the aggregate of the adjusted cost base to the Holder thereof immediately before the disposition (or deemed disposition) and any reasonable costs of disposition. Such capital gain (or capital loss) will be subject to the tax treatment described below under the heading “— Taxation of Capital Gains and Capital Losses”.

The adjusted cost base to a Holder of a Share acquired at any time will be determined by averaging the cost of the Share with the adjusted cost base of all other Shares (if any) held by the Holder as capital property immediately before that time. The Holder’s cost for purposes of the Tax Act of Shares will include all amounts paid or payable by the Holder for the Shares, subject to certain adjustments under the Tax Act.

### *Taxation of Capital Gains and Capital Losses*

Generally, one-half of any capital gain (a “**taxable capital gain**”) realized by a Holder in a taxation year must be included in the Holder’s income for the year. One-half of any capital loss (an “**allowable capital loss**”) realized by a Holder in a taxation year must generally be deducted from taxable capital gains realized by the Holder in the year of disposition. 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 subsequent taxation year, to the extent and under the circumstances described in the Tax Act.

The amount of any capital loss realized by a Holder that is a corporation on the disposition of a Share may be reduced by the amount of dividends received (or deemed to be received) by it on the Share (or on a share for which the Share has been substituted) to the extent and under the circumstances described in the Tax Act. Similar rules may apply where a corporation is a member of a partnership or a beneficiary of a trust that owns a Share directly or indirectly through a partnership or a trust. A Holder that is, throughout the relevant taxation year, a “Canadian-controlled private corporation” (as defined in the Tax Act) is liable for tax, a portion of which may be refundable tax on its “aggregate investment income”, which is defined in the Tax Act to include taxable capital gains.

A capital gain realized by a Holder who is an individual (including certain trusts) may be relevant for purposes of calculating the Holder’s liability for alternative minimum tax under the Tax Act. Holders who are individuals should consult their own tax advisors in this regard.

## **RISK FACTORS**

The Company’s business is subject to a variety of risks and special considerations. As a result, prospective investors in the Company should carefully consider the risks described below and the other information included in this prospectus and any information gathered as a result of the prospective investor’s own independent evaluation of the Company and its business before deciding to invest in the Shares. The following summary of “risk factors” does not purport to be exhaustive or to summarize all the risks that may be associated with purchasing or owning Shares of the Company. Additional risks and uncertainties not presently known to Dye & Durham, or that it believes to be immaterial, may impair the Company’s business. Each potential investor is advised and expected to conduct its own investigation into the Company and to arrive at an independent evaluation of the investment. If any of the following risks actually occur, the Company’s business, financial condition and results of operations could suffer. In that case, the value of the Shares could decline and the investor could lose all or part of its investment.

***Failure to successfully implement the Company’s growth strategy could reduce, or reduce the growth of, the Company’s revenue and net income.***

The Company’s growth strategy is focused on (a) expanding within its existing customer base; (b) broadening its customer base; (c) pursuing accretive acquisitions and integrating acquired businesses; and (d) continuing to innovate and extend its platform with new product enhancements, features, and functionality

and realizing commensurate pricing changes. The Company may not be able to achieve some or all of these objectives. The successful implementation of these growth strategies could depend on various factors, including:

- competition from other service providers in current and future markets;
- identification of viable growth opportunities;
- general economic and business conditions;
- ability to hire and train qualified management personnel; and
- level of search and registration activity in current and future markets.

Failure to successfully implement the Company's growth strategy could reduce, or reduce the growth of, the Company's revenue and net income and adversely affect its business, financial condition and results of operations.

***If the Company is unable to successfully develop or acquire and sell enhancements and new services, its revenue growth will be harmed and the Company's competitive position could be negatively affected.***

The Company's ability to attract new clients and increase revenue from existing clients will depend in large part on its ability to successfully develop, bring to market and sell its existing services and new services that effectively respond to client needs. Any enhancements or new services that the Company develops or acquires may not be introduced to the market in a timely or cost-effective manner and may not achieve the broad market acceptance necessary to generate the revenue required to offset the operating expenses and capital expenditures related to development or acquisition. If the Company is unable to develop or acquire and sell enhancements and new services that keep pace with the industry and client needs in a timely fashion, the Company's revenue will not grow as expected and it may not be able to meet profitability expectations.

The Company incurs expenses and expends resources up front to develop, acquire and market new services and technology enhancements to incorporate additional features, improve functionality or otherwise make the Company's services more desirable to its clients. New services or enhancements to existing services must achieve high levels of market acceptance in order for the Company to recoup its investment in developing and bringing them to market. To the extent that the Company incurs expenditures and expends resources to develop, acquire and market new services and technology enhancements which do not receive market acceptance, the Company may be required to write down the value of such expenditures.

Any new services and changes to the Company's existing services could fail to attain sufficient market acceptance for many reasons, including, without limitation, the following:

- the Company's failure to predict market demand accurately and supply services that meet this demand in a timely fashion;
- clients using the Company's services may not like, find useful or agree with any changes;
- defects, errors or failures in the Company's technology;
- negative publicity about the Company's services;
- delays in releasing to the market new services or enhancements to existing services; and
- the introduction or anticipated introduction of competing services by the Company's competitors.

If the Company's new services or the Company's technology enhancements do not achieve adequate acceptance in the market, its competitive position, revenue and operating results could be harmed. The adverse effect on the Company's financial results may be particularly acute because of the significant development, marketing, sales and other expenses the Company will have incurred in connection with the new services or enhancements.

***The Company depends on its key personnel***

The Company's future success and its ability to manage future growth depend, in large part, upon the continued services of its senior management and the ability to attract and retain key officers and other highly qualified personnel. Competition for such personnel is intense. There can be no assurance that the Company will continue to be successful in attracting and retaining qualified personnel, and the loss of the services of any of these individuals could have a material adverse effect on its revenue, financial performance and results of operations. The Company does not currently have key-man insurance.

***The Company depends on highly-skilled personnel to operate its business and if the Company is unable to retain its current, or hire additional, personnel, its ability to develop and successfully market its business could be harmed.***

The Company believes its future success will depend in part upon its ability to attract and retain highly skilled managerial, technical, finance, creative and sales and marketing personnel. The Company may be unable to attract and retain suitably qualified individuals who are capable of meeting its growing sales, operational and managerial requirements, or may be required to pay increased compensation in order to do so. If the Company is unable to attract and retain the qualified personnel it needs to succeed, its business will suffer. If the Company grows, the number of people it needs to hire will increase. The Company will also need to increase its hiring if it is not able to maintain its attrition rate through current recruiting and retention policies.

***The Company may not be successfully able to consummate or integrate acquisitions, which may harm the Company's ability to develop and grow its business and operations.***

One of the Company's strategies to grow its business is to pursue accretive acquisitions of complementary businesses, technologies and services. This strategy will depend on the Company's ability to find suitable acquisitions and finance them on acceptable terms. The identification of suitable acquisition candidates can be difficult, time-consuming and costly, and the Company may not be able to complete acquisitions successfully. The Company may require additional debt or equity financing for future acquisitions. Raising additional capital for acquisitions through debt financing would result in increased interest expense and may involve agreements that include covenants limiting or restricting the Company's ability to take certain actions, such as incurring additional debt, making capital expenditures or declaring dividends. If the Company raises additional capital for acquisitions through equity financing, the ownership interests of existing shareholders will be diluted.

If the Company is unable to acquire suitable acquisition candidates, it may experience slower growth. Further, even if the Company successfully completes acquisitions, it will face challenges in integrating any acquired business. These challenges include eliminating redundant operations, facilities and systems, coordinating management and personnel, retaining key employees, managing different corporate cultures and achieving cost reductions and cross-selling opportunities. Additionally, the acquisition and integration processes may disrupt the Company's business and divert management attention and its resources. If the Company fails to successfully integrate acquired businesses, services, technologies and personnel, it could impair relationships with employees, clients and strategic partners, distract management attention from the Company's core businesses, result in control failures and otherwise disrupt the Company's ongoing business, any of which could have a material adverse effect on its business, financial condition and results of operations. The Company also may not be able to retain key management and other critical employees after an acquisition. In addition, the Company may be required to record future charges for impairment of goodwill and other intangible assets resulting from such acquisitions.

The Company's profitability may be impacted by gains or losses on any sales of businesses, or lost operating income or cash flows from such businesses. The Company also may be required to record asset impairment or restructuring charges related to divested businesses, or indemnify buyers for liabilities, which may reduce its profitability and cash flows. The Company may also be unable to negotiate such divestitures on terms acceptable to it. If the Company is unsuccessful in divesting such businesses, it could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company may find it more difficult to fund future working capital, capital expenditures, general corporate expenses or other items, and the Company could have to allocate a substantial portion of its cash resources to the payment on its indebtedness, which would reduce the funds available for operations.***

The Company has and anticipates having indebtedness. Its ability to make payments of principal and interest on its debt will depend on its future operating performance and its ability to enter into additional debt and equity financings which, to a certain extent, is subject to economic, financial, competitive and other factors beyond the Company's control. If, in the future, the Company is unable to generate sufficient cash flows to service its debt, the Company may be required to refinance all or a portion of its existing debt or obtain additional financing. There can be no assurance that any such refinancing would be possible or that any additional financing could be obtained on terms acceptable to the Company or at all. The inability to obtain additional financing could have a material adverse effect on the Company's operating performance and any additional equity financing would result in the dilution of shareholders.

***The Company's Credit Agreement contains restrictive covenants and require it to meet certain financial ratios and financial condition tests.***

The Credit Agreement contains restrictive covenants that limit the discretion of its management with respect to certain business matters. These covenants place restrictions on, among other things, the Company's ability to incur additional indebtedness, fund Capital Expenditures in excess of \$1.5 million, to create liens or other encumbrances not permitted by the Credit Agreement, to make any material change to the nature of its business, to sell or otherwise dispose of assets, subject to certain conditions, to acquire or purchase shares or equity interests, subject to certain conditions, operate leases in excess of \$750,000 in a Fiscal Year, and to make a distribution when the Company is in an event of default. In addition, the Company's Credit Agreement contains a number of financial covenants that require certain financial ratios and financial condition tests to be satisfied. A failure to comply with these terms could result in an event of default which, if not cured or waived, could result in accelerated repayment. If the repayment of the Credit Facilities was to be accelerated, there can be no assurance that the security provided thereunder would be sufficient to repay the Credit Facilities in full.

***The Company may need additional capital, which it may not be able to raise on favourable terms, or at all.***

Approximately \$35.0 million proceeds of the Treasury Offering will be applied to permanently reduce the Term Loan. At June 30, 2018, the Company had net bank indebtedness of \$77,400,171. The Company expects that available cash and the remainder of the net proceeds from the Offering, together with cash from its operations, will be sufficient to meet its future capital requirements. Nevertheless, the Company may require additional capital if it experiences higher-than-anticipated expenses or cost overruns, encounters unanticipated problems or delays, fails to achieve further market adoption of its services or engages in acquisitions or joint ventures. The Company expects to need additional financing in the future to further expand its business strategy through mergers and acquisitions. Additional financing may not be available to the Company on favourable terms when required, or at all. If the Company were to raise additional funds through the issuance of equity, equity-related or debt securities, those securities may have rights, preferences or privileges senior to those of the Shares and the Company's shareholders may experience additional dilution. If it cannot raise additional funds, further business development may be delayed, the Company may lose clients and its sales and growth may be limited.

***The Company's debt servicing costs could increase.***

Borrowing rates are near historical lows in Canada. If the Canadian economy strengthens, the Company would expect interest rates to rise. An increase in interest rates would result in higher interest expense on borrowing tied to variable rates of interest, partially offset by lower current or deferred income tax expense. Furthermore, adverse credit market conditions could limit the Company's ability to refinance its existing Credit Facility.

***Changes in economic conditions may result in fluctuations in demand for the Company's services and affect its operating results.***

The financial markets have demonstrated that businesses and industries throughout the world are very tightly connected to each other. Financial developments unrelated to the Company or to its industry may materially adversely affect the Company over the course of time. Volatility in the market price of the Company's Shares due to unrelated financial developments could hurt the Company's ability to raise capital for the financing of acquisitions or other reasons. A reduction in access to capital, combined with reduced economic activity, may materially adversely affect businesses and industries that collectively constitute a significant portion of the Company's customer base. As a result, these clients may need to reduce their purchases of the Company's products or services, or the Company may experience greater difficulty in receiving payment for the products or services that these clients purchase from it. Any of these events, or any other events caused by turmoil in world financial markets, may have a material adverse effect on the Company's business, financial condition and results of operation.

A portion of the Company's revenues are generated from fees received in connection with real property, personal property and corporate search and registration activities as well as other services the Company provides to the real estate industry on a per-transaction basis. Uncertainty and negative trends in general economic conditions in Canada historically have created a difficult environment for companies in the real estate industry. As a result, a weak economy or housing market (including the level of real estate activity or the average price of real estate) may have a material adverse effect on the Company's business, financial condition and results of operations. The volume of real estate transactions and the level of search and registration activity is highly variable and reductions in these transaction volumes could have a direct effect on the Company's revenues.

Many factors, including factors that are beyond the Company's control, may have a detrimental impact on its operating performance. These factors include, but are not limited to, general economic conditions, unemployment levels, interest rates, mortgage originations, business conditions including changes in the financial markets, a limited supply of mortgage funding, a decline in levels of home ownership and a reduction in the number of mortgage loans outstanding, energy costs as well as events such as natural disasters, acts of war, terrorism and catastrophes.

There can be no assurance that economic conditions will remain favourable for the Company's business or that demand for its services by its clients will remain at current levels. Reduced demand for its services would negatively impact the Company's growth and revenue, and may inhibit its access to capital and negatively impact its profitability. Changes in economic, market and other conditions could also adversely affect the Company's ability to implement its strategy to look for opportunities to grow revenue in other jurisdictions, which could have an adverse effect on its business, financial condition and results of operations.

***A downturn or consolidation in the economy, or in the real estate market, may decrease client demand for the Company's services.***

The real estate market may be adversely impacted by many different factors, including lower than expected job growth or job losses resulting in reduced real estate demand; rising interest rates and slowing transaction volumes that negatively impact investment returns; excessive speculative new construction in localized markets resulting in increased vacancy rates and diminished rent growth; and unanticipated disasters and other adverse events such as slowing of the growth in the working age population resulting in reduced demand for all types of real estate. A downturn in the real estate market may affect the Company's ability to generate revenues, which could cause its revenues or its revenue growth rate to decline and reduce its profitability. A depressed real estate market has a negative impact on the Company's core customer base, which could decrease demand for the Company's services.

***Growth may place significant demands on the Company's management and infrastructure.***

The Company's growth has placed and may continue to place significant demands on its management and its operational and financial infrastructure. The expansion of the Company's infrastructure will require it to commit financial, operational and technical resources in advance of an increase in the volume of business, with no assurance that the volume of business will increase. Continued growth could also strain the Company's ability

to maintain reliable service levels for its clients, develop and improve its operational, financial and management controls, enhance its reporting systems and procedures and recruit, train and retain highly-skilled personnel. Managing the Company's growth will require expenditures and allocation of valuable management resources. Failure to effectively manage growth could result in difficulty or delays in serving clients, declines in quality or client satisfaction, increases in costs, difficulties in introducing new features or other operational difficulties, and any of these difficulties could adversely impact the Company's business performance and results of operations.

***The Company operates in a competitive business environment and, if the Company is unable to compete effectively, it could have a material adverse effect on the Company's business, financial condition and results of operations.***

The markets for the Company's services are competitive and competitors vary in size and in the scope and breadth of the services they offer. Some of the Company's competitors may have substantial resources and have been in business longer. In addition, the Company expects that the markets in which it competes will continue to attract new competitors and new technologies. There can be no assurance that the Company will be able to compete successfully against current or future competitors or that the competitive pressures the Company faces in the markets in which it operates will not have a material adverse effect on its business, financial condition and results of operations.

***System interruptions that impair access to the Company's technology could damage the Company's reputation and brand and substantially harm its business.***

The satisfactory performance, reliability and availability of the Company's technology, its website and network infrastructure (collectively, the "**Technology Infrastructure**") are critical to the Company's reputation and its ability to attract and retain clients.

Any system interruption that results in the unavailability of the Company's Technology Infrastructure or impairs access could result in interruption of business operations, loss of clients, diversion of technical and other resources, negative publicity, damage to the Company's reputation and brand and cause its business and operating results to suffer. Any one or more of the foregoing occurrences could have a material adverse effect on the Company's business, financial condition and results of operations.

The Company may experience temporary system interruptions for a variety of reasons, including network failures, power failures, software errors, an overwhelming number of users trying to access its network during periods of strong demand, unauthorized access, computer viruses, human error, natural disasters or acts of sabotage or terrorism. In addition, the Company's primary datacenters are hosted by third party service providers over which the Company has limited control.

The Company depends on third party service providers to provide continuous and uninterrupted access to the elements of the Technology Infrastructure. The Company has limited control over their performance, which may make the Company's operations vulnerable to their performance failures. In addition, if for any reason the Company's relationship with any such third party were to end, it would require a significant amount of time to transition the hosting of the Company's datacenters to a new third party service provider. Because the Company is dependent on third parties for the implementation and maintenance of certain aspects of its systems and because some of the causes of system interruptions may be outside of its control, the Company may not be able to remedy such interruptions in a timely manner, if at all. As the Company relies on its servers, computer and communications systems and the Internet to conduct its business, any system disruptions could negatively impact its ability to run its business and either directly or indirectly disrupt its clients' businesses, which could have an adverse effect on the Company's business.

***Material defects or errors in the Company's Technology Infrastructure could harm the Company's reputation, result in significant costs to the Company and impair its ability to sell its services.***

Software developed for the Company's technology can contain errors, defects, security vulnerabilities or software bugs that are difficult to detect and correct, particularly when first introduced. Despite internal testing, the Company's technology may contain serious errors or defects that cause performance problems or service

interruptions, security vulnerabilities or software bugs that the Company may be unable to successfully correct in a timely manner, or at all, which could result in:

- unexpected credits or refunds to the Company's clients, loss of clients and other potential liabilities;
- delays in client payments, increasing the Company's collection reserve and collection cycle;
- diversion of development resources and associated costs;
- harm to the Company's reputation and brand; and
- unanticipated litigation costs.

***Failure to adapt to technological changes may render the Company's technology obsolete or decrease the attractiveness of its services to its clients.***

If new industry standards and practices emerge, or if competitors introduce new services or technologies, the Company's technology may become obsolete. The Company's future success will depend on its ability to, amongst other things:

- enhance its existing services;
- develop new services and technologies that address the needs of its existing and prospective clients; and
- respond to changes in industry standards and practices on a cost-effective and timely basis.

The Company must continue to enhance the features and functionality of its technology. These initiatives carry the risks associated with any new service development effort, including cost overruns, delays in delivery and performance issues. The effective performance, reliability and availability of the Company's technology infrastructure are critical to its reputation and its ability to attract and retain clients. There can be no assurance that the Company will be successful in developing, marketing and selling new services and services that meet changing client demands, and that the Company will not experience difficulties in achieving market acceptance.

As a result, the Company is subject to the risks inherent in the development and integration of new technologies, including defects or undetected errors in technology services, difficulties in installing or integrating Company technology on platforms used by clients, or other unanticipated performance, stability and compatibility problems. Any of these problems could result in material delays in the introduction or acceptance of the Company's services, increased costs, decreased client satisfaction, breach of contract claims, harm to industry reputation and reduced or delayed revenues. In addition, new services or technologies could be developed which make the Company's technology obsolete. If the Company is unable to deliver new services or upgrades or other enhancements to its existing services on a timely and cost-effective basis, or develop new products and services to replace its existing offerings, it could have a material adverse effect on the Company's business, financial condition and results of operations.

***Competition could render the Company's services uncompetitive.***

The markets for the Company's services in general is competitive. Competition in these markets may increase further if economic conditions or other circumstances cause customer bases and client spending to decrease and service providers to compete for fewer client resources. The Company's existing competitors, or future competitors, may have greater name recognition, larger customer bases, better technology or data, lower prices, easier access to data, greater user traffic or greater financial, technical or marketing resources than the Company has. The Company's competitors may be able to undertake more effective marketing campaigns, obtain more data, adopt more aggressive pricing policies, make more attractive offers to potential employees, clients and advertisers, or may be able to respond more quickly to new or emerging technologies or changes in user requirements. If the Company is unable to retain clients or obtain new clients, its revenues could decline. Increased competition could result in lower revenues and higher expenses, which would reduce the Company's profitability.

***Failure to adequately protect the Company's Technology Infrastructure against data corruption, privacy breaches, cyber-based attacks or network breaches could have a material adverse effect on the Company's business.***

The Company is highly dependent on its Technology Infrastructure to securely process, transmit and store electronic information. Certain confidential information resides on the third party hosted datacenter servers and is transmitted over the Company's network. The Company relies on encryption and authentication technology licensed from third parties to effect secure transmission of confidential information, including personal information and credit card numbers. Advances in computer capabilities, new discoveries in the field of cryptography or other developments may result in a compromise or breach of the technology used by the Company to protect confidential information. Servers may also be vulnerable to computer viruses, break-ins and similar disruptions from unauthorized tampering with the Company's and/or a third party's computer systems, which could lead to a loss of critical data or the unauthorized disclosure of confidential information.

If the Company is unable to prevent such security or privacy breaches, its operations could be disrupted, or the Company may suffer loss of reputation, financial loss, risk of litigation and other regulatory penalties because of lost or misappropriated information, including sensitive consumer data. In addition, if the Company's security measures fail to protect credit and debit card information adequately, the Company could be liable to its clients for their losses. The Company may need to expend significant resources to protect against and remedy any potential security breaches and their consequences. If the Company is unable to maintain protections and processes at a level commensurate with that required by its clients, it could negatively affect the Company's relationships with its clients and harm its business.

There are Canadian and foreign laws regarding privacy and the storing, sharing, use, handling, maintenance, disposal, transmittal, disclosure and protection of personally identifiable information and sensitive data. Specifically, personally identifiable information is increasingly subject to legislation and regulations to protect the privacy of personally identifiable information that is collected, processed and transmitted. Any violations of these laws and regulations may require the Company to change its business practices or operational structure, address legal claims and sustain monetary penalties and/or other harms to its business.

The regulatory framework for privacy issues in Canada and in foreign markets is constantly evolving and is likely to remain uncertain for the foreseeable future. The interpretation and application of such laws is often uncertain and such laws may be interpreted and applied in a manner inconsistent with its current policies and practices or require changes to the features of the Company's services. If either the Company or its third party service providers are unable to address any privacy concerns, even if unfounded, or to comply with applicable laws and regulations, including but not limited to the *Personal Information Protection and Electronic Documents Act* (Canada), it could result in additional costs and liability, damage the Company's reputation and harm its business.

***Since part of the Company's sales efforts are targeted at larger industry clients, its sales cycle may become longer and more expensive, it may encounter pricing pressure and implementation challenges, and it may have to delay revenue recognition for some complex transactions, all of which could harm its business and operating results.***

As the Company targets more of its efforts at larger clients, it could face greater costs, longer sales cycles, and less predictability in completing some of its sales. The client's decision to use the Company's services may be an enterprise-wide decision and, if so, this type of sale could require the Company to provide greater levels of education regarding the use and benefits of its services. In addition, larger clients may demand more complex integration, implementation services, and features. As a result of these factors, these sales opportunities may require the Company to devote greater sales support and professional services resources to individual clients, driving up costs and time required to complete sales and diverting its own sales and professional services resources to a smaller number of larger transactions, while potentially requiring it to delay revenue recognition on some of these transactions until the technical or implementation requirements have been met.

***The forward-looking statements contained in this prospectus may prove to be incorrect.***

The forward-looking statements relating to, among other things, future results, performance, achievements, prospects or opportunities of the Company included in this prospectus (including, in particular, the information contained in the sections entitled "Prospectus Summary", "The Company's Business", "Use of Proceeds" and

“Management’s Discussion and Analysis”), are based on opinions, assumptions and estimates made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors the Company believes are appropriate and reasonable in the circumstances. However, there can be no assurance that such estimates and assumptions will prove to be correct. Actual results of the Company in the future may vary significantly from the historical and estimated results and those variations may be material. There is no representation by the Company that actual results achieved by the Company in the future will be the same, in whole or in part, as those included in this prospectus. See “Forward-Looking Statements”.

***The effort, time and expense associated with switching from competitors’ software and services to that of the Company’s may limit the Company’s growth.***

The costs for clients to switch providers of technology, data and analytics services can be significant. As a result, potential clients may decide that it is not worth the time and expense to begin using the Company’s services, even if the Company offers competitive and economic advantages. If the Company is unable to convince these clients to switch to its software and services, the Company’s ability to increase market share will be limited, which could have a material adverse effect on its business, financial condition and results of operations.

***Failure to adequately protect its intellectual property could harm the Company’s business.***

The protection of the Company’s intellectual property rights, including its technology, is crucial to the success of its business. The Company relies on a combination of copyright, trademark and trade secret law and contractual restrictions to protect its intellectual property. The Company may, in the future, obtain patents for elements of its intellectual property, where appropriate. The Company’s intellectual property rights, including future patents, may provide only limited protection for its technology and may not be sufficient to provide competitive advantage to the Company. Furthermore, management cannot assure investors that any patents will be issued to the Company as a result of any future patent applications, or that any issued patents will be valid or enforceable. Despite the Company’s efforts to protect its proprietary rights, unauthorized parties may attempt to copy aspects of the Company’s technology or obtain and use information that the Company considers proprietary. Policing the Company’s proprietary rights is difficult and may not always be effective.

The Company or its predecessor and subsidiary entities has registered 12 trademarks in Canada, and the Company filed applications to register an additional six trademarks. Competitors may adopt service names similar to its own, thereby impeding the Company’s ability to build brand identity and possibly leading to client confusion. In addition, there could be potential trade name or trademark infringement claims brought by owners of other registered trademarks or trademarks that incorporate variations of the Company’s trademarks.

Litigation before the courts or proceedings before other governmental authorities and administrative bodies in Canada or any jurisdiction in which the Company operates may be necessary in the future to enforce the Company’s intellectual property rights, protect its patent and copyright rights, trade secrets and domain names and determine the validity and scope of the proprietary rights of others. The Company’s efforts to enforce or protect its proprietary rights may be ineffective and could result in substantial costs and diversion of resources and could harm the Company’s business.

***Some of the Company’s services and technologies may use “open source” software, which may restrict how it uses or distributes the Company’s services or require that the Company release the source code of certain services subject to those licenses.***

Some of the Company’s services and technologies may incorporate software licensed under so-called “open source” licenses. In addition to risks related to license requirements, usage of open source software can lead to greater risks than use of third party commercial software, as some open source licensors do not provide warranties or controls on the origin of the software. Additionally, open source licenses typically require that source code subject to the license be made available to the public and that any modifications or derivative works to open source software continue to be licensed under open source licenses. These open source licenses typically mandate that proprietary software, when combined in specific ways with open source software, become subject

to the open source license. If the Company combines its proprietary software with open source software, it could be required to release the source code of its proprietary software.

The Company has processes in place to guard against its proprietary software being combined with, or incorporating, open source software in ways that would require its proprietary software to be subject to an open source license. However, relatively few courts have interpreted open source licenses in different jurisdictions, and the manner in which these licenses may be interpreted and enforced is therefore subject to some uncertainty. Additionally, the Company relies on multiple software programmers to design its proprietary technologies, and although the Company takes steps to prevent its programmers from including open source software in the technologies and software code that they design, write and modify, the Company does not exercise complete control over the development efforts of its programmers, and the Company cannot be certain that its programmers have not incorporated open source software into its proprietary services and technologies or that they will not do so in the future. In the event that portions of the Company's proprietary technology are determined to be subject to an open source license, the Company could be required to publicly release the affected portions of its source code, re-engineer all or a portion of its technologies, or otherwise be limited in the licensing of the Company's technologies, each of which could reduce or eliminate the value of its services and technologies and materially and adversely affect the Company's business, results of operations and prospects.

***If the Company's services are found to infringe on the proprietary rights of others, the Company may be required to change its business practices and may also become subject to significant costs and monetary penalties.***

As the Company continues to develop and expand its services, the Company may become increasingly subject to infringement claims from third parties such as software providers or suppliers of data. Likewise, if the Company is unable to maintain adequate controls over how third party software and data are used, the Company may be subject to claims of infringement. Any claims, whether with or without merit, could:

- be expensive and time consuming to defend;
- cause the Company to cease making, licensing or using applications that incorporate the challenged intellectual property;
- require the Company to redesign its applications;
- divert management's attention and resources; and
- require the Company to enter into royalty or licensing agreements in order to obtain the right to use necessary technology.

Any one or more of the foregoing outcomes could have a material adverse effect on the Company's business, financial condition and results of operations. Additionally, the Company may be liable for damages for past infringement if a court determines that the Company's software or technologies infringe upon a third party's patent or other proprietary rights.

***Negative publicity could result in a decline in the Company's client growth and its business could suffer.***

There has been a marked increase in the use of social media platforms and similar channels, including weblogs (blogs), social media websites and other forms of Internet-based communications that provide individuals with access to a broad audience of consumers and other interested persons. The availability and impact of information on social media platforms is virtually immediate and the accuracy of such information is not independently verified. The opportunity for dissemination of information, including inaccurate information, is seemingly limitless and readily available. The Company's reputation is very important to attracting new clients as well as selling additional services to existing clients. While the Company believes that it has a good reputation and that it provides its clients with a superior experience, there can be no assurance that the Company will continue to maintain a good relationship with its clients or avoid negative publicity. Any damage to the Company's reputation, whether arising from its conduct of business, negative publicity, regulatory, supervisory or enforcement actions, matters affecting its financial reporting or compliance with the OSC and TSX listing requirements, security breaches or otherwise could have a material adverse effect on its business.

***If the Company fails to develop widespread brand awareness cost-effectively, its business may suffer.***

The Company believes that developing and maintaining widespread awareness of its brand in a cost-effective manner is critical to achieving widespread acceptance of its services and attracting new clients. The Company's marketing efforts are primarily directed at the development of new clients and increased penetration of existing clients. Brand promotion activities may not generate client awareness or increase revenues, and even if they do, any increase in revenues may not offset the expenses the Company incurs in building its brand. If the Company fails to successfully promote and maintain its brand, or incur substantial expenses, it may fail to attract or retain clients necessary to realize a sufficient return on the Company's brand-building efforts, or to achieve the widespread brand awareness that is critical for broad client adoption of the Company's services.

***The Company routinely makes accounting estimates and judgments. If these are proven to be incorrect, subsequent adjustments could require the Company to restate its historical financial statements.***

The Company routinely makes accounting estimates and judgments in the ordinary course of business. Such accounting estimates and judgments will affect the reported amounts of its assets and liabilities at the date of its financial statements and the reported amounts of its operating results during the periods presented. Additionally, the Company interprets the accounting rules in existence as of the date of its financial statements when the accounting rules are not specific to a particular event or transaction. If the underlying estimates are ultimately proven to be incorrect, subsequent adjustments could have an adverse effect on the Company's operating results for the period or periods in which the change is identified. Additionally, subsequent adjustments could require the Company to restate its historical financial statements. The Company continually reviews accounting rules and regulations and works with its auditors and third party experts on all significant accounting and valuation matters.

***Future sales of Shares by existing shareholders could reduce the market price of the Shares.***

Sales of a substantial number of the Shares in the public market could occur at any time before or after the expiration of the lock-up agreements described in "Plan of Distribution". These sales, or the market perception that the holders of a large number of Shares intend to sell Shares, could reduce the market price of the Shares. In addition, the Underwriters might waive the provisions of these lock-up agreements and allow the subject shareholders to sell their Shares at any time. There are no pre-established conditions for the grant of such a waiver by the Underwriters, and any decision by them to waive those conditions would depend on a number of factors, which might include market conditions, the performance of the Shares in the market and the Company's financial condition at that time. If the restrictions in such lock-up agreements are waived, additional Shares will be available for sale in the public market, subject to applicable securities laws, which could reduce the market price of the Shares.

In addition, holders of unexercised options may sell Shares purchased on the exercise of options in the same year that they exercise their options. This might result in a greater number of Shares being sold in the public market by, and fewer long-term holders of Shares among, the Company's management and employees.

***The terms of and any changes to or termination of the registry access agreements the Company is a party to could have an adverse effect on the Company.***

A portion of the Company's current revenues are derived from services it provides pursuant to various registry access agreements, including the Service Provider Agreement for Providing Products and Services with Her Majesty the Queen in Right of Ontario, as represented by the Minister of Government and Consumer Services, effective as of February 1, 2017 as amended and extended on April 1, 2018 and as amended on July 1, 2018 ("**ONBIS Agreement**"). The Company's business could be impacted as a result of a breach of the terms of any such registry access agreement, potential disagreements with the applicable government, indemnity claims, changes to applicable laws or expected revenues to be realized from the delivery of the Company's services, or the termination of any such agreement. In addition, under the terms of the ONBIS Agreement, among others, the Company may not consummate any change of control transaction without the consent of the government. While management believes the Company will be able to effectively address any such event, there is no certainty

that it will be able to do so, and any of those events could have a significant adverse effect on its business, results of operation, financial condition and its reputation and growth strategy.

***Limitations on the Company's ability to increase fees for certain registry services may negatively impact its ability to offset future increases in operating costs or capital investment needs.***

In certain circumstances, a registry access agreement may restrict the Company's ability to increase the fees that it charges its clients for certain registry services. If this occurs, there can be no assurance that the Company will be able to sufficiently offset increases in the Company's operating costs or provide funds for capital investment needs.

***The Company is subject to a number of risks related to acceptance of credit cards and debit cards for client payments.***

The Company accepts payments for its services through credit and debit card transactions. For credit and debit card payments, the Company pays interchange and other fees, which may increase over time. An increase in those fees may require the Company to increase the prices it charges and would increase its cost of revenues, either of which could harm its business, financial condition or results of operations.

The Company depends on processing vendors to complete credit and debit card transactions. If the Company or its processing vendors fail to maintain adequate systems for the authorization and processing of credit card transactions, it could cause one or more of the major credit card companies to disallow the Company's continued use of their payment products. The Company could lose clients if it is not able to continue to use payment products of the major credit card companies. In addition, if the systems for the authorization and processing of credit card transactions fail to work properly and, as a result, the Company does not charge its clients' credit cards on a timely basis or at all, its business, revenue, results of operations and financial condition could be harmed.

The Company is also subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted in ways that make it more difficult for it to comply. The Company is required to comply with payment card industry security standards. Failing to comply with those standards may violate payment card association operating rules, federal and provincial laws and regulations, and the terms of the Company's contracts with payment processors. Any failure to comply also may subject the Company to fines, penalties, damages and civil liability, and may result in the loss of its ability to accept credit and debit card payments. Further, there is no guarantee that such compliance will prevent illegal or improper use of the Company's payment systems or the theft, loss, or misuse of data pertaining to credit and debit cards, cardholders and transactions. If the Company fails to adequately control fraudulent credit card transactions, it may face civil liability, diminished public perception of its security measures and significantly higher credit card-related costs, each of which could harm its business, results of operations and financial condition.

If the Company is unable to maintain its chargeback rate or refund rates at acceptable levels, its processing vendors may increase its transaction fees or terminate their relationships with the Company. Any increases in the Company's credit and debit card fees could harm its results of operations, particularly if it elects not to raise its rates for its services to offset the increase. The termination of the Company's ability to process payments on any major credit or debit card would significantly impair its ability to operate its business.

***Future offerings of debt securities, which would rank senior to the Shares upon bankruptcy or liquidation, and future offerings of equity securities that may be senior to the Shares for the purposes of dividend and liquidating distributions, may adversely affect the market price of the Shares.***

In the future, the Company may attempt to increase its capital resources by making offerings of debt securities or additional offerings of equity securities. Upon bankruptcy or liquidation, holders of the Company's debt securities, holders of any Preferred Shares and lenders with respect to any other borrowings will each be entitled to receive a distribution of the Company's available assets prior to the holders of the Shares. Additional equity offerings may dilute the holdings of the Company's existing shareholders or reduce the market price of the Shares, or both, and may result in future limitations under applicable tax legislation that could reduce the pace at which the Company utilizes any net operating loss carry-forwards to reduce its taxable income. Preferred

Shares, if issued, could have a preference on liquidating distributions or a preference on dividend payments or both that could limit the Company's ability to make a dividend distribution to the holders of the Shares. The Company's decision to issue securities in any future offering will depend on market conditions and other factors beyond its control. As a result, the Company cannot predict or estimate the amount, timing or nature of its future offerings, and purchasers of the Shares in the Offering bear the risk of the Company's future offerings reducing the market price of the Shares and diluting their ownership interest in the Company.

***An active, liquid and orderly trading market for the Shares may not develop, and investors may not be able to resell their Shares at or above the Offering Price.***

The Company has applied to have its Shares listed on the TSX. There is no market through which the Shares may be sold and, if a market for the Shares does not develop or is not sustained, investors may not be able to resell the Shares purchased in the Offering. This may affect the pricing of the Shares in the secondary market, the transparency and availability of trading prices, the liquidity of the Shares and the extent of issuer regulation. The Offering Price has been determined by negotiation between the Company, the Selling Shareholders and the Underwriters. The Offering Price may not be indicative of the market price of the Shares after the Offering. In the absence of an active trading market for the Shares, investors may not be able to sell their Shares at or above the Offering Price or at all. The Company cannot predict the prices at which the Shares will trade.

The market price of the Shares could be subject to significant fluctuations after the Offering, and it may decline below the Offering Price, which could result in substantial losses for investors purchasing Shares in this Offering. Some of the factors that may cause the market price of the Shares to fluctuate include:

- significant volatility in the market price and trading volume of comparable companies;
- actual or anticipated changes or fluctuations in the Company's operating results or in the expectations of market analysts;
- adverse market reaction to any indebtedness the Company may incur or securities it may issue in the future;
- short sales, hedging and other derivative transactions in the Shares;
- announcements of acquisitions, new partners, new services, strategic alliances, capital commitments or significant agreements by the Company or by its competitors;
- changes in the economic performance or market valuations of other issuers that investors deem comparable to the Company;
- litigation or regulatory action against the Company;
- investors' general perception of the Company and the public's reaction to its press releases, other public announcements and filings with applicable securities regulators;
- publication of research reports or news stories about the Company, its competitors or its industry, or positive or negative recommendations or withdrawal of research coverage by securities analysts;
- changes in general political, economic, industry and market conditions and trends;
- sales of the Shares by the Company's directors, executive officers and existing shareholders and their affiliates;
- recruitment or departure of key personnel; and
- the other risk factors described in this section of the prospectus.

In addition, the stock markets have historically experienced substantial price and volume fluctuations. Broad market and industry factors may harm the market price of the Shares. Hence, the price of the Shares could fluctuate based upon factors that have little or nothing to do with the Company or its operations, and these fluctuations could materially reduce the price of the Shares regardless of the Company's operating performance. In the past, following periods of volatility in the market price of a company's securities, securities

class action litigation has been instituted against that company. If the Company were involved in any similar litigation, it could incur substantial costs, management's attention and resources could be diverted and it could harm the Company's business, operating results and financial condition.

***Dilution and future sales of Shares.***

The initial Offering Price of the Shares may result in a market capitalization of the Company that will significantly exceed the net tangible book value of the Company per Share. Accordingly, if an investor purchases Shares under the Offering, the investor may incur immediate and substantial dilution of its investment.

In addition, the Company may issue additional Shares or Preferred Shares in the future, which may dilute a shareholder's holding in the Company. The Company's articles will permit the issuance of an unlimited number of Shares and an unlimited number of Preferred Shares and shareholders will have no pre-emptive rights in connection with such further issuances. The directors of the Company have the discretion to determine if an issuance of Shares or Preferred Shares is warranted, the price at which such issuance is effected and the other terms of issuance. Also, the Company may issue additional Shares or Preferred Shares upon the exercise of options under the Omnibus Plan, which will result in further dilution to the shareholders. See "Options to Purchase Securities".

***The Company is subject to various governmental regulations, and a failure to comply with governmental regulations or changes in these regulations could result in penalties, restrict operations or make it more burdensome to conduct operations, which would have a negative effect on the Company's business and operations.***

Laws and regulations may affect the Company's operations in a number of areas. The Company's failure to comply with applicable laws and regulations could restrict its ability to provide certain services or result in the imposition of civil fines and criminal penalties, substantial regulatory and compliance costs, litigation expense, adverse publicity and loss of revenues.

Compliance with these laws, regulations and similar requirements may be onerous and expensive, and they may be inconsistent from jurisdiction to jurisdiction, further increasing the cost of compliance. A failure of the Company's services or a failure to appropriately update its services to reflect and comply with changes to existing laws or regulations or with new laws or regulations may contribute to violations by the Company's clients of such laws and regulations. If the Company's services fail to address relevant laws and regulations, it could be subject to claims by clients as well as potential claims by government agencies. Such claims could result in substantial cost and the Company could incur judgments to enter into settlements of claims that could have a material adverse effect on its business and operating results. This increases the costs of doing business, and any such costs which may arise in the future as a result of changes in these laws and regulations or in their interpretation could individually or in the aggregate make the Company's services less attractive to its clients, limit the manner in which business is conducted, delay the introduction of new services in one or more regions, or cause the Company to change or limit its business practices. There can be no assurance that the Company will be able to increase fees or reduce its costs to fully offset any increase in costs or reduction in revenues that may result from such amendments, changes in practices or new laws which could have an adverse effect on the Company's business, financial conditions and results of operations. Furthermore, failure of the Company's services to address relevant laws and regulations could result in negative publicity, damage its reputation and brand, hinder its ability to attract new clients and cause the loss of current clients, all of which could substantially harm the Company's business, financial conditions and results of operations.

***Current or future litigation could substantially harm the Company's business.***

The Company is not currently involved in any material litigation; however, it may be involved in legal proceedings, claims and other litigation in the future.

Furthermore, the Company may be subject to various legal proceedings and claims arising out of the ordinary course of business, including lawsuits based on registration errors, errors in data that is pulled from databases that it accesses and lost profits or other consequential damages. The outcome of litigation, regulatory investigations and arbitration disputes are inherently difficult to predict and as a result there is the risk that an unfavorable outcome could negatively affect the Company's business, results of operations and financial

condition. In addition, litigation can result in substantial costs and diversion of the resources of the Company. Insurance may not cover such investigations and claims, may not be sufficient for one or more such investigations or claims and may not continue to be available on acceptable terms. An investigation or claim brought against the Company could also result in unanticipated costs and reputational harm.

***The Company's risk management efforts may not be effective.***

The Company could incur substantial losses and its business operations could be disrupted if the Company is unable to effectively identify, manage, monitor and mitigate financial risks, such as credit risk, interest rate risk, liquidity risk and other market-related risk, as well as operational risks related to its business, assets and liabilities. The Company's risk management policies, procedures and techniques may not be sufficient to identify all of the risks the Company is exposed to, mitigate the risks that the Company has identified or identify concentrations of risk or additional risks to which the Company may become subject in the future.

***The Company's insurance coverage reserves may not cover future claims.***

The Company maintains various insurance policies for commercial general liability, specialty professional liability, workplace safety and property damage. The Company has third party insurance coverage to limit exposure for both individual and aggregate claim costs. The Company is also responsible for losses up to a certain limit for general liability, specialty professional liability and property damage insurance.

If a greater amount of claims occur compared to what the Company estimated, its accrued liabilities might not be sufficient and it may be required to record additional expenses. Unanticipated changes may also produce materially different amounts of expenses than reported under these programs, which could adversely impact the Company's results of operations.

The Company's failure to comply with applicable laws regarding privacy and protection of data could lead to significant fines and penalties imposed by regulators, as well as claims by the Company's clients. In addition, if the Company's security measures fail to protect credit and debit card information adequately, the Company could be liable to its clients for their losses. There can be no assurance that the limitations of liability (if applicable) in the Company's contracts would be enforceable or adequate or would otherwise protect the Company from any such liabilities or damages with respect to any particular claim. The Company also cannot be sure that its existing general liability insurance coverage and coverage for errors and omissions will continue to be available on acceptable terms or will be available in sufficient amounts to cover one or more large claims, or that the Company's insurers will not deny coverage as to any future claim. The successful assertion of one or more large claims against the Company that exceeds its available insurance coverage, or changes in the Company's insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have a material adverse effect on the Company's business, financial condition and results of operations.

***The Company may incur operating losses in the future.***

The Company expects its operating expenses to increase in the future as it expands its operations. Furthermore, as a public company, it will incur legal, accounting and other expenses that it did not incur as a private company. If the Company's revenue does not grow to offset these increased expenses, the Company may not be profitable. The Company cannot assure the investors that it will be able to achieve or maintain profitability. Investors should not consider historical revenue growth as indicative of the Company's future performance.

***The adoption of new accounting standards or interpretations could adversely affect the Company's financial results.***

The Company's implementation of and compliance with changes in accounting rules and interpretations could adversely affect its operating results or cause unanticipated fluctuations in its results in future periods. The accounting rules and regulations that the Company must comply with are complex and continually changing. The Company cannot predict the impact of future changes to accounting principles on its financial statements going forward.

***Failure to establish and maintain effective internal controls in accordance with NI 52-109 could have a material adverse effect on the Company's business and the market price of the Shares.***

The Company is not currently required to comply with National Instrument 52-109 — *Certification of Disclosure in Issuers' Annual and Interim Filings* ("NI 52-109"). As a publicly-traded company, the Company will become subject to reporting and other obligations under applicable Canadian securities laws and rules of the TSX, including NI 52-109. These reporting and other obligations will place significant demands on the Company's management, administrative, operational and accounting resources. In order to meet such requirements, the Company will, among other things, establish systems, implement financial and management controls, reporting systems and procedures and, if necessary, hire qualified accounting and finance staff. However, if the Company is unable to accomplish any such necessary objectives in a timely and effective manner, the Company's ability to comply with its financial reporting obligations and other rules applicable to reporting issuers could be impaired. Moreover, any failure to maintain effective internal controls could cause the Company to fail to satisfy its reporting obligations or result in material misstatements in its financial statements. If the Company cannot provide reliable financial reports or prevent fraud, its reputation and operating results could be materially adversely effected which could also cause investors to lose confidence in the Company's reported financial information, which could result in a reduction in the trading price of the Shares.

The Company does not expect that its disclosure controls and procedures and internal controls over financial reporting will prevent all error and fraud. A control system, no matter how well-designed and implemented, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Due to the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues within an organization are detected. The inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of simple errors or mistakes. Controls can also be circumvented by individual acts of certain persons, by collusion of two or more people or by management override of the controls. Due to the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and may not be detected in a timely manner or at all.

***The Company's operating results and revenues are subject to fluctuations and its quarterly financial results may be subject to seasonality and market cyclicality, each of which could cause its share price to be negatively affected.***

The markets within which the Company operates may be influenced by general economic conditions, economic cycles, and, in the case of the real estate market, annual seasonality factors, among others, which in turn may impact the Company's financial results. With respect to the real estate market, different sectors of the industry, such as office, industrial, retail, multifamily, and others, are influenced differently by different factors, and have historically moved through economic cycles with different timing. As such, it is difficult to estimate the potential impact of economic cycles and conditions or seasonality from year-to-year on the Company's overall operating results. With respect to seasonality, the timing of widely observed holidays and vacation periods, particularly slowdowns during the end-of-year holiday period, and availability of real estate agents and related service providers during these periods, could significantly affect the Company's quarterly operating results during those periods. If the Company is unable to adequately respond to economic, seasonal or cyclical conditions, its revenues, expenses and operating results may fluctuate from quarter to quarter. the Company's operating results, revenues and expenses may fluctuate for many reasons.

Fluctuations or seasonality effects could negatively affect the Company's results of operations during the period in question and/or future periods or cause its share price to decline. In addition, changes in accounting policies or practices may affect the Company's level of Net Income, EBITDA, Adjusted EBITDA or Adjusted EBITDA Margin. Fluctuations in its financial results, revenues and expenses may cause the market price of the Company's shares to decline.

***The Company is subject to risks inherent in foreign operations.***

Sales outside Canada represented approximately 4% and 6% of the Company's combined revenues for Fiscal 2018 and 2017, respectively. The Company intends to selectively pursue international market growth

opportunities, which could result in those international sales accounting for a more significant portion of the Company's revenue. The Company has committed, and may continue to commit, significant resources to its international operations and sales and marketing activities. While the Company has experience conducting business outside of Canada, it may not be aware of all the factors that may affect its business in foreign jurisdictions.

The Company is subject to a number of risks associated with international business activities that may increase costs, and require significant management attention. International operations carry certain risks and associated costs, such as the complexities and expense of administering a business abroad, complications in compliance with, and unexpected changes in regulatory requirements, foreign laws, trading and investment policies, exchange controls, tariffs and other trade barriers, difficulties in collecting accounts receivable, potential adverse tax consequences, uncertainties of laws, difficulties in protecting, maintaining or enforcing intellectual property rights, difficulty in managing a geographically dispersed workforce in compliance with diverse local laws and customs, and other factors, depending upon the country involved. Moreover, local laws and customs in many countries differ significantly and compliance with the laws of multiple jurisdictions can be complex, difficult and costly. The Company cannot assure that risks inherent in its foreign operations will not have a material adverse effect on its business.

***Exchange rate fluctuations may adversely affect the Company's results and/or compliance with financial covenants.***

Due to the Company's international operations, the Company may be exposed to the effects of fluctuations in currency exchange rates. The Company generates revenue and incurs expenses for employee compensation and other operating expenses through its U.K. operations in the local currency. Fluctuations in the exchange rates between the Canadian dollar and the British pound could result in the dollar equivalent of such revenue and expenses being lower, which could have a negative net impact on the Company's reported operating results. In May 2018, the Company entered into the Swap Agreement to mitigate this risk. See "Management's Discussion and Analysis — Financial Instruments and Other Instruments".

***If the Company cannot maintain its corporate culture, the Company could lose valuable qualities from its workforce.***

The Company believes that its corporate culture is a critical component of its success. As the Company develops the infrastructure of a public company and continues to grow, the Company may find it difficult to maintain these valuable aspects of its corporate culture. Failure to preserve its corporate culture could negatively impact the Company's future success, including its ability to attract and retain employees, encourage innovation and teamwork and effectively focus on and pursue its corporate objectives.

***Use of proceeds of the Treasury Offering are not specified with certainty.***

Except for \$35.0 million, which will be used to permanently reduce the Company's Term Loan, the Company cannot specify with certainty the particular uses of the remainder of the net proceeds it will receive from the Treasury Offering. The Company's management will have broad discretion in the application of the remainder of the net proceeds, including for any of the purposes described in "Use of Proceeds". Accordingly, a purchaser of Shares will have to rely upon the judgment of management with respect to the use of the remainder of the proceeds of the Treasury Offering, with only limited information concerning management's specific intentions. The Company's management may spend a portion or all of the remainder of the net proceeds from the Treasury Offering in ways that its shareholders might not desire, that might not yield a favourable return and that might not increase the value of a purchaser's investment. The failure by management to apply these funds effectively could harm the Company's business. Pending use of such funds, the Company might invest the remainder of the net proceeds from the Treasury Offering in a manner that does not produce income or that loses value.

***Confidentiality agreements with employees and others may not adequately prevent disclosure of trade secrets and other proprietary information.***

In order to protect the Company's technologies and processes, the Company relies in part on confidentiality agreements with its employees, licensees, independent contractors and other advisors. These agreements may

not effectively prevent disclosure of confidential information, including trade secrets, and may not provide an adequate remedy in the event of unauthorized disclosure of confidential information. In addition, others may independently discover the Company's trade secrets and proprietary information, and in such cases the Company could not assert any trade secret rights against such parties. To the extent that the Company's employees, contractors or other third parties with whom it does business use intellectual property owned by others in their work for the Company, disputes may arise as to the rights in related or resulting know-how and inventions. The loss of trade secret protection could make it easier for third parties to compete with the Company's services by copying functionality. In addition, any changes in, or unexpected interpretations of, intellectual property laws may compromise the Company's ability to enforce its trade secret and intellectual property rights. Costly and time-consuming litigation could be necessary to enforce and determine the scope of the Company's proprietary rights, and failure to obtain or maintain protection of its trade secrets or other proprietary information could harm the Company's business, results of operations, reputation and competitive position.

***Claims for indemnification by the Company's directors and officers may reduce its available funds to satisfy successful third party claims against the Company and may reduce the amount of money available to it.***

On Closing, the Company will have indemnification agreements with each of its directors and officers. The indemnification agreements will generally require that the Company indemnify and hold the indemnitees harmless to the fullest extent permitted by law for liabilities arising out of the indemnitees' service to the Company as directors and officers, provided that the indemnitees acted honestly and in good faith with a view to the best interests of the Company and in the case of a criminal or administrative proceeding that is enforced by a monetary penalty, the indemnitees' had reasonable grounds for believing that his or her conduct was lawful. The indemnification agreements will also provide for the advancement of defense expenses to the indemnitees by the Company provided that the indemnitees must repay all advances if it is finally determined that the indemnitees are not entitled to indemnification under the agreements or the payment of any costs is prohibited by applicable law. The obligation to repay advances of defense expenses will be unsecured and no interest will be charged thereon. Any claims for indemnification by the Company's directors and officers may reduce its available funds to satisfy successful third party claims against the Company and may reduce the amount of money available to it.

***The Company's business is subject to the risks of earthquakes, fires, floods and other natural catastrophic events and to interruption by man-made problems such as terrorism.***

The Company's systems and operations, including its two offsite datacenters which are managed by third party services providers, are vulnerable to damage or interruption from earthquakes, fires, floods, power losses, telecommunications failures, terrorist attacks, acts of war and similar events. For example, a significant natural disaster, such as an earthquake, fire or flood, could have a material adverse impact on the Company's business, operating results and financial condition and its insurance coverage may be insufficient to compensate the Company for losses that may occur. Acts of terrorism, which may be targeted at metropolitan areas which have higher population density than rural areas, could cause disruptions in the Company's or its clients' businesses or the economy as a whole. The Company may not have sufficient protection or recovery plans in certain circumstances, such as natural disasters affecting any area in which its datacenters are located, and its business interruption insurance may be insufficient to compensate the Company for losses that may occur. See "The Company's Business — Technology — Cloud Hosting".

***Because the Company does not expect to pay any dividends on the Shares for the foreseeable future, investors in the Offering may never receive a return on their investment.***

The Company does not have any present intention to pay cash dividends on the Shares and it does not anticipate paying any cash dividends on the Shares in the foreseeable future. Any future determination as to the declaration and payment of dividends will be at the discretion of the Board and will depend on the Company's financial condition, operating results, contractual restrictions, capital requirements, business prospects and other factors the Board may deem relevant.

***The Company will incur increased costs and demands upon management as a result of complying with the laws and regulations affecting public companies, which could harm its operating results.***

As a public company, the Company will incur significant legal, accounting, investor relations and other expenses that it did not incur as a private company, including costs associated with public company reporting requirements. The Company also has incurred and will incur costs associated with current corporate governance requirements, including requirements implemented by the OSC and the TSX. The Company expects these rules and regulations to increase its legal and financial compliance costs substantially and to make some activities more time-consuming and costly. The Company's management team does not have experience operating the Company as a public company and may not successfully or efficiently manage the Company's transition to being a public company subject to significant regulatory oversight and reporting obligations under Canadian securities laws. In particular, these new obligations will require substantial attention from the Company's management team and could divert their attention away from the day-to-day management of the Company's business. The Company also expects that, as a public company, it will be more expensive for it to obtain director and officer liability insurance and that it may be more difficult for the Company to attract and retain qualified individuals to serve on its Board of Directors or as its executive officers.

***The Company's by-laws will provide that any derivative actions, actions relating to breach of fiduciary duties and other matters relating to the internal affairs of the Company will be required to be litigated in Canada, which could limit an investor's ability to obtain a favourable judicial forum for disputes with the Company.***

Prior to the Closing, the Company will adopt new by-laws, which will include a forum selection provision that will provide that, unless the Company consents in writing to the selection of an alternative forum, the Superior Court of Justice of the Province of Ontario, Canada and appellate Courts therefrom (or, failing such Court, any other "court" (as defined in the OBCA) having jurisdiction and the appellate Courts therefrom), shall, to the fullest extent permitted by law, be the sole and exclusive forum for (a) any derivative action or proceeding brought on the Company's behalf, (b) any action or proceeding asserting a claim of breach of a fiduciary duty owed by any of the Company's directors, officers, or other employees to the Company, (c) any action or proceeding asserting a claim arising pursuant to any provision of the OBCA or the articles or the by-laws of the Company (as either may be amended from time to time), or (d) any action or proceeding asserting a claim otherwise related to the relationships among the Company, its affiliates and their respective shareholders, directors and/or officers, but excluding claims related to the business carried on by the Company or its affiliates and their respective shareholders, directors and/or officers. The Company's by-laws will also provide that its shareholders are deemed to have consented to personal jurisdiction in the Province of Ontario and to service of process on their counsel in any foreign action initiated in violation of the Company's by-laws. Therefore, it may not be possible for shareholders to litigate any action relating to the foregoing matters outside of the Province of Ontario. While forum selection clauses in corporate charters and by-laws are becoming more commonplace for public companies in the U.S. and have been upheld by courts in certain states, they are untested in Canada. It is possible that the validity of the Company's forum selection by-law could be challenged and that a court could rule that such by-law is inapplicable or unenforceable. If a court were to find the Company's forum selection by-law inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, the Company may incur additional costs associated with resolving such matters in other jurisdictions and the Company may not obtain the benefits of limiting jurisdiction to the courts selected. See "Corporate Governance — By-Laws — Forum Selection".

***Securities analysts' research or reports could impact the price of the Shares.***

The trading market for the Shares will rely in part on the research and reports that industry or financial analysts publish about the Company or the Company's business. The Company does not currently have and may never obtain research coverage by industry or financial analysts. If no or few analysts commence coverage of the Company, the trading price of the Shares would likely decrease. Even if the Company does obtain analyst coverage, if one or more of the analysts covering the Company's business downgrade their evaluations of the Shares or Share price, the price of the Shares could decline. If one or more of these analysts cease to cover the Shares, the Company could lose visibility in the market for the Shares, which in turn could cause the Share price to decline.

*If tax laws change or the Company experiences adverse outcomes resulting from examination by the tax authorities of its income tax returns, the Company's results of operations could be adversely affected.*

The Company is subject to federal, provincial and local income taxes in Canada and in foreign jurisdictions. The Company's future effective tax rates and the value of its deferred tax assets could be adversely affected by changes in tax laws. In addition, the Company is subject to the examination of its income tax returns by the Canadian Revenue Agency and other tax authorities. The Company regularly assesses the likelihood of adverse outcomes resulting from such examinations to determine the adequacy of its provision for income tax. Significant judgment is required in determining the Company's worldwide provision for income taxes. Although the Company believes it has made appropriate provisions for taxes in the jurisdictions in which it operates, changes in the tax laws or challenges from tax authorities under existing tax laws could adversely affect the Company's business, financial condition and results of operations.

## **LEGAL MATTERS**

The Company is from time to time involved in legal proceedings of a nature considered normal to its business. The Company believes that none of the litigation in which the Company is currently involved, or has been involved since the beginning of the most recently completed financial year, individually or in the aggregate, is material to its consolidated financial condition or results of operations.

## **INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Except as otherwise disclosed in this prospectus, none of (a) the Company's directors or executive officers, (b) the shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's voting securities, or (c) any associate or affiliate of the persons referred to in (a) and (b), has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this prospectus that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

## **RELATIONSHIP BETWEEN DYE & DURHAM AND SCOTIA AND TD**

Scotia and TD are affiliates of Canadian chartered banks that are lenders to the Company. A portion of the net proceeds of the Treasury Offering will be used to repay outstanding indebtedness owed to such lenders. Additionally, Scotia and TD and their respective affiliates have provided from time to time, and may provide in the future, commercial banking, investment and financial advisory services to Dye & Durham and its affiliates in the ordinary course of business for which they have received and may continue to receive customary fees and commissions. As a result of the foregoing relationships, as described in further detail herein, Dye & Durham may be considered a "connected issuer" of both Scotia and TD within the meaning of National Instrument 33-105 — *Underwriting Conflicts* for the purposes of applicable Canadian securities legislation. See "Description of Material Indebtedness".

At June 30, 2018, the Company had net bank indebtedness of \$77,342,408 under the Credit Facilities and was in compliance with the Credit Agreement. Since the indebtedness was incurred, the Company's financial position has not materially changed.

The decision to distribute the offered equity securities, including the determination of the terms of this Offering, was made through negotiations between Dye & Durham and the Lead Underwriters. Other than as disclosed herein, the proceeds of the Offering will not be applied for the benefit of the Lead Underwriters or any "related issuer" (as defined under applicable Canadian securities legislation) of the Lead Underwriters.

Approximately \$35.0 million of the proceeds of the Treasury Offering will be applied to permanently reduce the Term Loan. The indebtedness to be repaid was incurred in connection with the Company's repurchase of all of the equity held by ISC in October 2017.

## **ENFORCEMENT OF JUDGMENTS AGAINST FOREIGN PERSONS OR COMPANIES**

Brian L. Derksen, a director of the Company, Plantro Ltd. and Seastone Invest Limited reside outside of Canada or are organized under the laws of a foreign jurisdiction, as applicable. Mr. Derksen, Plantro Ltd. and Seastone Invest Limited have each appointed GODA Incorporators Inc., located at 333 Bay Street, Suite 3400, Toronto, Ontario, M5H 2S7 as their agent for service of process. Purchasers are advised that it may not be possible for investors to enforce judgments obtained in Canada against any person or company that is incorporated, continued or otherwise organized under the laws of a foreign jurisdiction or resides outside of Canada, even if the party has appointed an agent for service of process.

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

The Company's auditor is MNP LLP, Chartered Accountants, located at suite 2200, MNP Tower, 1021 West Hastings Street, Vancouver, British Columbia, V6E 0C3. MNP LLP has advised the Company that it is independent in accordance with the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

The transfer agent and registrar for the Shares is ● at its principal office in Toronto, Ontario.

## **MATERIAL CONTRACTS**

The only material contracts, other than those contracts entered into in the ordinary course of business, which the Company has entered into since the beginning of the last fiscal year before the date of this prospectus, entered into prior to such date but which contract is still in effect, or to which the Company is or will become a party prior to the Closing, are as follows:

- the Underwriting Agreement, which is described in "Plan of Distribution"; and
- the Credit Agreement.

Copies of such agreements will be available under the Company's profile on SEDAR at [www.sedar.com](http://www.sedar.com).

## **INTERESTS OF EXPERTS**

Certain legal matters relating to the Offering will be passed upon on the Company's behalf by Goodmans LLP and on behalf of the Underwriters by Osler, Hoskin & Harcourt LLP. The partners and associates of Goodmans LLP, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company. The partners and associates of Osler, Hoskin & Harcourt LLP, collectively, beneficially own, directly and indirectly, less than 1% of the issued and outstanding securities of any class of the Company.

The Company has retained MNP LLP to be the independent auditor of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Certain information relating to the Company's total and current addressable market has been based upon the Deloitte Report by Deloitte LLP.

## **PURCHASERS' STATUTORY 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 and any amendment. In several of the provinces and territories of Canada, the securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, revisions of the price or damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission, revisions 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.

## CERTIFICATE OF THE ISSUER

Dated: October 19, 2018

This amended and restated prospectus and this prospectus constitute full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada (other than Quebec) and relating to the securities offered by this prospectus as required by the securities legislation of Quebec.

(Signed) "MATTHEW PROUD"  
Chief Executive Officer

(Signed) "IAN MACNEILY"  
Chief Financial Officer

On behalf of the Board of Directors  
of Dye & Durham Corporation

(Signed) "TYLER PROUD"  
Director

(Signed) "BRIAN L. DERKSEN"  
Director

## CERTIFICATE OF THE UNDERWRITERS

Dated: October 19, 2018

To the best of our knowledge, information and belief, this amended and restated prospectus and this prospectus constitute full, true and plain disclosure of all material facts relating to the securities offered by this amended and restated prospectus as required by the securities legislation of each of the provinces and territories of Canada (other than Quebec) and relating to the securities offered by this prospectus as required by the securities legislation of Quebec.

**BMO NESBITT BURNS INC.**

**SCOTIA CAPITAL INC.**

**CANACCORD GENUITY CORP.**

(Signed) "DAVID WISMER"

(Signed) "ROB SAINSBURY"

(Signed) "MIKE LAUZON"

**RBC DOMINION SECURITIES INC.**

**TD SECURITIES INC.**

(Signed) "ALEX E. GRAHAM"

(Signed) "SCOTT PENNER"

**RAYMOND JAMES LTD.**

(Signed) "MARWAN KUBURSI"

**APPENDIX A**

**DYE & DURHAM FINANCIAL STATEMENTS**

**Dye & Durham Financial Statements**

The audited consolidated financial statements of Dye & Durham for the years ended June 30, 2018,  
2017 and 2016, together with the notes thereto and the auditors' report thereon . . . . . A-2

**OnCorp Direct Inc. Financial Statements**

The audited consolidated financial statements of OnCorp Direct Inc. for the years ended  
December 31, 2015 and 2016, together with the notes thereto and the auditors' report thereon . . . . A-30

**DYE & DURHAM CORPORATION  
CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE YEARS ENDED JUNE 30, 2018 AND 2017**

## **Independent Auditors' Report**

To the Shareholders of Dye & Durham Corporation:

We have audited the accompanying consolidated financial statements of Dye & Durham Corporation, which comprise the consolidated statements of financial position as at June 30, 2018 and 2017, and the consolidated statements of income and comprehensive income, shareholders' equity (deficiency) and changes in cash flows for the years ended June 30, 2018, 2017 and 2016, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Dye & Durham Corporation as at June 30, 2018 and 2017 and its financial performance and its cash flows for the years ended June 30, 2018, 2017 and 2016 in accordance with International Financial Reporting Standards.

Vancouver, British Columbia  
Xx , 2018

Chartered Professional Accountants

**DYE & DURHAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

(Expressed in Canadian dollars)

As at June 30, 2018 and 2017

	<u>Note</u>	<u>2018</u> \$	<u>2017</u> \$
<b>ASSETS</b>			
<b>Current</b>			
Cash and cash equivalents . . . . .	4	25,000	2,605,360
Receivables . . . . .	5	3,434,321	4,158,074
Security deposits . . . . .		—	204,612
Prepaid expenses and deposits . . . . .	6	990,326	1,395,915
		<u>4,449,647</u>	<u>8,363,961</u>
<b>Non-current</b>			
Equipment . . . . .	8	1,455,786	\$ 728,457
Brand and trademark . . . . .	9	2,099,000	2,099,000
License . . . . .	9	7,962,500	8,872,000
Software technologies . . . . .	9	4,816,675	2,530,251
Customer list . . . . .	9	28,254,501	31,085,456
Long term deposit . . . . .	6	1,000,000	16,738
Goodwill . . . . .	7	34,748,528	34,450,180
		<u>80,336,990</u>	<u>79,782,082</u>
<b>Total Assets . . . . .</b>		<u><b>84,786,637</b></u>	<u><b>88,146,043</b></u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>Current</b>			
Bank indebtedness . . . . .	4	553,500	—
Accounts payable and accrued liabilities . . . . .	10	6,180,337	5,285,569
Corporate taxes payable . . . . .	20	884,675	—
Current portion of loans . . . . .	12	8,112,500	5,335,138
Customer deposits . . . . .	11	2,646,356	2,574,852
Royalty payment liability . . . . .	7	362,552	361,098
		<u>18,739,920</u>	<u>13,556,657</u>
<b>Non-current</b>			
Loans . . . . .	12	68,269,793	50,677,740
Derivative financial instrument liability . . . . .	13	703,352	—
Deferred tax liability . . . . .	20	6,808,861	7,356,984
		<u>75,782,006</u>	<u>58,034,724</u>
<b>Total liabilities . . . . .</b>		<u><b>94,521,926</b></u>	<u><b>71,591,381</b></u>
<b>Shareholders' equity</b>			
Capital stock . . . . .	14	13,358,392	38,101,523
Contributed surplus . . . . .	14	773,757	2,048,684
Accumulated other comprehensive(loss) . . . . .		(852,368)	(30,522)
Non-controlling interest . . . . .		—	55,813
Deficit . . . . .		<u>(23,015,070)</u>	<u>(23,620,836)</u>
		<u>(9,735,289)</u>	<u>16,554,662</u>
<b>Total Liabilities &amp; Shareholders' Equity . . . . .</b>		<u><b>84,786,637</b></u>	<u><b>88,146,043</b></u>

**Contingencies (note 23)**

**Subsequent events (note 25)**

**Approved on behalf of the Board:**

\_\_\_\_\_ Director \_\_\_\_\_ Director

*The accompanying notes are an integral part of these consolidated financial statements*

**DYE & DURHAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**

(Expressed in Canadian dollars)  
Years ended June 30, 2018, 2017 and 2016

	Note	2018 \$	2017 \$	2016 \$
<b>REVENUES</b> . . . . .		32,540,796	18,837,232	8,769,580
<b>DIRECT COSTS</b> . . . . .		1,316,919	1,184,943	337,752
<b>GROSS PROFIT</b> . . . . .		<u>31,223,877</u>	<u>17,652,289</u>	<u>8,431,828</u>
<b>EXPENSES</b>				
Sales and marketing . . . . .	24(a)	2,543,725	\$ 1,409,471	\$ 775,053
Technology and operations . . . . .	24(b)	5,426,191	4,196,677	2,627,557
General and administrative . . . . .	24(c)	4,076,140	3,341,280	3,030,247
Amortization and depreciation . . . . .	8,9	5,452,996	1,848,679	332,449
Interest . . . . .	12	5,500,313	1,047,983	51,280
Total expenses . . . . .		<u>22,999,365</u>	<u>11,844,091</u>	<u>6,816,586</u>
Income before other items and taxes . . . . .		8,224,512	5,808,198	1,615,242
<b>OTHER INCOME (EXPENSES)</b>				
Acquisition, corporate restructuring and other costs . . .	21	(5,325,443)	(3,673,302)	(593,469)
Gain on write-off of IRAP loan . . . . .		227,600	—	—
Impairment of software technologies . . . . .	9	—	(339,542)	—
Net income before taxes . . . . .		3,126,669	1,795,354	1,021,773
Current tax expense . . . . .		(2,439,026)	(569,453)	—
Deferred tax recovery . . . . .		548,123	1,170,542	2,661,017
<b>Net income for the year</b> . . . . .		<u>1,235,766</u>	<u>2,396,443</u>	<u>3,682,790</u>
<b>Other comprehensive income (loss):</b>				
Foreign translation adjustment . . . . .		118,494	(27,119)	(3,403)
Change in fair value of derivative financial instrument . . . . .	13	(703,352)	—	—
<b>Comprehensive income for the year</b> . . . . .		<u>650,908</u>	<u>2,369,324</u>	<u>3,679,387</u>
<b>Net Income (Loss) Attributable to:</b>				
Equity shareholders of the Company . . . . .		1,235,766	2,433,062	3,659,458
Non-controlling interest . . . . .		—	(36,619)	23,332
<b>Comprehensive Income (Loss) Attributable to:</b>				
Equity shareholders of the Company . . . . .		650,908	2,405,943	3,656,055
Non-controlling interest . . . . .		—	(36,619)	23,332
<b>Net income per common share</b>				
Basic . . . . .		0.05	0.09	0.19
Diluted . . . . .		0.05	0.09	0.18
<b>Weighted average number of common shares</b>				
Basic . . . . .		22,570,434	25,671,331	19,328,649
Diluted . . . . .		23,158,404	25,671,331	19,828,813

*The accompanying notes are an integral part of these consolidated financial statements.*

**DYE & DURHAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (DEFICIT)**  
(Expressed in Canadian dollars)  
Years ended June 30, 2018, 2017 and 2016

	Number of Common Shares (#)	Number of Preferred Shares (#)	Capital Stock (\$)	Contributed Surplus (\$)	Deficit (\$)	Accumulated Other Comprehensive Income (Loss) (\$)	Total (\$)	NCI (\$)	Total Equity (\$)
<b>Balance, June 30, 2015</b> . . . . .	12,603,528	—	24,772,082	2,048,684	(28,976,737)	—	(2,155,971)	—	(2,155,971)
Non-controlling interest (note 7) . . . . .	—	—	—	—	—	—	—	69,100	69,100
Share issuances . . . . .	11,974,907	—	7,315,950	—	—	—	7,315,950	—	7,315,950
Return of capital . . . . .	—	—	(1,986,509)	—	—	—	(1,986,509)	—	(1,986,509)
Income for the year . . . . .	—	—	—	—	3,659,458	—	3,659,458	23,332	3,682,790
Translation adjustment . . . . .	—	—	—	—	—	(3,403)	(3,403)	—	(3,403)
<b>Balance, June 30, 2016</b> . . . . .	24,578,435	—	30,101,523	2,048,684	(25,317,279)	(3,403)	6,829,525	92,432	6,921,957
Share issuances (note 14) . . . . .	4,371,585	—	8,000,000	—	—	—	8,000,000	—	8,000,000
Dividends Paid . . . . .	—	—	—	—	(700,000)	—	(700,000)	—	(700,000)
Income for the year . . . . .	—	—	—	—	2,396,443	(27,119)	2,369,324	(36,619)	2,332,705
Translation adjustment . . . . .	—	—	—	—	—	—	—	—	—
<b>Balance, June 30, 2017</b> . . . . .	28,950,020	—	38,101,523	2,048,684	(23,620,836)	(30,522)	16,498,849	55,813	16,554,662
Common share issuances (note 14) . . . . .	228,432	—	1,249,620	—	—	—	1,249,620	—	1,249,620
Preferred share issuances (note 14) . . . . .	—	3,203,121	13,594,499	—	—	—	13,594,499	—	13,594,499
Common shares repurchased (note 14) . . . . .	(8,713,211)	—	(24,587,250)	—	(630,000)	—	(25,217,250)	—	(25,217,250)
Increase in ownership of subsidiary (7b) . . . . .	—	—	—	(1,274,927)	—	—	(1,274,927)	—	(1,274,927)
Return of Capital (note 14) . . . . .	—	—	(15,000,000)	—	—	—	(15,000,000)	—	(15,000,000)
Income (loss) for the year . . . . .	—	—	—	—	1,235,766	—	1,235,766	(55,813)	1,179,953
Translation adjustment . . . . .	—	—	—	—	—	(118,494)	(118,494)	—	(118,494)
Derivative Financial Instrument . . . . .	—	—	—	—	—	(703,352)	(703,352)	—	(703,352)
<b>Balance, June 30, 2018</b> . . . . .	<u>20,465,241</u>	<u>3,203,121</u>	<u>13,358,392</u>	<u>773,757</u>	<u>(23,015,070)</u>	<u>(852,368)</u>	<u>(9,735,289)</u>	<u>—</u>	<u>(9,735,289)</u>

*The accompanying notes are an integral part of these consolidated financial statements.*

**DYE & DURHAM CORPORATION**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Expressed in Canadian dollars)  
Years ended June 30, 2018, 2017 and 2016

	<u>2018</u>	<u>2017</u>	<u>2016</u>
	\$	\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Net income for the year . . . . .	1,235,766	2,396,443	3,682,790
Items not affecting cash:			
Deferred tax recovery . . . . .	(548,123)	(1,170,542)	(2,661,017)
Depreciation of equipment . . . . .	363,539	232,866	72,477
Amortization of intangible assets . . . . .	5,089,458	1,615,813	259,971
Gain on disposal of InfoKey . . . . .	—	—	(285,468)
Shares issued for past services . . . . .	1,249,620	—	—
Impairment of software technologies . . . . .	—	339,542	—
Accretion expenses . . . . .	214,486	91,740	—
Gain on write-off of IRAP loan . . . . .	(227,600)	—	—
Changes in non-cash working capital balances:			
Decrease (increase) in accounts receivable . . . . .	723,753	(283,305)	(634,644)
Decrease (increase) in prepaid expenses . . . . .	610,201	(783,241)	(63,940)
Decrease (increase) in security deposits . . . . .	—	(5,535)	—
Increase (decrease) in accounts payable and accrued liabilities . . . . .	1,275,999	(94,322)	245,108
Increase (decrease) in corporate taxes payable . . . . .	884,675	—	—
Increase (decrease) in customer deposits . . . . .	71,504	114,837	(4,685)
Net cash provided by operating activities . . . . .	<u>10,943,278</u>	<u>2,454,296</u>	<u>610,592</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from share issuance . . . . .	15,400,000	8,000,000	5,329,441
Closing cost on shares issued . . . . .	(1,805,501)	—	—
Shares re-purchased . . . . .	(25,000,000)	—	—
Shares re-purchased costs . . . . .	(217,250)	—	—
Return of capital . . . . .	(15,000,000)	—	—
Net increase in bank loans . . . . .	20,239,923	57,500,000	—
Proceeds (repayment of BMO loan) . . . . .	—	(3,731,928)	3,731,928
Loan transaction costs . . . . .	—	(630,000)	—
IRAP loan payments . . . . .	(107,538)	(120,000)	(275,872)
Dividends . . . . .	—	(700,000)	—
Advances from (repayments to) directors . . . . .	—	(3,698,801)	2,371,469
Bank indebtedness . . . . .	553,500	—	—
Net cash provided by financing activities . . . . .	<u>(5,936,866)</u>	<u>56,619,271</u>	<u>11,156,966</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Equipment purchases . . . . .	(1,090,868)	(537,657)	(92,431)
Acquisitions . . . . .	(298,348)	(60,500,000)	(7,230,025)
Additions to intangibles . . . . .	(3,664,691)	(1,495,857)	(142,223)
Cash acquired on acquisition of subsidiary . . . . .	29,264	1,415,947	178,248
Increase in ownership interest of subsidiary . . . . .	(1,274,927)	—	—
Royalty payment . . . . .	(185,447)	(147,902)	—
Payment of long-term deposits . . . . .	(983,261)	(16,739)	—
Net cash used in investing activities . . . . .	<u>(7,468,278)</u>	<u>(61,282,208)</u>	<u>(7,286,431)</u>
Change in cash during the year . . . . .	(2,461,866)	(2,208,641)	4,481,127
Cash and cash equivalents, beginning of year . . . . .	2,605,360	4,841,120	363,686
Effect of foreign exchange on cash . . . . .	(118,494)	(27,119)	(3,693)
<b>Cash and cash equivalents, end of year . . . . .</b>	<u>25,000</u>	<u>2,605,360</u>	<u>4,841,120</u>
<b>Interest . . . . .</b>	<u>5,285,827</u>	<u>1,047,983</u>	<u>51,280</u>

**Supplemental disclosure with respect to cash flows (note 19)**

*The accompanying notes are an integral part of these consolidated financial statements.*

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**1. NATURE AND CONTINUANCE OF OPERATIONS**

Originally founded in 1874, Dye & Durham Corporation is a leading provider of registry searches, data solutions, and legal workflow software solutions in Canada and the United Kingdom for legal professionals and businesses.

On February 19, 2016, OneMove Technologies Inc. (“OneMove”) acquired 100% of the issued and outstanding shares of 0838513 B.C. Ltd. which had a 100% controlling interest in Dye & Durham Corporation (“Dye & Durham” or the “Company”). On July 1, 2016, Dye & Durham continued after an amalgamation between OneMove and its then wholly-owned subsidiaries, Dye & Durham and 0838513 B.C. Ltd. The name throughout the consolidated financial statements has been updated to reflect this subsequent change. On November 8, 2017, the Company continued from British Columbia into Ontario under the Ontario Business Corporations Act. The Company’s registered and head office is located at 501 — 130 King St W, Toronto, ON, M5X 1C9.

On April 7, 2016, the Company acquired 51% of the issued and outstanding shares of Easy Convey Limited (“Easy Convey”), a UK based company which provides comprehensive electronic conveyancing case management solutions. In October 2017, the Company acquired the remaining 49% interest in Easy Convey (note 7(b)).

On March 31, 2017, the Company acquired all the issued and outstanding shares of OnCorp Direct Inc. (“OnCorp”), an online search and registration platform conducting business primarily in Ontario (note 7(c)) and on July 1, 2018 OnCorp amalgamated with Dye & Durham (note 7(c)).

On May 31, 2018, the Company acquired all the outstanding shares of Finlay Associates Limited (“Finlay”), a U.K. based registry search and filing company (note 7(d)).

The Company earned net income of \$1,235,766 during the year ended June 30, 2018 (2017 — \$2,396,443; 2016 — \$3,682,790) and has a deficit of \$23,015,070 as at June 30, 2018 (2017 — \$23,620,836). These consolidated financial statements have been prepared on the basis of accounting principles applicable to a going concern which assumes that the Company will realize the carrying value of its assets and satisfy its obligations as they become due in the normal course of operations.

**2. BASIS OF PREPARATION**

**Statement of compliance**

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (“IFRS”) and interpretations adopted by the International Accounting Standards Board (“IASB”).

These consolidated financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except where the Company’s policy is to carry the item at fair value.

**Approval of the consolidated financial statements**

The Board of Directors approved the consolidated financial statements on October xx, 2018.

**Functional and presentation currency**

The functional currency of each of the Company’s subsidiaries is measured using the currency of the primary economic environment in which that entity operates. The consolidated financial statements are presented in Canadian dollars and the functional and presentation currency of the Company is the Canadian dollars. All amounts presented have been rounded to the nearest Canadian dollar.

**Use of judgments and estimates**

The preparation of the Company’s consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**2. BASIS OF PREPARATION (Continued)**

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- The carrying value and impairment assessment of intangible assets. The Company estimates the useful lives of intangible assets based on the expected life of the project. The estimated useful lives of the intangibles assets are reviewed periodically and are updated if expectations differ from the previous estimates due to technical or commercial obsolescence. In addition, at each reporting periods, assets or cash generating units (“CGU”) are evaluated to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of the intangible asset is calculated based on cash flow projections using several assumptions and estimates that represent management’s best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.
- The Company makes estimates related to the fair values assigned to assets and liabilities in the purchase price allocation in the business combination. Changes in these assumptions could result in a change to the net assets acquired as part of the business combination.
- Goodwill is reviewed for impairment annually and in the year of acquisition. The Company performs an annual test for goodwill impairment for each of the cash generating units and whenever events or circumstances make it more likely than not that an impairment may have occurred. Determining whether an impairment as occurred requires valuation of the respective CGU, which is estimated using a discounted cash flow method.

*Critical accounting judgements*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

- The functional currency of the Company and its subsidiary, OnCorp, is the Canadian dollar. The functional currency of Easy Convey and Finlay is the British pound. Determination of functional currency may involve certain judgments to determine the primary economic environment and this is re-evaluated for each new entity or if conditions change.
- The estimated useful lives and depreciation of equipment and intangible assets is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of assets.
- These consolidated financial statements have been prepared on a going concern basis, which assumes that the Company will be able to realize its assets and discharge its liabilities in the normal course of business for the foreseeable future. If the going concern assumption were not appropriate for these consolidated financial statements, then adjustments would be necessary in the carrying value of the assets and liabilities, the reported expenses and the statement of financial position classifications used.
- The assessment of whether an acquisition meets the definition of a business or whether assets are acquired is an area of key judgment. If deemed to be a business combination, applying the acquisition method to business combinations requires each identifiable assets and liability to be measured at its acquisition-date fair value. The excess, if any, of the fair value of consideration over the fair value of the net identifiable assets acquired is recognized as goodwill. If deemed to be an asset acquisition, acquisition considerations are allocated to assets acquired and liabilities assumed on a relative fair value basis and no goodwill is recognized.
- The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, expected timing of reversals of deferred tax assets and liabilities, and interpretations of laws in the countries in which the Company operates. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.
- The application of the Company’s accounting policy to capitalize intangible asset costs requires judgment in determining which expenditures meet the criteria for capitalization. In making this determination, the Company considers the degree to which the expenditures can be associated with developing new software applications.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**2. BASIS OF PREPARATION (Continued)**

- The collectability of receivables involves judgment as the Company recognizes an allowance for doubtful accounts based on an analysis of historical bad debt experienced, current receivables aging, and an assessment of specific identifiable customer accounts considered at risk or uncollectible.

**3. SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of the consolidated financial statements are set out below. The policies have been consistently applied to all the years presented, unless otherwise stated.

*Basis of Consolidation*

These consolidated financial statements include the accounts of the Company and its three subsidiaries.

<u>Subsidiary</u>	<u>Country of Incorporation</u>	<u>Ownership Percentage</u>
OnCorp Direct Inc. . . . .	Canada	100%
Easy Convey Limited . . . . .	United Kingdom	100%
Finlay Associates Limited . . . . .	United Kingdom	100%

All inter-company transactions and balances have been eliminated upon consolidation.

*Cash and cash equivalents*

Cash and cash equivalents consist of cash and highly liquid instruments, including deposits held for credit card collateral with original maturities of three months or less that are readily convertible to known amounts of cash and subject to an insignificant risk of change in value.

*Intangible assets & deferred development costs*

Research costs are expensed as incurred. Development costs may be capitalized as an intangible asset when the technological and financial feasibility of projects is established, and certain other criteria are met. Any cost recoveries received, including government assistance, is applied against the related cost.

The Company's intangible assets relate to developed software technology or acquired identifiable intangible assets, such as software technologies, brand and trademark, licenses and customer lists. The identifiable and directly associated costs of developing software technology are capitalized when its financial feasibility is established. Costs associated with maintaining the software are recognized as an expense when incurred. Management evaluates the recoverability of its intangible assets periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment may exist. Software technology is amortized using a straight-line method to allocate the cost over its estimated useful lives from the date the technology is released for commercial use. Acquired identifiable intangible assets is amortized using a straight-line method to allocate the cost over its estimated useful lives. Management has estimated the useful life of software technologies to be 3 years and acquired identifiable intangible assets to be 2-10 years.

Intangible assets with indefinite useful lives are not amortized but are tested for impairment annually, either individually or at the CGU level. The assessment of indefinite life is reviewed annually to determine whether the indefinite life continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

*Goodwill*

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on fair values. Goodwill is tested for impairment annually or more frequently if certain indicators arise that indicate they are impaired. The recoverable amount, in most cases, is estimated based on the value in use determined as the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset. The estimation process is complex and different assumptions may result in material differences. Particularly, if different estimates of the projected future cash flows or different selection of an appropriate discount rate were made, these changes could materially alter the present value of the cash flows and consequentially materially different amounts could be

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

reported in the financial statements. Using the fair value of the goodwill, an impairment loss is recognized in profit and loss in an amount equal to the excess of the carrying amount over the fair value of goodwill.

*Equipment*

Equipment is recorded at cost less accumulated depreciation and impairment. Depreciation is provided for annually using the following rates and methods:

Computer equipment . . . . .	30% - 55%	declining balance
Furniture and equipment . . . . .	20%	declining balance
Automobiles . . . . .	30%	declining balance
Computer software . . . . .	100%	declining balance
Leasehold improvements . . . . .	—	straight line over the life of the lease

*Provisions*

Provisions are recognized when the Company has a present obligation (legal or constructive) that has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation. If the effect is material, provisions are recognized at present value by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money. Where discounting is used, the increase in the provision due to the passage of time is recognized as a finance cost in comprehensive loss.

*Impairment of long-lived assets*

At the end of each reporting period, the Company's assets are reviewed to determine whether there is any indication that those assets may be impaired. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment, if any. The recoverable amount is the higher of fair value less costs to sell and value in use. Fair value is determined as the amount that would be obtained from the sale of the asset in an arm's length transaction between knowledgeable and willing parties. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount and the impairment loss is recognized in profit or loss for the period. For an asset that does not generate largely independent cash flows, the recoverable amount is determined for the cash generating unit to which the asset belongs.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but to an amount that does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset in prior years. A reversal of an impairment loss is recognized immediately in profit or loss.

*Foreign exchange*

Transactions denominated in foreign currencies are translated using the exchange rate in effect on the transaction date or at an average rate. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange in effect at the statement of financial position date. Non-monetary items are translated using the historical rate on the date of the transaction. Foreign exchange gains and losses are included in profit or loss.

The assets and liabilities from foreign operations are translated at the year-end exchange rate and related revenues and expenses at the average exchange rate for the year. Differences resulting from the translation of foreign operations are recognized in other comprehensive income.

*Revenue recognition*

The Company recognizes revenue from transaction fees for the use of its software and technology enabled services. The Company also receives incidental revenue from providing internet and software services in Canada and the United Kingdom. Transaction and service fees are recognized when the transaction is complete, or the service has been provided and collection is reasonably assured.

In addition, the Company earns revenues from product integration and is recognized as services are rendered and pre-defined milestones are achieved on the percentage of completion method, customization of documents and referral services are recognized as

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

the services are provided. Deferred revenue, if any, represents cash received from customers in advance for future product integration work expected to be completed in the next twelve months.

*Government assistance*

Government assistance is either recorded as a recovery of the related expense or a reduction of the costs of the applicable assets as determined by the terms and conditions under which the assistance is provided to the Company.

Government assistance is recorded when there is a reasonable assurance that it will be realized.

*Business combinations*

The Company accounts for a transaction as a business combination when the acquisition of an asset or group of assets constitutes a business and when the Company obtains control of the entity being acquired.

Business combinations are accounted for using the acquisition method. In applying the acquisition method, the Company separately records the identifiable assets acquired, the liabilities assumed, and goodwill acquired and any non-controlling interest in the acquired entity.

The Company measures the identifiable assets acquired and the liabilities assumed at their acquisition-date fair values, less any non-controlling interest at the proportionate share of the recognized amount of identifiable net assets at the acquisition date. Goodwill is measured as the excess of the fair value of the consideration transferred, less any non-controlling interest in the entity being acquired at the proportionate share of the recognized net identifiable assets acquired. The consideration transferred in a business combination is measured as the aggregate of the acquisition-date fair values of the assets transferred by the acquirer, the liabilities incurred by the acquirer to former owners of the acquired entity and the equity interests issued by the Company.

Acquisition costs in connection with a business combination are expensed as incurred. Those costs include merger costs, professional fees, consulting fees and general administrative costs.

*Income per share*

The Company computes the dilutive effect of options, warrants, convertible notes, and similar instruments whereby the dilutive effect on loss per share is recognized on the use of the proceeds that could be obtained upon exercise of options, warrants and similar instruments. It assumes that the proceeds would be used to purchase common shares at the average market price during the period.

Basic income per share is calculated using the weighted average number of shares outstanding during the year.

*Income taxes*

Income tax expense comprises current and deferred tax. Income tax is recognized in profit or loss except to the extent that it relates to items recognized directly in equity. Current tax expense is the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at period end, adjusted for amendments to tax payable with regards to previous years.

Deferred tax is provided for based on temporary differences, between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. The following temporary differences are not provided for: goodwill not deductible for tax purposes; the initial recognition of assets or liabilities that affect neither accounting nor taxable loss; and differences relating to investments in subsidiaries to the extent that they will probably not reverse in the foreseeable future. The amount of deferred tax provided is based on the expected manner of realization or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantively enacted at the statement of financial position date.

A deferred tax asset is recognized only to the extent that it is probable that future taxable profits will be available against which the asset can be utilized. To the extent that the Company does not consider it probable that a deferred tax asset will be recovered, it will not be recognized.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

*Financial instruments — recognition and measurement*

The Company classifies its financial assets into one of the following categories as follows:

- Fair value through profit or loss — This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.
- Loans and receivables — These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when objective evidence is received that a specific counterparty will default.
- Held-to-maturity investments — These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial assets is measured at present value of estimated future cash flows. Any changes to the carrying amount of the investments, including impairment losses, are recognized through profit or loss.
- Available-for-sale — Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income (loss).

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company has classified its cash and cash equivalents at fair value through profit or loss. The Company's receivables, security deposits and long-term deposits are classified as loans and receivables.

The Company classifies its financial liabilities into one of two categories as follows:

- Fair value through profit or loss — This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.
- Other financial liabilities — This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities, bank indebtedness, loans, customer deposits, and due to related parties are classified as other financial liabilities. The Company's royalty payment liability is classified as fair value through profit and loss.

*Adoption of new accounting standards*

There are no new accounting standards adopted in the current year that have a material impact on the consolidated financial statements.

*Future accounting policy changes issued but not yet in effect*

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

**IFRS 9 — Financial Instruments**

In November 2009, the IASB issued guidance relating to the classification and measurement for financial assets followed by requirements for financial liabilities and derecognition which were added in 2010. IFRS 9 was amended in 2013 to add new general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**3. SIGNIFICANT ACCOUNTING POLICIES (Continued)**

January 1, 2018, with earlier application permitted. The Company will adopt this standard and it is not expected to have a material impact to its financial reporting disclosure.

**IFRS 15 — Revenue from Contracts with Customers**

In May 2014, the IASB published a new standard, IFRS 15 Revenue from Contracts with Customers. This standard supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods on or after January 1, 2018, with earlier application permitted. The Company will adopt this standard and does not expect a material impact to its financial reporting disclosure.

**IFRS 16 — Leases will replace IAS 17 Leases**

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of adopting this standard.

**4. CASH AND CASH EQUIVALENTS**

The Company's cash and cash equivalents balances are as follows:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>\$</b>	<b>\$</b>
Cash . . . . .	—	2,580,360
Term deposit — credit card collateral . . . . .	25,000	25,000
	<u>25,000</u>	<u>2,605,360</u>

As at June 30, 2018, the Company had bank indebtedness of \$553,500.

**5. RECEIVABLES**

The Company's receivables are as follows:

	<b>June 30, 2018</b>	<b>June 30, 2017</b>
	<b>\$</b>	<b>\$</b>
Trade receivables . . . . .	3,224,401	2,726,816
Other receivables . . . . .	279,329	1,395,686
Taxes receivable . . . . .	—	21,865
Due from related parties . . . . .	—	36,863
Allowance for doubtful accounts . . . . .	(69,409)	(23,155)
	<u>3,434,321</u>	<u>4,158,074</u>

Other receivables include an amount of \$250,900 for work performed and recognized as revenue for the year ended June 30, 2018 but invoiced and subsequently collected. In 2017, other receivables amount includes \$884,790 relating to various working capital adjustments in the acquisition of OnCorp which was received in August 2017.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**6. PREPAID EXPENSES AND DEPOSITS**

The Company's prepaids and deposits were \$990,326 (2017 — \$1,395,915) as at June 30, 2018 of which \$559,110 (2017-\$737,735) relates to prepayments to the Ministry of Finance of Ontario and the Minister of Finance (BC) for expected fees. The Company also has a long-term deposit of \$1,000,000 related to a purchase of a long-term investment (Note 25).

**7. GOODWILL**

	<b>June 30, 2018 \$</b>	<b>June 30, 2017 \$</b>
Goodwill — Dye and Durham (note 7(a)) . . . . .	3,020,266	3,020,266
Goodwill — Easy Convey (note 7(b)) . . . . .	1,087,532	1,087,532
Goodwill — OnCorp Direct Inc. (note 7(c)) . . . . .	30,640,728	30,342,382
	34,748,528	34,450,180

(a) Acquisition of 0838513 B.C. Ltd. and Dye & Durham Corporation

On February 19, 2016, the Company acquired 100% of the outstanding common shares (the "D&D Transaction") of 0838513 B.C. Ltd and its wholly owned subsidiary, Dye & Durham. The Company paid \$6,400,000 in cash in exchange for all the outstanding common shares of 0838513 B.C. Ltd. According to the purchase agreement, the purchase price would be adjusted based on working capital factors at the acquisition date.

The D&D transaction was accounted for as a business combination using the acquisition method, with the Company identified as the acquirer.

The Company determined that certain royalty payments due to the former owners of 0838513 B.C. Ltd were not previously measurable and was determined subsequent to the previous reporting period. During the measurement period, management assessed the fair value of these royalty payments (using the discounted cash flow method) to be \$475,000 and has retrospectively adjusted the purchase price allocation to reflect this change. The royalty payment liability is payable annually on the anniversary of the closing date of the D&D transaction for a period of five years and is contingent on future earnings. Given the future royalty payments are subject to certain estimates and assumptions, management has estimated the fair value based on information available and expected future earnings.

The following table summarizes the revised allocation of the purchase price of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	\$
Consideration paid . . . . .	6,400,000
Purchase price adjustment . . . . .	(13,767)
Final purchase price . . . . .	6,386,233
Current assets . . . . .	2,432,739
Equipment . . . . .	186,794
Intangible assets . . . . .	1,840,000
Liabilities assumed . . . . .	(1,093,566)
Total net assets acquired . . . . .	3,365,967
Goodwill . . . . .	3,020,266

Goodwill has been retrospectively adjusted at the acquisition date on February 19, 2016 from \$2,545,267 to \$3,020,266.

In February 2018, the Company paid the former owner of 0838513 B.C. a royalty payment of \$185,447 for the royalty earned during the 12-month period ended January 31, 2018 (2017 — \$148,000).

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
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**7. GOODWILL (Continued)**

As at June 30, 2018, the Company re-measured the fair value associated with the remaining future royalty payments. The revised fair value of the remaining future royalty payments was determined to be \$362,552 and an accretion expense of \$55,425 was charged to the consolidated statements of income and comprehensive income (2017 — \$34,000).

(b) Acquisition of Easy Convey Limited

On April 7, 2016, the Company acquired 51% of the outstanding common shares (the “EC Transaction”) of Easy Convey Limited. As consideration for the acquired shares, the Company paid \$830,025 (£481,872) in cash on acquisition and paid an additional \$329,428 (£191,250) on April 6, 2017.

After the EC Transaction, the Company acquired a controlling interest in Easy Convey Limited. As a result, the EC Transaction has been accounted for as a business combination using the acquisition method, with the Company identified as the acquirer. The following table summarized the allocation of the purchase price of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	<u>\$</u>
Consideration paid . . . . .	830,025
Deferred consideration . . . . .	329,428
Total consideration . . . . .	<u>1,159,453</u>
Current assets . . . . .	90,424
Intangible assets . . . . .	533,975
Liabilities assumed . . . . .	<u>(483,378)</u>
Total net assets acquired . . . . .	141,021
Shareholding acquired . . . . .	<u>51%</u>
Company’s share of net assets . . . . .	71,921
Goodwill . . . . .	<u><u>1,087,532</u></u>

Goodwill of \$1,087,532 is measured as the difference between the fair value of the consideration transferred and the Company’s portion of the fair value of net identifiable assets on acquisition date. The portion of the net identifiable assets on acquisition date that is not controlled by the Company is recognized as non-controlling interest.

On October 16, 2017, the Company acquired the remaining 49% of Easy Convey for a purchase price of \$1,274,927 (£765,625), plus or minus any working capital adjustments, payable in two equal instalments of £382,313. The first instalment was paid on closing and the second instalment of \$713,072 has been accrued as at June 30, 2018 and is due on October 17, 2018. Under IFRS, this increase in ownership was treated as an equity transaction.

(c) Acquisition of OnCorp Direct Inc.

On March 31, 2017, the Company completed the acquisition of 100% of the outstanding common shares of OnCorp., a company whose primary business activity is to provide search and filing services via its internet portal to government and business registries across Canada and the United States. As consideration for the acquired shares of OnCorp, the Company agreed to pay \$62,000,000 in cash of which \$60,500,000 — funded principally through a bank loan (Note 12a) — was paid on the closing date with additional payments of \$1,500,000 (included in accounts payable and accrued liabilities) to be made by March 31, 2018. The fair value of the total cash consideration on the date of acquisition was \$61,938,000. This transaction has been accounted for as a business combination using the acquisition method, with the Company identified as the acquirer.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**7. GOODWILL (Continued)**

The following table summarizes the allocation of the purchase price of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	\$
Consideration initially paid . . . . .	61,938,000
Additional consideration . . . . .	298,348
Final purchase price . . . . .	62,236,348
Current assets . . . . .	2,785,245
Equipment . . . . .	136,456
Intangible assets . . . . .	42,500,000
Liabilities assumed . . . . .	(2,638,105)
Deferred tax liability . . . . .	(11,187,978)
Total net assets acquired . . . . .	31,595,618
Goodwill . . . . .	30,640,730

The Company acquired receivables of OnCorp with a fair value of \$1,000,724 which consisted of trade receivables of \$115,934 and other receivables of \$884,790 which were subsequently collected in full.

Goodwill was established with the acquisition of OnCorp on March 31, 2017 of \$30,342,382 as the residual amount when the purchase price exceeded the amounts allocated to the identifiable assets, less liabilities assumed based on fair value. Subsequent to the transaction date, there were additional payments made to satisfy the remaining lease obligation for the existing office space as a result of OnCorp relocating to the Company's premises. No contingency was considered at June 30, 2017 due to ongoing negotiations that ultimately led to an agreement whereby the Company would pay a sum of \$298,348 over the remaining 14 months term of the lease. Consequently, this amount has been accounted for as additional purchase price consideration paid for OnCorp. As a result, goodwill was adjusted from \$30,342,382 to \$30,640,730.

(d) Acquisition of Finlay Associates Limited

On May 31, 2018, the Company acquired 100% of the issued and outstanding common shares of Finlay Associates Limited for an initial consideration of \$236,983 (£135,861 — includes acquisition cost of £10,782) and, based on achieving certain future earnings targets, an additional estimated consideration of \$73,261 (£42,000) shall be paid to the seller.

The following table summarized the allocation of the purchase price of the fair value of the assets acquired and liabilities assumed at the date of acquisition:

	\$
Consideration paid . . . . .	236,983
Deferred consideration . . . . .	73,261
Total consideration . . . . .	310,244
Current assets . . . . .	216,264
Equipment . . . . .	7,374
Intangible assets . . . . .	379,342
Liabilities assumed . . . . .	(292,736)
Total net assets acquired . . . . .	310,244
Goodwill . . . . .	—

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**8. EQUIPMENT**

	<b>Computer Equipment \$</b>	<b>Computer Software \$</b>	<b>Furniture &amp; Leasehold \$</b>	<b>Automobiles \$</b>	<b>Total \$</b>
<b>Cost</b>					
Balance, June 30, 2015 . . . . .	739,001	163,407	—	—	902,408
Additions . . . . .	62,030	19,598	8,605	4,365	94,598
Acquired through Dye & Durham acquisition . . . . .	77,679	11,393	63,717	34,005	186,794
	<u>878,710</u>	<u>194,398</u>	<u>72,322</u>	<u>38,370</u>	<u>1,183,800</u>
Balance, June 30, 2016 . . . . .	878,710	194,398	72,322	38,370	1,183,800
Additions . . . . .	294,817	85,101	157,739	—	537,657
Acquired through OnCorp acquisition . . . . .	23,156	51,794	61,506	—	136,456
	<u>1,196,683</u>	<u>331,293</u>	<u>291,567</u>	<u>38,370</u>	<u>1,857,913</u>
Balance, June 30, 2017 . . . . .	1,196,683	331,293	291,567	38,370	1,857,913
Additions . . . . .	173,164	41,872	875,831	—	1,090,868
	<u>1,369,847</u>	<u>373,165</u>	<u>1,167,398</u>	<u>38,370</u>	<u>2,948,781</u>
<b>Balance, June 30, 2018 . . . . .</b>	<b><u>1,369,847</u></b>	<b><u>373,165</u></b>	<b><u>1,167,398</u></b>	<b><u>38,370</u></b>	<b><u>2,948,781</u></b>
<b>Accumulated Depreciation</b>					
Balance, June 30, 2015 . . . . .	658,538	163,407	—	—	821,945
Additions . . . . .	50,793	8,075	10,107	5,670	74,645
	<u>709,331</u>	<u>171,482</u>	<u>10,107</u>	<u>5,670</u>	<u>896,590</u>
Balance, June 30, 2016 . . . . .	709,331	171,482	10,107	5,670	896,590
Additions . . . . .	123,605	69,758	29,693	9,810	232,866
	<u>832,936</u>	<u>241,240</u>	<u>39,800</u>	<u>15,480</u>	<u>1,129,456</u>
Balance, June 30, 2017 . . . . .	832,936	241,240	39,800	15,480	1,129,456
Additions . . . . .	173,927	23,844	159,275	6,493	363,539
	<u>1,006,863</u>	<u>265,084</u>	<u>199,075</u>	<u>21,973</u>	<u>1,492,995</u>
<b>Balance, June 30, 2018 . . . . .</b>	<b><u>1,006,863</u></b>	<b><u>265,084</u></b>	<b><u>199,075</u></b>	<b><u>21,973</u></b>	<b><u>1,492,995</u></b>
<b>Carrying Amounts</b>					
Balance, June 30, 2016 . . . . .	169,379	22,916	62,215	32,700	287,210
Balance, June 30, 2017 . . . . .	363,747	90,053	251,767	22,890	728,457
	<u>362,984</u>	<u>108,081</u>	<u>968,323</u>	<u>16,397</u>	<u>1,455,786</u>
<b>Balance, June 30, 2018 . . . . .</b>	<b><u>362,984</u></b>	<b><u>108,081</u></b>	<b><u>968,323</u></b>	<b><u>16,397</u></b>	<b><u>1,455,786</u></b>

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**9. INTANGIBLE ASSETS**

	<b>Software Technologies \$</b>	<b>Brand &amp; Trademark \$</b>	<b>License \$</b>	<b>Customer List \$</b>
<b>Cost</b>				
Balance, June 30, 2015	1,736,298	—	—	—
Additions	142,222	—	—	—
Addition through acquisitions	820,000	—	—	1,553,975
Balance, June 30, 2016	2,698,520	—	—	1,553,975
Additions	996,858	499,000	—	—
Impairment	(339,542)	—	—	—
Addition through acquisitions	1,300,000	1,600,000	9,100,000	30,500,000
Balance, June 30, 2017	4,655,836	2,099,000	9,100,000	32,053,975
Additions	3,256,085	—	—	—
Addition through acquisition	—	—	—	379,342
<b>Balance, June 30, 2018</b>	<b>7,911,921</b>	<b>2,099,000</b>	<b>9,100,000</b>	<b>32,433,317</b>
<b>Accumulated Amortization</b>				
Balance, June 30, 2015	1,446,319	—	—	—
Additions	209,850	—	—	50,122
Balance, June 30, 2016	1,656,169	—	—	50,122
Additions	469,416	—	228,000	918,397
Balance, June 30, 2017	2,125,585	—	228,000	968,519
Additions	969,661	—	909,500	3,210,298
<b>Balance, June 30, 2018</b>	<b>3,095,246</b>	<b>—</b>	<b>1,137,500</b>	<b>4,178,817</b>
<b>Carrying Amounts</b>				
Balance, June 30, 2016	1,042,351	—	—	1,503,853
Balance, June 30, 2017	2,530,251	2,099,000	8,872,000	31,085,456
<b>Balance, June 30, 2018</b>	<b>4,816,675</b>	<b>2,099,000</b>	<b>7,962,500</b>	<b>28,254,501</b>

For the year ended June 30, 2018, the Company recognized total amortization of \$5,089,458 (2017-\$1,615,813; 2016-\$259,972) relating to the Company's software technologies, license and customer list. The remaining useful life of these assets range from approximately 1.5 to 9.5 years. The brand and trademark have indefinite useful lives given their nature and, therefore, no amortization was recognized on these assets.

Management tests its intangible assets for impairment annually or when there is an indication that the asset may be impaired, and for the year ended June 30, 2018, management has determined that there were no impairments to carrying amounts. In 2017, management wrote off \$339,542 of costs associated with another software platform (2016 — \$nil).

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

Accounts payable and accrued liabilities are as follows:

	<u>June 30, 2018</u> \$	<u>June 30, 2017</u> \$
Trade payables . . . . .	1,453,055	1,134,371
Deferred consideration on Easy Convey residual acquisition (note 7b) . . . . .	713,072	—
Deferred consideration on Finlay acquisition (note 7d) . . . . .	73,261	—
Deferred consideration on OnCorp acquisition (note 7c) . . . . .	—	1,438,000
Interest accrual . . . . .	—	319,244
Loan principle payable (note 12a) . . . . .	—	1,250,000
Payroll accruals . . . . .	863,248	296,369
Sales taxes payable . . . . .	926,650	310,828
Due to related parties (note 17) . . . . .	—	175,482
Accrued liabilities . . . . .	2,151,051	361,275
	<u><b>6,180,337</b></u>	<u><b>5,285,569</b></u>

**11. CUSTOMER DEPOSITS**

Customer deposits represent amounts paid by customers on an ongoing basis prior to services being rendered. These deposits are non-interest bearing and repayable to customers upon demand.

As at June 30, 2018 the Company had customer deposits of \$2,646,356 (2017 — \$2,574,852).

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**12. LOANS**

	<b>Bank Loans (a) \$</b>	<b>IRAP Loan (b) \$</b>	<b>Total \$</b>
Balance, June 30, 2015 . . . . .	—	665,138	665,138
Additions . . . . .	3,731,928	—	3,731,928
Payments . . . . .	—	(210,000)	(210,000)
Balance, June 30, 2016 . . . . .	3,731,928	455,138	4,187,066
Additions . . . . .	55,677,740	—	55,677,740
Payments . . . . .	(3,731,928)	(120,000)	(3,851,928)
Balance, June 30, 2017 . . . . .	55,677,740	335,138	56,012,878
Additions . . . . .	27,822,260	—	27,822,260
Payments . . . . .	(6,157,592)	(107,538)	(6,265,130)
Loan write-off . . . . .	—	(227,600)	(227,600)
<b>Balance, June 30, 2018 . . . . .</b>	<b>77,342,408</b>	<b>—</b>	<b>77,342,408</b>
June 2016			
Current . . . . .	630,905	455,138	1,086,043
Non-current . . . . .	3,101,023	—	3,101,023
	<u>3,731,928</u>	<u>455,138</u>	<u>4,187,066</u>
June 2017			
Current . . . . .	5,000,000	335,138	5,335,138
Non-current . . . . .	50,677,740	—	50,677,740
	<u>55,677,740</u>	<u>335,138</u>	<u>56,012,878</u>
June 2018			
Current . . . . .	8,112,500	—	8,112,500
Non-current . . . . .	69,229,908	—	69,229,908
	<u>77,342,408</u>	<u>—</u>	<u>77,342,408</u>
Bank fees (unamortized) . . . . .	(960,115)	—	(960,115)
<b>Balance, net of fees, June 30, 2018 . . . . .</b>	<b>76,382,293</b>	<b>—</b>	<b>76,382,293</b>

**(a) Bank Loans**

On March 31, 2017, the Company obtained authorization for three credit facilities from Bank of Nova Scotia and Roynat Capital Inc. to facilitate the purchase of OnCorp, as follows:

- Facility 1 — \$50,000,000 non-revolving term credit facility to finance the acquisition of OnCorp Direct Inc.
- Facility 2 — \$5,000,000 non-revolving mezzanine credit facility to finance the acquisition of OnCorp Direct Inc.
- Facility 3 — \$2,500,000 revolving operating credit to assist with working capital functions.

As at June 30, 2017, \$55,677,740 had been drawn down from the facilities, net of direct transaction costs of \$572,260. Facility 1 based on prime rate plus credit spread, to be repaid in quarterly installments of principal in the amount of \$1,250,000 on the last banking day of March, June, September and December. Facility 2 has a fixed rate of 13% per annum which is allocated to 9% cash interest payment on total outstanding balance paid monthly and 4% deferred interest which is accrued at the end of each month on the balance outstanding and is repayable on the mezzanine loan maturity date. The Facility 3 revolving operating credit has an interest rate based on the Company's quarterly debt/equity ratio which ranges from 3.30% to 4.55% — the interest rate as at June 30, 2017 is 4.55% on the outstanding balance drawn down.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**12. LOANS (Continued)**

On October 5, 2017, in conjunction with the repurchase of the class B common shares previously held by ISC Enterprises Inc., the Company repaid the existing bank loan and negotiated a new credit agreement with the Bank of Nova Scotia and The National Bank of Canada (the “National Bank”) consisting of:

- Facility 1 — \$81,500,000 non-revolving 3year term credit facility.
- Facility 2 — \$3,000,000 revolving 3year operating credit facility.

Both loan facilities carry an interest rate which ranges from prime rate plus 1.25% to 2.75% depending on the Company’s debt to earnings ratios. Facility 1 is repayable in quarterly installments of principal of \$1,528,125 commencing December 29, 2017. Effective December 29, 2019, the quarterly principal installments increase to \$2,037,500 for the remaining term of the loan.

On April 25, 2018, the Company, in conjunction with the issue of Series 1 Preferred shares, amended the October 5, 2017, credit agreement with the Bank of Nova Scotia and the National Bank whereby the National Bank irrevocably sold and assigned to the Toronto Dominion Bank all of its rights and obligations under the credit agreement and its applicable percentage of the credit facilities. In addition, the term of Facility 1 and 2 loans was extended to 4 years from the date of the amendment and the quarterly installments of principal on Facility 1 loan were revised to \$1,528,125 for the first two years of the amended loan facility term and thereafter \$2,037,500 for the final two years of the loan facility term.

The balance of the term credit facility amortizes at a rate of 1.875% quarterly (7.5% annually), over a two-year period ending June 30, 2020, thereafter increasing to 2.5% quarterly (10% annually), with the remaining unamortized balance due at maturity on April 25, 2022.

Repayments on the revolving credit facility are interest only, subject to repayments of principal by the Company at any time, until the date of maturity, April 25, 2022, at which time any outstanding balance is due.

During the year ended June 30, 2018, the Company incurred transaction costs of \$1,066,925 in connection with obtaining these financings which has been capitalized to the loan. During the year ended June 30, 2018, the Company recognized accretion of these transaction costs in the amount of \$106,782 (2017 — \$57,740). During the year ended June 30, 2018, the Company incurred interest expenses of \$5,283,396 (2017- \$1,047,983).

The credit facilities are secured by a general security agreement, which provides the lender with a first, fixed and floating charge over all assets, including intellectual property, an unlimited guarantee and postponement of claim by all wholly owned subsidiaries, assignment of material contracts and permits, unconditional guarantees and indemnities by all of the obligors, first ranking pledges of equity interests of the obligors and first ranking pledges of equity interests of persons other than the obligors.

As at June 30, 2018, the Company had drawn \$2,000,000 on its revolving credit facility (2017 — \$ nil) and subsequent to year end repaid \$1,000,000 of the advance. As at June 30, 2018, the Company has complied with its covenants under the credit agreement.

The Company is required to make quarterly principal payments on its term credit facility until its maturity on April 25, 2022, at which time the remaining balance is due for repayment or refinancing. The annual totals of the quarterly principal payments for the years ending June 30<sup>th</sup> are as follows:

	<b>June 30, 2019</b>	<b>June 30, 2020</b>	<b>June 30, 2021</b>	<b>June 30, 2022</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
Principal payments . . . . .	6,112,500	8,390,625	8,950,000	6,712,500

**(b) IRAP Loan**

In previous fiscal years, the Company received funds from Innovation, Science and Economic Development Canada’s Industrial Research Assistance Program (“IRAP”). Total cumulative assistance received by the Company under IRAP to date is \$455,201. Repayment of these contributions began in October 2011, and is repaid at a rate of 6.25% of gross revenues, payable quarterly until July 2016. If at any time within this repayment period, the repayments equal or exceed 150% of the IRAP assistance received, the Company will cease to have any further obligation to make repayments.

In October 2015, the arrangement was amended where the Company shall repay one instalment of \$150,000 to be provided on January 1, 2016 and 2) in the form of post-dated cheques, 29 consecutive monthly instalments totaling \$287,537, payable in 28 payments of \$10,000 with a last payment of \$7,537 made on the first day of every month. In addition, for each of the Company’s fiscal years ended

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**12. LOANS (Continued)**

June 30, 2015, June 30, 2016 and June 30, 2017, inclusively, the Company shall repay a conditionally repayable amount to the Minister being 6.25% of the company's consolidated gross revenue exceeding \$4,000,000 for the fiscal year preceding the repayment. The repayment obligation shall be terminated on the earlier of April 1, 2018 or receipt of \$682,801 in total repayment.

The Company completed its repayment obligations on April 1, 2018.

**13. DERIVATIVE FINANCIAL LIABILITY**

**Interest Rate Swap**

On May 9, 2018, the Company executed an interest rate swap with the Bank of Nova Scotia which exchanged its floating interest rate obligation on a notional \$50,000,000 of bank loans for a fixed interest rate payment of 2.75% on the notional amount. The interest rate swap has a four-year term ending May 9, 2022. Under the terms of the interest rate swap agreement, the Company is obligated to make monthly fixed interest rate payments of \$114,583 over the term of the swap agreement and in exchange receives floating rate interest payments on the notional amount.

As at June 30, 2018, the fair value of this interest rate swap resulted in a liability to the Company in the amount of \$703,352. This financial liability has been designated as a liability that is measured at fair value through profit and loss and accordingly this amount has been recognized in the calculation of comprehensive income for the year.

**14. CAPITAL STOCK**

**Capital Stock**

The authorized share capital of the Company consists of an unlimited number of common shares, an unlimited number of redeemable Series 1 preferred shares, an unlimited number of class A common shares, and an unlimited number of class B common shares. As at June 30, 2018, no class A or class B common shares have been issued.

The Company's common shares are without par value, voting and entitled to receive dividends

The Company's Series 1 preferred shares are without par value, non-voting and entitled to receive dividends payable to the Series 1 preferred shares on a pro rata basis with any dividends, returns of capital or other distributions paid to holders of common shares (on the basis of conversion of the Series 1 preferred shares into common shares).

Issued:

	June 30, 2018 \$	June 30, 2017 \$
Common shares . . . . .	20,465,241	20,236,809
Class B common shares . . . . .	nil	8,713,211
Series 1 preferred shares . . . . .	3,203,121	nil
	23,668,362	28,950,020

On August 31, 2015, the Company completed a non-brokered private placement by issuing 5,401,512 class B common shares at a price of \$0.61094 per share for gross proceeds of \$3,300,000. The Company used the proceeds from the placement to repay shareholder loans in the amount of \$1,313,491. The remaining proceeds was paid out to existing shareholders at the time of the transaction as a return of capital.

On February 19, 2016, the Company issued 3,781,058 Class A common shares and 1,620,454 class B common shares at a price of \$0.61094 per share for gross proceeds of \$3,300,000. The proceeds were used to partially finance the acquisition of Dye and Durham.

On April 6, 2016, the Company issued 820,318 Class A common shares and 351,565 class B common shares at a price of \$0.61094 per share for gross proceeds of \$715,950. The proceeds were used to partially finance the acquisition of Easy Convey.

In February 2017, the Company paid dividends totaling \$700,000 to its common shareholders.

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**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
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**14. CAPITAL STOCK (Continued)**

On March 31, 2017, the Company issued 3,031,905 common shares and 1,339,680 class B common shares at a price of \$1.83 per share for gross proceeds of \$8,000,000. The proceeds were used to partially finance the acquisition of OnCorp (note 7(c)).

On October 5, 2017, the Company (using a special purpose acquisition corporation, the “Acquisition Corporation”) purchased all the outstanding class B common shares of the Company which were held by a single shareholder for \$25,000,000 of which \$630,000 was paid by way of a dividend to the former class B common shareholder. On November 8, 2017, the Acquisition Corporation amalgamated with the Company and carried on as Dye & Durham Corporation and the issued and outstanding class B common shares were cancelled. The Company incurred costs of \$217,250 in repurchasing the shares and this has been added to the costs of the repurchase.

On April 25, 2018, the Company issued 228,432 common shares for past services rendered by an employee and a consultant totaling \$1,249,620. Immediately thereafter, the Company issued 3,203,121 Series 1 preferred shares for consideration of \$15,000,000 and the Company returned paid up capital to its common shareholders in the amount of \$15,000,000. The Company incurred costs of \$1,805,501 comprising cash costs of \$1,405, 501 and non-cash costs of \$400,000 in securing the financing and this has been netted against the proceeds received from the Series 1 preferred share issuance.

On May 28, 2018, the Company’s board of directors approved the adoption of a stock option plan for directors, officers, employees and consultants of the Company. Under the terms of the stock option plan, the Company may issue stock options up to 5% of the currently outstanding common shares of the Company. As at June 30, 2018, there had been no stock options granted pursuant to the stock option plan.

**15. CAPITAL MANAGEMENT**

The Company’s objectives when managing capital are to safeguard its ability to continue as a going concern and to pursue the development of its projects and to maintain a flexible capital structure which optimizes the costs of capital at an acceptable risk. In the management of capital, the Company includes the components of shareholders’ equity as well as its borrowings.

To maintain or adjust its capital structure, the Company may attempt to issue new shares, increase its borrowings and acquire, develop or dispose of assets. Management reviews its capital management approach on an ongoing basis and believes that this approach, given the relative size of the Company, is reasonable. The Company is not subject to any externally imposed capital restrictions. There has been no change in the Company’s capital management during the year.

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 — Inputs that are not based on observable market data.

The fair value of the Company’s financial instruments, except for cash and cash equivalents, approximates their carrying values due to the short-term nature of these instruments. The fair value of cash is determined using Level 1 inputs.

The Company is exposed to a variety of financial risks by virtue of its activities including credit risk, interest rate risk, liquidity risk and foreign exchange risk.

*Credit risk*

Credit risk is risk of financial loss to the Company if any counter-party to a financial statement fails to meet its contractual obligations. The Company’s cash and cash equivalents and receivables are exposed to credit risk. The Company has assessed the credit risk on its cash and cash equivalents as low as its funds are held in highly rated Canadian and United Kingdom financial institutions. As at June 30, 2018, the Company has \$3,434,321 (2017 — \$4,158,074) of receivables outstanding. Management has determined that credit risk on receivables is low based upon the Company’s prior experience.

**DYE & DURHAM CORPORATION**  
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**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**16. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT (Continued)**

*Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Company is exposed to interest rate risk for the Bank loans (Note 12(a)) of which interest rate is adjusted with future fluctuations in prime rate. Based on the amount owing at June 30, 2018, and if all other variables remain constant, a 1% change in the prime rate would result in an increase (decrease) of approximately \$273,424 in the interest expense on the loans not covered by the interest rate swap (Note 13).

*Liquidity risk*

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

As at June 30, 2018, the Company has current assets of \$4,449,647 (2017 — \$8,363,961) to settle current liabilities of \$18,739,920 (2017 — \$13,556,657).

As per normal operating activities, the Company intends to rely on positive cash flows from operations and obtaining additional financing to achieve its future objectives. However, there can be no assurance that actual cash flows from operations will be as forecasted or that such equity and/or debt financings will be available on a timely basis under terms acceptable to the Company.

*Foreign exchange risk*

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company has significant transactions designated in a foreign currency. However, the foreign currency has been fairly stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At June 30, 2018, the Company had cash and cash equivalents denominated in British pounds of £80,388 and \$4,572 denominated in U.S. dollars. A 10% variation in the U.S. dollar and British pounds would have a minimal impact on net income.

**17. RELATED PARTY TRANSACTIONS**

**Compensation of key management personnel**

	<u>June 30, 2018</u> \$	<u>June 30, 2017</u> \$	<u>June 30, 2016</u> \$
Consulting fees, salaries and bonuses for executive team members . . . . .	<u>1,906,474</u>	<u>658,444</u>	<u>500,062</u>

As at June 30, 2018, \$717,000 (2017 — \$175,482) was included in accounts payable and accrued liabilities for consulting fees, bonus and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand. As at June 30, 2018, there were 6 members comprising the executive team (2017 — 2 members).

Additionally, in April 2018, common shares of 57,108 at a value of \$312,405 were issued to a former director as part of the corporate restructuring.

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**18. SEGMENTED INFORMATION**

The Company has two geographic segments being Canada and the United Kingdom. For the years ended June 30, 2018 and 2017, segmented information is as follows:

	<u>Canada</u>	<u>UK</u>	<u>Total</u>
	\$	\$	\$
<b>June 30, 2018</b>			
<b>Long-term Assets</b>			
Equipment . . . . .	1,429,424	26,362	1,455,786
Intangibles, software & customer list . . . . .	42,952,802	179,874	43,132,676
<b>Revenue . . . . .</b>	<b><u>31,260,271</u></b>	<b><u>1,280,525</u></b>	<b><u>32,540,796</u></b>
<b>June 30, 2017</b>			
<b>Long-term Assets</b>			
Equipment . . . . .	728,457	—	728,457
Intangibles, software & customer list . . . . .	44,119,321	467,386	44,586,707
<b>Revenue . . . . .</b>	<b><u>17,763,128</u></b>	<b><u>1,074,104</u></b>	<b><u>18,837,232</u></b>
<b>June 30, 2016</b>			
<b>Long-term Assets</b>			
Equipment . . . . .	287,210	—	287,210
Intangibles, software & customer list . . . . .	2,025,421	520,784	2,546,205
<b>Revenue . . . . .</b>	<b><u>8,435,189</u></b>	<b><u>334,391</u></b>	<b><u>8,769,580</u></b>

**19. SUPPLEMENTAL DISCLOSURE WITH RESPECT TO CASH FLOWS**

During the year ended June 30, 2018, the Company issued 83,198 Series 1 preferred shares valued at \$400,000 as compensation for closing costs associated with the financing.

**20. INCOME TAXES**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the consolidated statements of operations and comprehensive loss for the years ended June 30, 2018, 2017 and 2016:

	<u>June 30, 2018</u>	<u>June 30, 2017</u>	<u>June 30, 2016</u>
	\$	\$	\$
Income before income taxes . . . . .	3,126,668	1,795,354	1,021,773
Statutory income tax rates . . . . .	26.32%	26%	26%
Expected income tax (recovery) . . . . .	822,956	466,792	137,939
Non-deductible items . . . . .	1,022,054	622,055	(91,360)
Change in estimates and others . . . . .	6,947	(287,920)	19,670
Disposal of subsidiary . . . . .	—	—	258,872
Business acquisitions . . . . .	—	—	39,943
Change in statutory rates . . . . .	8,292	(1,341,858)	1,436
Change in deferred tax assets not recognized . . . . .	30,654	(60,158)	(3,027,517)
<b>Total income tax expense (recovery) . . . . .</b>	<b><u>1,890,903</u></b>	<b><u>(601,089)</u></b>	<b><u>(2,661,017)</u></b>
Current tax expense . . . . .	2,439,026	569,453	—
Deferred tax recovery . . . . .	(548,123)	(1,170,542)	(2,661,017)
<b>Total tax expense (recovery) . . . . .</b>	<b><u>1,890,903</u></b>	<b><u>(601,089)</u></b>	<b><u>(2,661,017)</u></b>

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**20. INCOME TAXES (Continued)**

Deferred taxes reflect the tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at June 30, 2018 and 2017 are comprised of the following:

	June 30, 2018 \$	June 30, 2017 \$
Non-capital loss carryforwards (Canada) . . . . .	1,988,659	2,562,390
Share issuance costs . . . . .	128,119	3,900
Allowable capital losses . . . . .	62,276	59,969
Equipment . . . . .	189,778	64,007
Brand & trademark, license, software technologies and customer list . . . . .	<u>(9,046,146)</u>	<u>(9,949,357)</u>
Total unrecognized deductible temporary differences . . . . .	<u>(6,680,314)</u>	<u>(7,259,091)</u>
Deferred tax asset not recognized . . . . .	128,547	97,893
Net deferred tax (liabilities) . . . . .	<u><u>(6,808,861)</u></u>	<u><u>(7,356,984)</u></u>

The Company has non-capital loss carryforwards of approximately \$9,122,264 (2017 — \$9,344,863) which may be carried forward to apply against future year income tax for Canadian income tax purposes, subject to the final determination by taxation authorities, expiring in the following years:

	\$
2026 . . . . .	22,067
2027 . . . . .	645,235
2028 . . . . .	1,197,165
2029 . . . . .	1,197,823
2030 . . . . .	836,375
2031 . . . . .	504,003
2032 . . . . .	906,997
2033 . . . . .	131,158
2034 . . . . .	939,242
2035 . . . . .	297,506
2036 . . . . .	2,444,693
Total . . . . .	<u><u>9,122,264</u></u>

Also, as at June 30, 2018, the Company has non-capital loss carryforwards of approximately \$685,501 (£394,992) (2017 — \$649,643 (£385,270)) which may be carried forward to apply against future year income tax for UK income tax purposes, subject to the final determination by taxation authorities. The non-capital losses can be carried forward indefinitely.

**21. ACQUISITION, CORPORATE RESTRUCTURING and OTHER**

During the year ended June 30, 2018, the Company incurred acquisition costs of \$373,743 (2017 — \$1,921,100 related to the acquisition of OnCorp) and \$4,951,700 of other non-operating costs of which \$3,412,306 were related to corporate restructuring. In 2017, \$1,718,202 were related to the post-amalgamation costs associated with Dye & Durham, OneMove and 0838513 B.C. Ltd.

	June 30, 2018 \$	June 30, 2017 \$	June 30, 2016 \$
Acquisition costs . . . . .	373,743	1,921,100	787,648
Corporate restructuring costs . . . . .	3,412,306	1,718,202	(194,179)
SR&ED reassessment . . . . .	772,380	—	—
Organization changes . . . . .	767,014	—	—
	<u><u>5,325,443</u></u>	<u><u>3,639,302</u></u>	<u><u>593,469</u></u>

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**21. ACQUISITION, CORPORATE RESTRUCURING and OTHER (Continued)**

On August 31, 2015, the Company sold 100% of the common shares of Infokey Software Inc. (“Infokey”) to a company owned by the same shareholders of the Company for a nominal amount. Infokey is an inactive company and was in a net liability position of \$285,469 at the time of the disposal. The financial statements of Infokey were deconsolidated from the Company’s consolidated financial statements on August 31, 2015 and a gain of \$285,469 was recognized as a result of discharging the liability for a nominal amount. The gain was offset by legal expenses of \$91,290 incurred during the year under Infokey.

**22. COMMITMENTS**

The Company has various premises operating leases with contracted lease payments as follows:

	<u>\$</u>
2019 . . . . .	1,048,636
2020 . . . . .	1,052,602
2021 . . . . .	1,076,432
2022 . . . . .	1,105,130
2023 . . . . .	<u>1,109,787</u>
	<u>5,392,587</u>

**23. CONTINGENCIES**

- (a) As part of its May 31, 2018 purchase of Finlay Associates Limited (note 7(d)), the Company will be required to pay the former owner of Finlay Associates Limited an additional payment of up to a maximum £150,000 (\$263,000) depending on the volume of transactions occurring during the two years after the acquisition date.
- (b) On July 31, 2018, a former employee has filed a claim for wrongful dismissal against the Company and is seeking a settlement of \$450,000, including \$250,000 in punitive damages. The Company intends to defend the claim.
- (c) OneMove is subject to a civil claim by an individual claiming to be oppressed in connection with equity transactions that occurred prior to 2013. The individual is seeking damages and to set aside certain of these transactions. The Company is defending the claim. The outcome of these matters is not determinable at this time.

**24. OPERATING EXPENSES**

**(a) Sales and marketing expenses:**

The Company’s sales and marketing expenses according to their nature for the years ended June 30th are as follows:

	<u>Year ended June 30, 2018 \$</u>	<u>Year ended June 30, 2017 \$</u>	<u>Year ended June 30, 2016 \$</u>
Salaries and wages . . . . .	2,075,601	942,235	451,097
Advertising and marketing . . . . .	372,003	347,256	245,368
Travel and entertainment . . . . .	96,121	119,980	78,589
	<u>2,543,724</u>	<u>1,409,471</u>	<u>775,053</u>

**DYE & DURHAM CORPORATION**  
**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(Expressed in Canadian dollars)**  
**Years ended June 30, 2018 and 2017**

**24. OPERATING EXPENSES (Continued)**

**(b) Technology and operations expenses:**

The Company's technology and operations expenses according to their nature for the years ended June 30th are as follows:

	<b>Year ended June 30, 2018 \$</b>	<b>Year ended June 30, 2017 \$</b>	<b>Year ended June 30, 2016 \$</b>
Salaries and wages . . . . .	4,776,365	3,851,612	2,317,126
Internet and software costs . . . . .	586,055	265,051	283,881
Other . . . . .	63,771	80,015	26,550
	<u>5,426,191</u>	<u>4,196,677</u>	<u>2,627,557</u>

**(c) General and administrative expenses:**

The Company's general and administrative expenses according to their nature for the years ended June 30th are as follows:

	<b>Year ended June 30, 2018 \$</b>	<b>Year ended June 30, 2017 \$</b>	<b>Year ended June 30, 2016 \$</b>
Salaries and wages . . . . .	1,658,362	1,431,101	1,227,591
Professional fees . . . . .	396,647	390,697	491,282
Travel and entertainment . . . . .	511,551	268,705	335,349
Rent, facilities, and office . . . . .	1,509,580	1,250,777	976,024
	<u>4,076,141</u>	<u>3,341,280</u>	<u>3,030,247</u>

**25. SUBSEQUENT EVENTS**

- a. On July 1, 2018, the Company's wholly-owned subsidiary, OnCorp, amalgamated with the Company and has carried on as Dye & Durham Corporation.
- b. On July 31, 2018, the Company purchased all the common shares of ESI Software Inc. for \$11,000,000. The transaction was funded by a \$8,000,000 increase in the Company's term loan facility and the issuance of 625,442 Series 2 preferred shares for gross proceeds of \$3,540,000 inclusive of \$540,000 received from related parties.
- c. Effective July 31, 2018, in conjunction with the purchase of ESI Software Inc. the Company's credit facilities were amended as follows:
  - i. The term credit facility was increased by \$8,000,000; and
  - ii. Quarterly principal repayments of the term credit facility increased to \$1,678,125 effective September 30, 2018 until June 30, 2020 at which time they increase to \$2,237,500 for the remainder of the term of the facility.
- d. As at September 15, 2018, 926,235 employee stock options to directors, officers and employees were issued with exercise prices ranging from \$4.81 to \$5.66 granted at a weighted average exercise price of \$5.10. The stock options have a 5-year term and vest over a period of four years.
- e. Pursuant to an agreement dated X, 2018 between the Company and BMO Nesbitt Burns Inc. and Scotia Capital Inc. and a syndicate of underwriters to be formed (collectively the "Lead Underwriters" and the "Underwriters"), the Company agreed to file a prospectus with the Ontario Securities Commission for the issuance of a minimum of XX and a maximum of XX common shares at a price of \$XX per share for aggregate gross proceeds of a minimum of \$XX and a maximum of \$XX. The Company agreed to pay the Underwriters a cash commission equal to 6% of the proceeds it receives from the share offering. The net proceeds raised from the issuance of share capital will be used to repay debt, to fund the acquisition of assets and future business opportunities and for general working capital purposes.

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***Consolidated Financial Statements***

**OnCorp Direct Inc.**

***December 31, 2016 and 2015***

**OnCorp Direct Inc.**  
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December 31, 2016 and 2015

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## Independent Auditors' Report

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### To the Shareholders of OnCorp Direct Inc.

We have audited the accompanying consolidated financial statements of **OnCorp Direct Inc.**, which comprise the consolidated statements of financial position as at December 31, 2016, December 31, 2015 and January 1, 2015, and the consolidated statements of changes in shareholders' equity, income and comprehensive income, and cash flows for the years ended December 31, 2016 and December 31, 2015, and a summary of significant accounting policies and other explanatory information.

#### *Management's Responsibility for the Consolidated Financial Statements*

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

#### *Auditors' Responsibility*

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal controls relevant to the company's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **OnCorp Direct Inc.** as at December 31, 2016, December 31, 2015 and January 1, 2015, and its financial performance and its cash flows for the years ended December 31, 2016 and December 31, 2015 in accordance with International Financial Reporting Standards.

*Fuller Landau LLP*

**Chartered Professional Accountants  
Licensed Public Accountants**

Toronto, Ontario  
January 30, 2018

**Fuller Landau LLP**

151 Bloor Street West, 12th Floor, Toronto, Ontario M5S 1S4  
416.645.6500 • [www.fullerllp.com](http://www.fullerllp.com)

**OnCorp Direct Inc.**  
**Consolidated Statements of Financial Position**

	December 31, 2016	December 31, 2015	January 1, 2015
<b>Assets</b>			
<b>Current:</b>			
Cash, note 4	\$ 4,532,059	\$ 2,484,563	\$ 4,012,675
Accounts receivable, note 5	106,589	108,944	58,497
Prepaid expenses and deposits	588,283	523,281	856,407
Advances to related company, note 6	34,429	-	-
	5,261,360	3,116,788	4,927,579
<b>Equipment and leasehold improvements, note 7</b>	<b>336,094</b>	<b>371,309</b>	<b>217,564</b>
<b>Intangible assets, note 8</b>	<b>6,355,329</b>	<b>6,775,886</b>	<b>7,211,609</b>
	<b>\$ 11,952,783</b>	<b>\$ 10,263,983</b>	<b>\$ 12,356,752</b>
<b>Liabilities</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities, note 9	\$ 654,529	\$ 448,751	\$ 365,132
Income taxes	128,479	121,266	137,558
Customer deposits	2,019,368	1,825,238	1,835,176
Advances from related company, note 6	191,469	-	-
Advances from shareholders, note 6	1,275,000	-	-
Current portion of long-term debt	-	2,666,552	2,671,850
	4,268,845	5,061,807	5,009,716
<b>Deferred income taxes, note 10</b>	<b>405,788</b>	<b>495,907</b>	<b>605,571</b>
<b>Long-term debt, note 11</b>	<b>-</b>	<b>3,055,680</b>	<b>969,477</b>
	<b>4,674,633</b>	<b>8,613,394</b>	<b>6,584,764</b>
<b>Shareholders' Equity</b>			
<b>Share capital, note 12</b>	<b>3</b>	<b>3</b>	<b>3</b>
<b>Retained earnings</b>	<b>7,278,147</b>	<b>1,650,586</b>	<b>5,771,985</b>
	7,278,150	1,650,589	5,771,988
	<b>\$ 11,952,783</b>	<b>\$ 10,263,983</b>	<b>\$ 12,356,752</b>

*See accompanying notes to the consolidated financial statements*

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**OnCorp Direct Inc.**

**Consolidated Statements of Changes in Shareholders' Equity**

	Share capital	Retained earnings	Total
<b>Balance, January 1, 2015</b>	\$ 3	\$ 5,771,985	\$ 5,771,988
<b>Net and comprehensive income</b>	-	4,076,960	4,076,960
<b>Refundable taxes recovered</b>	-	10,391	10,391
<b>Dividends</b>	-	(8,208,750)	(8,208,750)
<b>Balance, December 31, 2015</b>	3	1,650,586	1,650,589
<b>Net and comprehensive income</b>	-	7,234,306	7,234,306
<b>Refundable taxes paid</b>	-	(620,078)	(620,078)
<b>Refundable taxes recovered</b>	-	613,334	613,334
<b>Dividends</b>	-	(1,600,001)	(1,600,001)
<b>Balance, December 31, 2016</b>	\$ 3	\$ 7,278,147	\$ 7,278,150

*See accompanying notes to the consolidated financial statements*

**OnCorp Direct Inc.**

**Consolidated Statements of Income and Comprehensive Income**

For the years ended December 31	2016	2015
<b>Revenue</b>	<b>\$ 21,674,972</b>	\$ 19,211,476
<b>Direct costs</b>	<b>11,994,211</b>	10,605,947
<b>Gross margin</b>	<b>9,680,761</b>	8,605,529
<b>Expenses:</b>		
Salaries and benefits	1,464,152	1,465,497
Consulting fees	445,684	39,983
Advertising and promotion	263,153	131,908
Occupancy costs	201,368	211,089
Interest on long-term debt	177,165	122,302
Commissions	140,735	98,341
Interest and bank charges	129,359	132,934
Professional fees	113,166	72,928
Travel and automotive	92,319	83,224
Telecommunications	47,807	41,403
Computer	38,090	44,860
Insurance	37,606	37,606
General and office	32,341	47,224
Bad debts	1,422	-
Amortization:		
Intangible assets	528,692	520,233
Equipment and leasehold improvements	90,915	72,282
Deferred financing costs	-	30,516
	<b>3,803,974</b>	3,152,330
<b>Income from operations</b>	<b>5,876,787</b>	5,453,199
<b>Other income (expense):</b>		
Gain on sale of wholly-owned subsidiary, note 13	4,001,427	-
Interest income	22,574	39,712
Unrealized foreign exchange gain	5,826	19,273
Management fees	(1,000,000)	-
	<b>3,029,827</b>	58,985
<b>Income before income taxes</b>	<b>8,906,614</b>	5,512,184
<b>Income taxes (recovered), note 10:</b>		
Current	1,762,427	1,544,888
Deferred	(90,119)	(109,664)
	<b>1,672,308</b>	1,435,224
<b>Net and comprehensive income</b>	<b>\$ 7,234,306</b>	\$ 4,076,960

See accompanying notes to the consolidated financial statements

## OnCorp Direct Inc. Consolidated Statements of Cash Flows

For the years ended December 31	2016	2015
<b>Cash was provided by (used for):</b>		
<b>Operating activities:</b>		
Net and comprehensive income	\$ 7,234,306	\$ 4,076,960
Items not affecting cash:		
Amortization	619,607	623,031
Deferred income taxes	(90,119)	(109,664)
Gain on sale of division, note 13	(4,001,427)	-
	<b>3,762,367</b>	<b>4,590,327</b>
Cash was provided by (used to finance) changes in the following working capital items:		
Accounts receivable	2,355	(50,447)
Prepaid expenses and deposits	(65,002)	333,126
Accounts payable and accrued liabilities	205,778	83,619
Income taxes	7,213	(16,292)
Customer deposits	194,130	(9,938)
	<b>344,474</b>	<b>340,068</b>
	<b>4,106,841</b>	<b>4,930,395</b>
<b>Financing activities:</b>		
Advances from related companies (net)	157,040	-
Advances from shareholders	1,275,000	-
Repayment of long-term debt	(2,666,552)	(2,949,611)
Proceeds of long-term debt	-	5,000,000
Assumption of long-term debt by related company, note 13	(3,055,680)	-
Refundable taxes paid	(620,078)	-
Refundable taxes recovered	613,334	10,391
Dividends	(1,600,001)	(8,208,750)
	<b>(5,896,937)</b>	<b>(6,147,970)</b>
<b>Investing activities:</b>		
Purchase of equipment and leasehold improvements	(55,700)	(226,027)
Proceeds from sale of division, note 13	4,000,000	-
Assumption of net working capital deficit by related company, note 13	1,427	-
Purchase of intangible assets	(108,135)	(84,510)
	<b>3,837,592</b>	<b>(310,537)</b>
<b>Change in cash position</b>	<b>2,047,496</b>	<b>(1,528,112)</b>
<b>Cash, beginning of year</b>	<b>2,484,563</b>	<b>4,012,675</b>
<b>Cash, end of year</b>	<b>\$ 4,532,059</b>	<b>\$ 2,484,563</b>

### Supplemental Cash Flow Information, note 14

See accompanying notes to the consolidated financial statements

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

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### 1. Nature of Operations

OnCorp Direct Inc. was incorporated under the Ontario Business Corporations Act. The company's primary business activity is to provide search and filing services via its Internet portal, operating as an electronic intermediary to government and business registries across Canada and the United States.

The company is domiciled in Ontario, Canada and its head office was located at 313 - 1033 Bay Street, Toronto, Ontario. Subsequent to year end, the company moved its head office to 501 - 130 King Street West, Toronto, Ontario.

### 2. Basis of Presentation

#### Statement of compliance and first-time adoption of IFRS

These consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB"). These consolidated financial statements are the first consolidated financial statements of the company prepared in accordance with IFRS and IFRS 1 First-time Adoption of International Financial Reporting Standards has been applied. An explanation of how the transition to IFRS has affected the reported financial position, financial performance and cash flows of the company is provided in note 18.

These consolidated financial statements were authorized for issuance by the company's Board of Directors on January 30, 2018. The directors have the power to amend the financial statements after issue.

#### Basis of measurement

A summary of the company's significant accounting policies under IFRS is presented in note 3.

These consolidated financial statements have been presented in Canadian dollars which is the functional currency of the company and are prepared under the historical cost basis, unless otherwise stated.

### 3. Significant Accounting Policies

These consolidated financial statements are prepared in accordance with International Financial Reporting Standards. The significant policies are detailed as follows:

#### Consolidation

The consolidated financial statements include the accounts of the company and its wholly-owned subsidiaries, Business Ties Inc. and BizExpress Corporation. All intercompany balances and transactions have been eliminated on consolidation.

On December 22, 2016, Business Ties Inc. was sold to a related company as disclosed in note 13.

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**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

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**3. Significant Accounting Policies, continued**

**Revenue recognition**

The company recognizes transaction fee revenue from the use of its search and filing services when the services are rendered and collectibility is reasonably assured. The company recognizes payments received in advance of providing services as customer deposits.

All other revenues are recorded when amounts are known and collectible.

**Income taxes**

Income taxes are comprised of current and deferred balances and are recognized in income except to the extent that the taxes relate to a business combination, or to items recognized directly in equity or in comprehensive income.

Current income taxes are recognized for the estimated income taxes payable or receivable on taxable income or loss for the current year and any adjustments to income tax payable or receivable in respect of previous years. Current income taxes are determined using tax rates and laws that have been enacted or substantively enacted at balance sheet date.

Deferred income taxes are calculated by measuring the temporary differences arising between the tax basis of an asset or liability and its carrying amount. Deferred income tax assets or liabilities are calculated using enacted or substantively enacted income tax rates expected to apply in the period in which the temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that substantive enactment occurs.

Recognition of a deferred tax asset for unused tax losses, tax credits and deductible temporary differences is recognized to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilized. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that all or part of the related tax benefits will be realized.

**Equipment and leasehold improvements**

Equipment and leasehold improvements are recorded at cost. Amortization is based on the estimated useful life of each asset using the following methods and annual rates:

<b>Asset</b>	<b>Method</b>	<b>Rate</b>
Equipment	Declining balance	30%
Computer equipment	Declining balance	30%
Furniture and fixtures	Declining balance	20%
Leasehold improvements	Straight-line	5 years

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

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### 3. Significant Accounting Policies, continued

#### Intangible assets

Research costs are expensed as incurred. Software application development costs may be capitalized as an intangible asset when the technological and financial feasibility of projects is established and certain other criteria are met.

The company's intangible assets relate to developed software technology or acquired identifiable intangible assets, such as software technology, customer lists and trademarks. The identifiable and directly associated costs of software application development are capitalized when its financial feasibility is established. Costs associated with maintaining the software are recognized as an expense when incurred. Management evaluates the recoverability of its intangible assets periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment may exist.

Amortization is based on the estimated useful life of each asset using the straight-line method as follows:

<b>Asset</b>	<b>Rate</b>
Customer relationships	10 years
Software	5 years
Non-compete agreement	3 years
Application development	3 years

Application development is amortized from the date the technology is released for commercial use. The trademark is not amortized as it is management's intention to renew the trademark indefinitely.

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the identifiable assets acquired, less liabilities assumed, based on fair values. Goodwill is tested for impairment annually or more frequently if certain indicators arise that indicate they are impaired. The recoverable amount, in most cases, is estimated based on the value in use determined as the present value of future cash flows using a pre-tax discount rate that reflects the time value of money and the risk specific to the asset. The estimation process is complex and different assumptions may result in material differences. In particular, if different estimates of the projected future cash flows or different selection of an appropriate discount rate were made, these changes could materially alter the present value of the cash flows and as a consequence materially different amounts could be reported in the financial statements. Goodwill is not amortized as it has an indefinite life.

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**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

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**3. Significant Accounting Policies, continued**

**Impairment of financial assets**

A financial asset is considered impaired if objective evidence indicates that one or more events have had negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

**Impairment of non-financial assets**

The carrying amount of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in income in the period in which they occur.

The recoverable amount of the assets is the greater of the assets' fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

When impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in income in the period in which they occur.

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

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### 3. Significant Accounting Policies, continued

#### Financial instruments

All financial instruments are initially recognized at fair value on the consolidated statement of financial position. The company has classified each financial instrument into one of the following categories: (1) financial assets or liabilities at fair value through profit or loss ("FVTPL"), (2) loans and receivables, (3) financial assets available for sale, (4) financial assets held-to-maturity, and (5) other financial liabilities. Subsequent measurement of financial instruments is based on their classification.

Financial assets and liabilities at FVTPL are subsequently measured at fair value with changes in those fair values recognized in income. Financial assets available for sale are subsequently measured at fair value with changes in fair value recognized in other comprehensive income, net of tax. Financial assets held to maturity, loans and receivables and other financial liabilities are subsequently measured at amortized cost using the effective interest method.

Transaction costs are added to the initial fair value of financial assets and liabilities when those financial assets and liabilities are not measured at fair value subsequent to initial measurement. Transaction costs are amortized to net earnings, using the effective interest method.

The company's financial assets and liabilities are measured as follows:

<b>Asset or Liability</b>	<b>Measurement</b>
Cash	Fair value
Accounts receivable	Amortized cost
Advances to/from related companies	Amortized cost
Accounts payable and accrued liabilities	Amortized cost
Advances from shareholders	Amortized cost
Long-term debt	Amortized cost

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are as follows:

- Level 1: Quoted prices in active markets for identified asset or liability;
- Level 2: Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; or
- Level 3: Inputs that are not based on observable market data.

The carrying amount of the company's financial assets and liabilities measured at amortized cost approximate their fair value. Cash has been measured at fair value using Level 1 inputs.

Financial assets and liabilities are offset and the net amount is presented in the consolidated statement of financial position when, and only when, the company has a legal right to offset the amounts and intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis when permitted by the IFRS standards, or for gains and losses arising from a group of similar transactions.

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

December 31, 2016, December 31, 2015 and January 1, 2015

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### 3. Significant Accounting Policies, continued

#### Lease obligations

A lease is defined as an agreement whereby the lessor conveys to the lessee, in return for payment or a series of payments, the right to use a specific asset for an agreed period of time.

If substantially all the risks and rewards associated with ownership of the leased asset are transferred to the lessee, the leased asset is classified as a finance lease and is recognized in the lessee's statement of financial position at the lower of its fair value as measured at the date of acquisition, or the present value of the minimum lease payments. Assets held under finance leases are depreciated on a basis consistent with similar owned assets or the lease term if shorter. Payments made under finance leases are allocated between capital repayments and interest expense.

If substantially all of the risks and rewards are retained by the lessor, the leased asset is classified as an operating lease and related payments are charged to the lessee's statement of income and comprehensive income on a straight-line basis over the term of the lease, taking into account adjustments for market provisions such as rent holidays. Further, the company treats any incentives received as a reduction of costs over the term of the lease.

#### Foreign currency translation

Monetary assets and liabilities of the company which are denominated in foreign currencies are translated at the exchange rate at statement date. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in income.

#### Variable interest entities

The company has neither identified nor consolidated the accounts of any variable interest entities.

#### Use of estimates

The preparation of these consolidated financial statements in accordance with IFRS requires management to make estimates and assumptions in order to apply the company's accounting policies, which have an effect on the reported amounts and disclosures made in the consolidated financial statements and accompanying notes. The following are the critical judgments and key sources of estimation:

##### *Equipment and leasehold improvements*

Amortization of equipment and leasehold improvements is dependent upon estimates of useful lives which is determined with the exercise of judgment. The assessment of any impairment of equipment and leasehold improvements is dependent upon estimates of recoverable amounts that take into account factors such as reserves, economic and market conditions and the useful lives of assets.

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**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

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**3. Significant Accounting Policies, continued**

**Use of estimates, continued**

*Intangible assets*

Amortization of intangible assets is dependent upon estimates of useful lives which is determined with the exercise of judgment. The assessment of any impairment of intangible assets is dependent upon estimates of recoverable amount that takes into account factors such as reserves, economic and market conditions and the useful lives of assets.

**New standards and interpretations not yet adopted**

A number of new standards, amendments to standards and interpretations issued by the IASB have been proposed but are not yet effective for the years ended December 31, 2016 and 2015 and consequently, have not been applied in preparing these consolidated financial statements. Based on the nature of the business, the company has identified certain proposed standards and amendments that may have an impact on the consolidated financial statements as follows:

*IFRS 9 - Financial instruments*

In December 2011, the IASB issued and made amendments to IFRS 9, "Financial Instruments", which is a new standard that would replace IAS 39, "Financial Instruments: Recognition and Measurement". IFRS 9 is effective for annual periods beginning on or after January 1, 2018. The company is currently assessing the potential impact of this new standard.

*IFRS 15 - Revenue from contracts with customers*

In May 2014, the IASB issued IFRS 15, "Revenue from Contracts with Customers", which is a new standard that would replace IAS 18 "Revenue" and IFRIC 13 "Customer Loyalty Programmes". This standard outlines a single comprehensive model for entities to account for revenue arising from contracts with customers. IFRS 15 is effective for annual periods beginning on or after January 1, 2018. Due to the nature of the day-to-day operations of the company, management does not anticipate this standard to have significant impact on the consolidated financial statements of the company.

*IFRS 16 - Leases*

In January 2016, the IASB issued IFRS 16, "Leases", which is a new standard that would replace IAS 17, "Leases". This standard introduces a single accounting model for lessees and for all leases with a term of more than 12 months. A lessee will be required to recognize a right-of-use asset and a lease liability. IFRS 16 is effective for annual periods beginning or after January 1, 2019. The company is currently assessing the potential impact of this new standard.

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

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#### 4. Bank Facility

The company has access to a demand operating facility of \$300,000. The facility bears interest at the bank's prime lending rate and is unsecured. As at December 31, 2016, December 31, 2015 and January 1, 2015, there is no balance outstanding on the facility.

#### 5. Accounts Receivable

Included in accounts receivable are input taxes recoverable of \$31,105 (December 31, 2015 - nil, January 1, 2015 - nil).

#### 6. Related Party Information

For reporting purposes herein, related parties are defined as the shareholders, key management personnel and companies under common control. Key management personnel include the directors and senior corporate officers of the company, who are primarily responsible for planning, directing and controlling business activities.

During 2016 and 2015, the company was controlled by The Oldman Family Trust. Subsequent to year end, all of the company's shares were acquired by Dye and Durham Corporation.

Advances to and from related companies and advances from shareholders are unsecured, non-interest bearing and have no specified terms of repayment.

The following table summarizes the company's related party transactions for the years. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties.

	<b>2016</b>	<b>2015</b>
Management fees paid to company under common control	<b>\$ 1,000,000</b>	\$ -
Salaries paid to key management personnel	<b>260,167</b>	350,000
Occupancy costs, including realty taxes and common expenses, paid to company under common control	<b>161,058</b>	184,428

Commitments with related parties are described in note 15.

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**7. Equipment and Leasehold Improvements**

	<b>Equipment</b>	<b>Computer Equipment</b>	<b>Furniture and Fixtures</b>	<b>Leasehold Improvements</b>	<b>Total</b>
<b>Cost</b>					
January 1, 2015	\$ 117,138	\$ 96,802	\$ 37,713	\$ 169,000	\$ 420,653
Additions	18,951	38,354	25,492	143,230	226,027
December 31, 2015	136,089	135,156	63,205	312,230	646,680
Additions	-	5,679	37,430	12,591	55,700
December 31, 2016	<b>\$ 136,089</b>	<b>\$ 140,835</b>	<b>\$ 100,635</b>	<b>\$ 324,821</b>	<b>\$ 702,380</b>
<b>Accumulated amortization</b>					
January 1, 2015	\$ 92,759	\$ 44,572	\$ 18,438	\$ 47,320	\$ 203,089
Amortization	7,567	17,242	6,433	41,040	72,282
December 31, 2015	100,326	61,814	24,871	88,360	275,371
Amortization	10,729	22,629	11,409	46,148	90,915
December 31, 2016	<b>\$ 111,055</b>	<b>\$ 84,443</b>	<b>\$ 36,280</b>	<b>\$ 134,508</b>	<b>\$ 366,286</b>
<b>Net book value</b>					
January 1, 2015	\$ 24,379	\$ 52,230	\$ 19,275	\$ 121,680	\$ 217,564
December 31, 2015	\$ 35,763	\$ 73,342	\$ 38,334	\$ 223,870	\$ 371,309
December 31, 2016	<b>\$ 25,034</b>	<b>\$ 56,392</b>	<b>\$ 64,355</b>	<b>\$ 190,313</b>	<b>\$ 336,094</b>

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**8. Intangible Assets**

	<b>Customer Relationships</b>	<b>Software</b>	<b>Non-competes Agreement</b>	<b>Application Development</b>	<b>Goodwill</b>	<b>Trademark</b>	<b>Total</b>
<b>Cost</b>							
January 1, 2015	\$ 4,500,000	\$ 3,689,923	\$ 650,000	\$ 390,832	\$ 4,691,288	\$ 1,000,000	\$ 14,922,043
Additions	-	-	-	84,510	-	-	84,510
December 31, 2015	4,500,000	3,689,923	650,000	475,342	4,691,288	1,000,000	15,006,553
Additions	-	1,648	-	106,487	-	-	108,135
December 31, 2016	<b>\$ 4,500,000</b>	<b>\$ 3,691,571</b>	<b>\$ 650,000</b>	<b>\$ 581,829</b>	<b>\$ 4,691,288</b>	<b>\$ 1,000,000</b>	<b>\$ 15,114,688</b>
<b>Accumulated amortization</b>							
January 1, 2015	\$ 3,075,000	\$ 3,689,923	\$ 650,000	\$ 295,511	\$ -	\$ -	\$ 7,710,434
Amortization	450,000	-	-	70,233	-	-	520,233
December 31, 2015	3,525,000	3,689,923	650,000	365,744	-	-	8,230,667
Amortization	450,000	165	-	78,527	-	-	528,692
December 31, 2016	<b>\$ 3,975,000</b>	<b>\$ 3,690,088</b>	<b>\$ 650,000</b>	<b>\$ 444,271</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 8,759,359</b>
<b>Net book value</b>							
January 1, 2015	\$ 1,425,000	\$ -	\$ -	\$ 95,321	\$ 4,691,288	\$ 1,000,000	\$ 7,211,609
December 31, 2015	\$ 975,000	\$ -	\$ -	\$ 109,598	\$ 4,691,288	\$ 1,000,000	\$ 6,775,886
December 31, 2016	<b>\$ 525,000</b>	<b>\$ 1,483</b>	<b>\$ -</b>	<b>\$ 137,558</b>	<b>\$ 4,691,288</b>	<b>\$ 1,000,000</b>	<b>\$ 6,355,329</b>

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**9. Accounts Payable and Accrued Liabilities**

	December 31, 2016	December 31, 2015	January 1, 2015
Trade payables	\$ 638,753	\$ 340,646	\$ 273,559
Government remittances	15,776	108,105	91,573
	<b>\$ 654,529</b>	<b>\$ 448,751</b>	<b>\$ 365,132</b>

**10. Income Taxes**

The income tax expense recognized in the consolidated statements of income and comprehensive income are comprised of the following:

	2016	2015
Current tax expense:		
Tax at statutory rates	\$ 2,618,420	\$ 1,415,154
Tax effect of non-deductible expenses	29,163	11,754
Tax effect of differences in the timing of deductibility of items for tax purposes	118,244	117,980
Tax effect of accounting income not subject to tax	(1,003,400)	-
	<b>1,762,427</b>	<b>1,544,888</b>
Deferred tax expense:		
Tax effect of origination and reversal of deferred temporary differences	(90,119)	(109,664)
Effective income tax expense	<b>\$ 1,672,308</b>	<b>\$ 1,435,224</b>

The components of the deferred income tax balance are as follows:

	December 31, 2016	December 31, 2015	January 1, 2015
Carrying amount of equipment and leasehold improvements in excess of its tax basis	\$ 6,095	\$ 3,350	\$ 174
Carrying amount of intangible assets in excess of its tax basis	403,743	496,463	602,838
Deferred government assistance for tax purpose	4,608	5,616	6,660
Deferred expenses for tax purpose	(6,204)	(9,489)	(3,956)
Tax losses carried forward to apply against future taxable income	(2,454)	(33)	(145)
Net deferred tax liability	<b>\$ 405,788</b>	<b>\$ 495,907</b>	<b>\$ 605,571</b>

## OnCorp Direct Inc. Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

### 10. Income Taxes, continued

For income tax purposes, the company has unused non-capital losses which can be applied to reduce future years' taxable income. These losses expire as follows:

	2016	2015
2034	\$ -	\$ 130
2037	9,260	-
	<b>\$ 9,260</b>	<b>\$ 130</b>

### 11. Long-term Debt

	December 31, 2016	December 31, 2015	January 1, 2015
Term loan #1	\$ -	\$ 4,722,240	\$ -
Term loan #2	-	999,992	1,666,665
Term loan #3	-	-	1,002,589
Term loan #4	-	-	1,002,589
	-	5,722,232	3,671,843
Less current portion	-	2,666,552	2,671,850
	-	3,055,680	999,993
Less deferred financing costs (net)	-	-	30,516
	<b>\$ -</b>	<b>\$ 3,055,680</b>	<b>\$ 969,477</b>

Term loan #1 bears interest at the Canadian variable rate plus 2.50% per annum and was repayable in monthly principal payments totaling \$138,880 plus interest with a final payment of \$139,200 due on October 15, 2018. Term loan #2 bears interest at the lender's floating base rate plus premium between 2.75% to 3.25% per annum and was repayable in monthly principal payments totaling \$55,556 plus interest with a final payment of \$666,656 due on July 15, 2016. Term loans #3 and #4 were repaid during fiscal 2015.

The deferred financing costs as at January 1, 2015 are presented net of accumulated amortization of \$77,185.

The term loans are secured by the following:

- ♦ A general security agreement covering all assets and intellectual properties of OnCorp Direct Inc. and its wholly-owned subsidiary;
- ♦ Assignment of life insurance proceeds, with loss payable to the lender;
- ♦ Corporate guarantee for the full amount of financing by a related company supported by a general security agreement; and
- ♦ Postponement of landlord's interest in the company's assets.

# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

### 11. Long-term Debt, continued

The company is subject to two covenants related to the terms loans. These covenants include the fixed charge coverage ratio and funded debt to EBITDA ratio. The funded debt to EBITDA ratio is measured at the end of the fiscal year and the fixed charge coverage ratio is measured on a rolling quarter basis. As at December 31, 2015 and January 1, 2015, the company was in compliance with the above covenants.

As disclosed in note 13, on December 22, 2016, OnCorp Direct Inc. sold its wholly-owned subsidiary, Business Ties Inc., to a related company. As part of the consideration for the sale, the related company assumed the outstanding long-term debt of the company.

### 12. Share Capital

	December 31, 2016	December 31, 2015	January 1, 2015
<b>Issued:</b>			
695,000 Class A common shares	\$ 1	\$ 1	\$ 1
50,000 Class C common shares	2	2	2
	\$ 3	\$ 3	\$ 3

The company is authorized to issue an unlimited number of Class A, Class B and Class C common shares. All common shares rank equally in voting rights and entitlement to dividends and to the company's residual assets.

### 13. Sale of Wholly-owned Subsidiary

On December 22, 2016, OnCorp Direct Inc. sold its wholly-owned subsidiary, Business Ties Inc., to 2546443 Ontario Inc., a related company, for proceeds of \$4,000,000.

As consideration for the sale, the company received cash and the purchaser assumed the company's long-term debt as described in note 11. The considerations were received as follows:

Considerations received:	
Cash and advances	\$ 944,320
Assumption of long-term debt by purchaser	3,055,680
	4,000,000
Net working capital deficit of subsidiary assumed by purchaser	1,427
	\$ 4,001,427

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**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

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**14. Supplemental Cash Flow Information**

	2016	2015
Interest paid	\$ 185,142	\$ 129,957
Interest received	22,574	39,712
Income taxes paid	1,761,690	1,550,962

**15. Lease Commitment**

The company is committed to a lease to a related party for premises to May 2020, excluding realty taxes and common expenses, as follows:

	2016	2015
2016	\$ -	\$ 102,500
2017	102,500	102,500
2018	102,500	102,500
2019	102,500	102,500
2020	42,708	42,708
	\$ 350,208	\$ 452,708

Details on the occupancy costs paid to the related party are disclosed in note 6.

**16. Financial Instruments and Risk Management**

The company is exposed to various risks through its financial instruments. The following provides a measure of the company's risk exposure as at December 31, 2016 and 2015. These are no significant change to the company's exposure of risks through its financial instruments and its risk management approach from previous period.

**Credit risk**

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the company's receivables from customers. The company is exposed to credit risk through its accounts receivable and advances to related company.

The company considers credit worthiness of its customers when establishing its payment terms. The company's exposure to credit risk is monitored by management and mitigated through internal credit approval procedures.

**Market risk**

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is comprised of three types of risks: foreign currency risk, interest rate risk and price risk. The company is exposed to currency risk and interest rate risk.

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# OnCorp Direct Inc.

## Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

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### **16. Financial Instruments and Risk Management, continued**

#### **Currency risk**

The company's activities involve holding foreign currencies and purchases and sales denominated in foreign currencies. These activities result in exposure to fluctuations in foreign currency exchange rates. At statement date, the company had net assets denominated in U.S. dollars of approximately \$68,000 (2015 - \$51,000). The company does not use derivative financial instruments to manage its exposure to currency risk.

An increase of 5% in the Canadian dollar relative to the U.S. dollar, with all other variables remaining constant, would decrease the company's net and comprehensive income by approximately \$4,600 (2015 - \$3,500), while a decrease of 5% would increase the net and comprehensive income by approximately \$4,600 (2015 - \$3,500).

#### **Interest rate risk**

The company is exposed to fluctuations in interest rates as disclosed in notes 4 and 11.

An interest rate increase of 1%, with all other variables remaining constant, would decrease the net and comprehensive income by approximately \$44,000 (2015 - \$19,000), while a decrease of 1% would increase the net and comprehensive income by approximately \$44,000 (2015 - \$19,000).

### **17. Capital Management**

The company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy for growth and maximize the return to its shareholders. The capital structure of the company consists of cash and shareholders' equity. In order to maintain or adjust its capital structure, the company's Board of Directors reviews and approves any materials transactions that are not in the normal course of business.

### **18. First-time Adoption of IFRS**

As stated in note 2, these consolidated financial statements are the first consolidated financial statements of the company prepared in accordance with IFRS. The company's date of transition to IFRS is January 1, 2015.

The significant accounting policies set out in note 3 have been applied in preparing the consolidated financial statements for the years ended December 31, 2016 and December 31, 2015, and in the preparation of an opening IFRS statement of financial position at January 1, 2015.

In preparing its opening IFRS statement of financial position, the company has adjusted amounts reported previously in the financial statements prepared in accordance with previously adopted Canadian accounting standards for private enterprises ("ASPE"). An explanation of how the transition from ASPE to IFRS has affected the company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the tables.

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**18. First-time Adoption of IFRS, continued**

**Reconciliation of statement of financial position on transition date - January 1, 2015**

	ASPE	Effect of transition to IFRS	IFRS
<b>Assets</b>			
<b>Current:</b>			
Cash and cash equivalents	\$ 3,894,839	\$ 117,836	\$ 4,012,675
Accounts receivable	45,459	13,038	58,497
Prepaid expenses and deposits	841,990	14,417	856,407
Advances to related companies	143,146	(143,146)	-
	4,925,434	2,145	4,927,579
<b>Investment in wholly-owned subsidiary</b>	<b>1</b>	<b>(1)</b>	<b>-</b>
<b>Equipment and leasehold improvements</b>	<b>217,528</b>	<b>36</b>	<b>217,564</b>
<b>Intangible assets</b>	<b>7,211,609</b>	<b>-</b>	<b>7,211,609</b>
	\$ 12,354,572	\$ 2,180	\$ 12,356,752
<b>Liabilities</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities	\$ 360,517	\$ 4,615	\$ 365,132
Income taxes	137,558	-	137,558
Customer deposits	1,835,176	-	1,835,176
Current portion of long-term debt	2,671,850	-	2,671,850
	5,005,101	4,615	5,009,716
<b>Deferred income taxes</b>	<b>-</b>	<b>605,571</b>	<b>605,571</b>
<b>Long-term debt</b>	<b>969,477</b>	<b>-</b>	<b>969,477</b>
	\$ 5,974,578	\$ 610,186	\$ 6,584,764
<b>Shareholders' Equity</b>			
Share capital	\$ 3	\$ -	\$ 3
<b>Retained earnings</b>	<b>6,379,991</b>	<b>(608,006)</b>	<b>5,771,985</b>
	6,379,994	(608,006)	5,771,988
	\$ 12,354,572	\$ 2,180	\$ 12,356,752

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**18. First-time Adoption of IFRS, continued**

**Reconciliation of statement of financial position as reported on most recent financial statements prepared in accordance ASPE - December 31, 2015**

	ASPE	Effect of transition to IFRS	IFRS
<b>Assets</b>			
<b>Current:</b>			
Cash	\$ 2,433,783	\$ 50,780	\$ 2,484,563
Accounts receivable	107,523	1,421	108,944
Prepaid expenses and deposits	505,751	17,530	523,281
Advances to related companies	68,395	(68,395)	-
	3,115,452	1,336	3,116,788
<b>Investment in wholly-owned subsidiary</b>	1	(1)	-
<b>Equipment and leasehold improvements</b>	371,309	-	371,309
<b>Intangible assets</b>	6,775,886	-	6,775,886
	\$ 10,262,648	\$ 1,335	\$ 10,263,983
<b>Liabilities</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities	\$ 445,412	\$ 3,339	\$ 448,751
Income taxes	121,266	-	121,266
Customer deposits	1,825,238	-	1,825,238
Current portion of long-term debt	2,666,552	-	2,666,552
	5,058,468	3,339	5,061,807
<b>Deferred income taxes</b>	-	495,907	495,907
<b>Long-term debt</b>	3,055,680	-	3,055,680
	\$ 8,114,148	\$ 499,246	\$ 8,613,394
<b>Shareholders' Equity</b>			
Share capital	\$ 3	\$ -	\$ 3
<b>Retained earnings</b>	2,148,497	(497,911)	1,650,586
	2,148,500	(497,911)	1,650,589
	\$ 10,262,648	\$ 1,335	\$ 10,263,983

**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

**18. First-time Adoption of IFRS, continued**

**Reconciliation of statement of financial position as reported on most recent financial statements prepared in accordance ASPE - December 31, 2016**

	ASPE	Effect of transition to IFRS	IFRS
<b>Assets</b>			
<b>Current:</b>			
Cash	\$ 4,532,058	\$ 1	\$ 4,532,059
Accounts receivable	106,589	-	106,589
Prepaid expenses and deposits	588,283	-	588,283
Advances to related companies	55,359	(20,930)	34,429
	5,282,289	(20,929)	5,261,360
<b>Investment in wholly-owned subsidiary</b>	<b>1</b>	<b>(1)</b>	<b>-</b>
<b>Equipment and leasehold improvements</b>	<b>336,094</b>	<b>-</b>	<b>336,094</b>
<b>Intangible assets</b>	<b>6,340,914</b>	<b>14,415</b>	<b>6,355,329</b>
	\$ 11,959,298	\$ (6,515)	\$ 11,952,783
<b>Liabilities</b>			
<b>Current:</b>			
Accounts payable and accrued liabilities	\$ 654,529	\$ -	\$ 654,529
Income taxes	128,479	-	128,479
Customer deposits	2,019,368	-	2,019,368
Advances from related company	191,469	-	191,469
Advances from shareholders	1,275,000	-	1,275,000
	4,268,845	-	4,268,845
<b>Deferred income taxes</b>	<b>-</b>	<b>405,788</b>	<b>405,788</b>
	\$ 4,268,845	\$ 405,788	\$ 4,674,633
<b>Shareholders' Equity</b>			
<b>Share capital</b>	<b>\$ 3</b>	<b>\$ -</b>	<b>\$ 3</b>
<b>Retained earnings</b>	<b>7,690,450</b>	<b>(412,303)</b>	<b>7,278,147</b>
	7,690,453	(412,303)	7,278,150
	\$ 11,959,298	\$ (6,515)	\$ 11,952,783

## OnCorp Direct Inc. Notes to Consolidated Financial Statements

**December 31, 2016, December 31, 2015 and January 1, 2015**

**18. First-time Adoption of IFRS, continued**

**Reconciliation of statement of income and comprehensive income as reported on most recent financial statements prepared in accordance with ASPE - December 31, 2015**

	ASPE	Effect of transition to IFRS	IFRS
<b>Revenue</b>	\$ 19,211,476	\$ -	\$ 19,211,476
<b>Direct costs</b>	10,605,947	-	10,605,947
<b>Gross margin</b>	8,605,529	-	8,605,529
<b>Expenses:</b>			
Salaries and benefits	1,373,369	92,128	1,465,497
Occupancy costs	211,089	-	211,089
Interest and bank charges	132,768	166	132,934
Advertising and promotion	131,908	-	131,908
Interest on long-term debt	122,302	-	122,302
Commissions	98,341	-	98,341
Travel and automotive	83,224	-	83,224
Professional fees	70,220	2,708	72,928
Computer	44,860	-	44,860
General and office	44,219	3,005	47,224
Consulting fees	39,983	-	39,983
Telecommunications	39,631	1,772	41,403
Insurance	37,606	-	37,606
Amortization:			
Intangible assets	520,233	-	520,233
Equipment and leasehold improvements	72,246	36	72,282
Deferred financing costs	30,516	-	30,516
	3,052,515	99,815	3,152,330
<b>Income from operations</b>	\$ 5,553,014	\$ (99,815)	\$ 5,453,199
<b>Other income (expense):</b>			
Interest income	\$ 38,966	\$ 746	\$ 39,712
Unrealized foreign exchange gain	19,273	-	19,273
Management fees	(99,500)	99,500	-
	(41,261)	100,246	58,985
<b>Income before income taxes</b>	5,511,753	431	5,512,184
<b>Income taxes (recovered):</b>			
Current	1,544,888	-	1,544,888
Deferred	-	(109,664)	(109,664)
	1,544,888	(109,664)	1,435,224
<b>Net and comprehensive income</b>	\$ 3,966,865	\$ 110,095	\$ 4,076,960

## OnCorp Direct Inc. Notes to Consolidated Financial Statements

December 31, 2016, December 31, 2015 and January 1, 2015

### 18. First-time Adoption of IFRS, continued

Reconciliation of statement of income and comprehensive income as reported on most recent financial statements prepared in accordance with ASPE - December 31, 2016

	ASPE	Effect of transition to IFRS	IFRS
<b>Revenue</b>	\$ 21,675,988	\$ (1,016)	<b>\$ 21,674,972</b>
<b>Direct costs</b>	11,994,211	-	<b>11,994,211</b>
<b>Gross margin</b>	9,681,777	(1,016)	<b>9,680,761</b>
<b>Expenses:</b>			
Salaries and benefits	1,373,847	90,305	<b>1,464,152</b>
Consulting fees	445,684	-	<b>445,684</b>
Advertising and promotion	263,153	-	<b>263,153</b>
Occupancy costs	201,368	-	<b>201,368</b>
Interest on long-term debt	177,165	-	<b>177,165</b>
Commissions	140,735	-	<b>140,735</b>
Interest and bank charges	129,170	189	<b>129,359</b>
Professional fees	110,530	2,636	<b>113,166</b>
Travel and automotive	92,319	-	<b>92,319</b>
Telecommunications	45,889	1,918	<b>47,807</b>
Computer	38,090	-	<b>38,090</b>
Insurance	37,606	-	<b>37,606</b>
General and office	25,328	7,013	<b>32,341</b>
Bad debts	-	1,422	<b>1,422</b>
Amortization:			
Intangible assets	528,692	-	<b>528,692</b>
Equipment and leasehold improvements	90,915	-	<b>90,915</b>
	3,700,491	103,483	<b>3,803,974</b>
<b>Income from operations</b>	\$ 5,981,286	\$ (104,499)	<b>\$ 5,876,787</b>
<b>Other income (expense):</b>			
Gain on sale of wholly-owned subsidiary	\$ 3,999,999	\$ 1,428	<b>\$ 4,001,427</b>
Interest income	22,014	560	<b>22,574</b>
Unrealized foreign exchange gain	5,826	-	<b>5,826</b>
Management fees	(1,098,000)	98,000	<b>(1,000,000)</b>
	2,929,839	99,988	<b>3,029,827</b>
<b>Income before income taxes</b>	8,911,125	(4,511)	<b>8,906,614</b>
<b>Income taxes (recovered):</b>			
Current	1,762,427	-	<b>1,762,427</b>
Deferred	-	(90,119)	<b>(90,119)</b>
	1,762,427	(90,119)	<b>1,672,308</b>
<b>Net and comprehensive income</b>	\$ 7,148,698	\$ 85,608	<b>\$ 7,234,306</b>

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**OnCorp Direct Inc.**  
**Notes to Consolidated Financial Statements**

**December 31, 2016, December 31, 2015 and January 1, 2015**

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**18. First-time Adoption of IFRS, continued**

**Explanatory notes to the transitional financial statements from ASPE to IFRS**

*(a) Consolidated financial statements*

The company accounted for its investment in its wholly-owned subsidiaries using the cost method under ASPE. Upon transition to IFRS, the company prepares consolidated financial statements which include the accounts of the company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated on consolidation.

Accounting for wholly-owned subsidiaries in accordance with IFRS resulted in a decrease to equity of \$6,515 at December 31, 2016 (December 31, 2015 - \$2,004, January 1, 2015 - \$2,435), as well as a decrease in net and comprehensive income of \$4,511 for the year ended December 31, 2016 (2015 - increase of \$431).

*(b) Income taxes*

The company accounted for income taxes using the taxes payable method under ASPE. Upon transition to IFRS, the company recognizes current and deferred income taxes.

Accounting for income taxes in accordance with IFRS resulted in a decrease to equity of \$405,788 at December 31, 2016 (December 31, 2015 - \$495,907, January 1, 2015 - \$605,571), as well as an increase in net and comprehensive income of \$90,119 for the year ended December 31, 2016 (2015 - \$109,664).

*(c) Statement of cash flow*

Upon transition to IFRS, there was no significant impact to the company's consolidated cash flows for the year ended December 31, 2016 and December 31, 2015.

**First-time adoption exemptions and exceptions applied**

The company has elected to apply the following optional exemptions and required exception in its opening IFRS consolidated statement of financial position as at January 1, 2015, the company's transition date:

*(a) Business combinations exemption*

IFRS 1 allows the company to adopt IFRS 3, Business Combinations, on a prospective basis rather than retrospectively restating all prior business combinations. The company elected not to retrospectively apply IFRS 3 to business combinations that occurred prior to January 1, 2015 and such business combinations have not been restated.

*(b) Estimate exception*

Hindsight is not used to create or revise estimates. The estimates previously made by the company under ASPE were not revised for application of IFRS except where necessary to reflect any difference in accounting policies, as discussed above in the explanatory notes to the transitional statements from ASPE to IFRS.

**APPENDIX B**  
**ESI SOFTWARE FINANCIAL STATEMENTS**

**ESI Software Financial Statements**

The audited condensed financial statements of ESI Software for the years ended December 31, 2017,  
December 31, 2016 and December 31, 2015, together with the notes thereto and the auditors' report  
thereon ..... B-2

Financial Statements of

**ESI SOFTWARE INC.**

Years ended December 31, 2017 and December 31, 2016

**ESI SOFTWARE INC.**  
**FINANCIAL STATEMENTS**  
**As at December 31, 2017 and December 31, 2016**

**Financial Statements**

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## **Independent Auditors' Report**

To the Shareholders of ESI Software Inc.:

We have audited the accompanying financial statements of ESI Software Inc., which comprise the statements of financial position as at December 31, 2017 and December 31, 2016 and the statements of earnings and cash flows for the three years ended December 31, 2017, and a summary of significant accounting policies and other explanatory information.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

### *Opinion*

In our opinion, the financial statements present fairly, in all material respects, the financial position of ESI Software Inc. as at December 31, 2017 and December 31, 2016 and its financial performance and cash flows for the three years ended December 31, 2017 in accordance with International Financial Reporting Standards.

Vancouver, British Columbia  
October xx, 2018

Chartered Professional Accountants

**ESI SOFTWARE INC.**  
**STATEMENTS OF FINANCIAL POSITION**  
**As at December 31, 2017 and December 31, 2016**

	2017	2016
<b>ASSETS</b>		
Current Assets		
Cash . . . . .	\$ 251,190	\$ 139,819
Marketable securities . . . . .	298,577	565,699
Receivables (note 4) . . . . .	42,866	12,167
Income taxes recoverable . . . . .	—	217
Due from related parties (note 11(a)) . . . . .	15,000	20,000
	607,633	737,902
Due from related parties (note 11(a)) . . . . .	—	295,216
Equipment (note 5) . . . . .	48,182	52,339
Investment (note 11) . . . . .	29,577	29,577
Deferred development costs (note 6) . . . . .	1,217,062	1,335,021
	\$1,902,454	\$2,450,055
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable and accrued liabilities (note 7) . . . . .	\$ 55,068	\$ 13,633
Income taxes payable . . . . .	19,632	—
Deferred revenue . . . . .	354,753	382,785
Due to related parties (note 11(b)) . . . . .	27,525	34,794
	456,978	431,212
Deferred tax liability . . . . .	333,015	164,312
	789,993	595,524
Shareholders' Equity:		
Share capital (note 8) . . . . .	1	1
Retained earnings . . . . .	1,112,460	1,854,530
	1,112,461	1,854,531
	\$1,902,454	\$2,450,055

Approved on behalf of the Board of Directors on October, \* 2018:

\_\_\_\_\_ Director

\_\_\_\_\_ Director

*See accompanying notes to financial statements.*

**ESI SOFTWARE INC.**  
**STATEMENTS OF INCOME AND COMPREHENSIVE INCOME**  
**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Revenues . . . . .	\$1,714,104	\$1,610,831	\$1,349,266
Direct costs . . . . .	65,207	76,851	59,492
Gross profit . . . . .	<u>1,648,897</u>	<u>1,533,980</u>	<u>1,289,774</u>
Expenses:			
General and administrative (note 14) . . . . .	524,011	477,252	493,244
Amortization and depreciation . . . . .	406,147	356,683	182,640
Sales and marketing (note 14) . . . . .	145,062	177,106	165,325
Technology and operations (note 14) . . . . .	99,318	116,246	112,997
	<u>1,174,538</u>	<u>1,127,287</u>	<u>954,206</u>
Earnings before other (income) expenses and taxes . . . . .	474,359	406,693	335,568
Other (income) expenses:			
Investment income . . . . .	(21,146)	(16,341)	(15,578)
Unrealized investment gains . . . . .	(15,390)	(38,187)	(447)
Consulting and other costs . . . . .	32,000	41,416	150,000
Foreign exchange loss (gain) . . . . .	4,395	6,142	(13,523)
	<u>(141)</u>	<u>(6,970)</u>	<u>120,452</u>
Earnings before income taxes . . . . .	474,500	413,663	215,116
Income tax expense (note 12) . . . . .	236,570	46,974	21,417
Net income and comprehensive income . . . . .	<u>\$ 237,930</u>	<u>\$ 366,689</u>	<u>\$ 193,699</u>

*See accompanying notes to financial statements.*

ESI SOFTWARE INC.

STATEMENT OF CHANGES IN EQUITY

For the years ended December 31, 2017, December 31, 2016 and December 31, 2015

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Opening balance . . . . .	\$1,854,530	\$1,956,841	\$2,007,142
Net income and comprehensive income . . . . .	237,930	366,689	193,699
Dividends . . . . .	<u>(980,000)</u>	<u>(469,000)</u>	<u>(244,000)</u>
Ending balance . . . . .	<u>\$1,112,460</u>	<u>\$1,854,530</u>	<u>\$1,956,841</u>

*See accompanying notes to financial statements.*

**ESI SOFTWARE INC.**  
**STATEMENTS OF CASH FLOWS**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Cash provided by (used in):			
Operating activities			
Net income and comprehensive income . . . . .	\$ 237,930	\$ 366,689	\$ 193,699
Items not affecting cash:			
Depreciation of equipment . . . . .	16,338	20,197	21,853
Amortization of deferred development costs . . . . .	389,809	336,486	160,787
Bad debt expense . . . . .	67,439	80,868	95,364
Unrealized investment gains . . . . .	(15,390)	(38,187)	(447)
Deferred income taxes . . . . .	168,703	(17,992)	(507)
Change in non-cash operating working capital:			
(Increase) accounts receivable . . . . .	(98,138)	(53,448)	(44,072)
Decrease (increase) income taxes . . . . .	19,849	25,501	(37,518)
Increase (decrease) accounts payable . . . . .	41,435	2,341	(16,663)
(Decrease) increase deferred revenue . . . . .	(28,032)	(28,112)	37,504
Net cash provided by operating activities . . . . .	<u>799,943</u>	<u>694,343</u>	<u>410,000</u>
Financing activities			
Advances to (from) related parties . . . . .	(457,053)	(207,190)	(1,178)
Shares repurchased . . . . .	—	—	(3)
Dividends paid . . . . .	(230,000)	(269,000)	(244,000)
Net cash provided by financing activities . . . . .	<u>(687,053)</u>	<u>(476,190)</u>	<u>(245,181)</u>
Investing activities			
Equipment purchases . . . . .	(12,181)	(14,932)	(18,323)
Development costs incurred . . . . .	(271,850)	(231,783)	(238,591)
Change in marketable securities . . . . .	282,512	64,638	12,742
Net cash provided by investing activities . . . . .	<u>(1,519)</u>	<u>(182,077)</u>	<u>(244,172)</u>
Change in cash position . . . . .	111,371	36,076	(79,353)
Cash position, beginning of year . . . . .	139,819	103,743	183,096
Cash position end of year . . . . .	<u>\$ 251,190</u>	<u>\$ 139,819</u>	<u>\$ 103,743</u>

*See accompanying notes to financial statements.*

**ESI SOFTWARE INC.**  
**NOTES TO FINANCIAL STATEMENTS**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**1. NATURE OF OPERATIONS:**

ESI Software Inc. offers legal accounting and practice management software, which provides law firms with functionality designed to organize and centralize information management within the firm as it pertains to its clients, legal trust accounting, and the law practice itself. The Company's primary business activity is to provide law firms with software solutions to improve their operations and streamline firm management.

The Company is domiciled in Vancouver, Canada and its head office is located at 200 — 890 West Pender Street, Vancouver, British Columbia.

**2. BASIS OF PRESENTATION:**

(a) Statement of compliance:

The Company's financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB").

The financial statements of the Company have been prepared on an accrual basis and are based on historical costs, except where the Company's policy is to carry an item at fair value.

(b) Basis of measurement:

A summary of the company's significant accounting policies under IFRS is presented in note 3.

These financial statements have been presented in Canadian dollars which is the functional currency of the Company and are prepared under the historical cost basis, unless otherwise stated.

(c) Use of estimates and judgments:

The preparation of the Company's financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the reporting date. However, uncertainties about these assumptions and estimates could result in outcomes that would require a material adjustment to the carrying amount of the asset or liability affected in the future.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

*Critical accounting estimates*

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- The carrying value and impairment assessment of deferred development costs. The Company estimates the useful lives of deferred development costs based on the expected life of the project. The estimated useful lives of the deferred development costs are reviewed periodically and are updated if expectations differ from the previous estimates due to technical or commercial obsolescence. In addition, at each reporting period, assets are evaluated to determine whether there are any indications of impairment. If any such indication exists, which is often judgmental, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of the deferred development costs is calculated based on cash flow projections using several assumptions and estimates that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.

*Critical accounting judgements*

Critical accounting judgements are accounting policies that have been identified as being complex or involving subjective judgements or assessments.

- The estimated useful lives of equipment and deferred development costs and corresponding depreciation and amortization is dependent upon estimates of useful lives which are determined through the exercise of judgment. The assessment of any impairment of these assets is dependent upon estimates of recoverable amounts that take into account factors such as economic and market conditions and useful lives of assets.

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**2. BASIS OF PRESENTATION: (Continued)**

- The determination of income tax expense and deferred tax involves judgment and estimates as to the future taxable earnings, and the expected timing of reversals of deferred tax assets and liabilities. The Company is subject to assessments by tax authorities who may interpret the tax law differently. Changes in these estimates may materially affect the final amount of deferred taxes or the timing of tax payments.
- The application of the Company's accounting policy to capitalize deferred development costs requires judgment in determining which expenditures meet the criteria for capitalization. In making this determination, the Company considers the degree to which the expenditures can be associated with developing new software applications.
- The collectability of receivables involves judgment as the Company recognizes an allowance for doubtful accounts based on an analysis of historical bad debt experienced, current receivables aging, and an assessment of specific identifiable customer accounts considered at risk or uncollectible.

**3. SIGNIFICANT ACCOUNTING POLICIES:**

The accounting policies set out below have been applied consistently in all years presented in these financial statements.

(a) Equipment:

Equipment is recorded at cost less accumulated depreciation and any net accumulated impairment losses. Depreciation is calculated annually using the following rates and methods:

<u>Asset</u>	<u>Method</u>	<u>Rate</u>
Computer hardware . . . . .	Declining balance	30%
Computer software . . . . .	Declining balance	100%
Furniture and fixtures . . . . .	Declining balance	20%

(b) Deferred development costs:

Research costs are expensed as incurred. Software development costs may be capitalized as an intangible asset when the technological and financial feasibility of projects is established and certain other criteria are met. Costs associated with maintaining the software are recognized as an expense when incurred. Management evaluates the recoverability of its deferred development costs periodically and takes into account events or circumstances that warrant revised estimates of useful lives or that indicate that impairment may exist.

(c) Impairment:

(i) Financial assets:

A financial asset is considered impaired if objective evidence indicates that one or more events have had negative effect on the estimated future cash flows of the asset.

An impairment loss in respect of a financial asset measured at amortized cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current fair value.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognized in income. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognized.

(ii) Non-financial assets:

The carrying amount of the assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. An impairment loss is recognized whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognized in income in the period in which they occur.

The recoverable amount of the assets is the greater of the assets' fair value less cost to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects the

## ESI SOFTWARE INC.

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2017, December 31, 2016 and December 31, 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate cash inflows largely independent of those from other assets, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

When impairment subsequently reverses, the carrying amount of the asset is increased to the extent that the carrying amount does not exceed the carrying amount that would have been determined, net of depreciation, if no impairment had been recognized. Impairment reversals are recognized in income in the period in which they occur.

##### (d) Foreign currency translation:

Monetary assets and liabilities of the Company which are denominated in foreign currencies are translated at the exchange rate at statement date. Non-monetary assets and liabilities are translated at rates in effect at the date the assets were acquired and liabilities incurred. Revenue and expenses are translated at the rates of exchange in effect at their transaction dates. The resulting gains or losses are included in income.

##### (e) Revenue recognition:

Revenue is recognized from the sale of perpetual licenses, subscription licenses and ongoing support when risk and rewards are transferred and collectability is reasonably assured. For perpetual licenses, revenue is recognized upfront, when the license is transferred. For monthly subscription licenses, revenue is recognized monthly. Revenue is recognized for ongoing support on a monthly basis as the support is provided.

The company recognizes deferred revenue when payment is received in advance of the monthly subscription licenses or support.

##### (f) Income taxes:

Income tax expense is comprised of current and deferred tax. Income tax is recognized in the consolidated statements of net earnings, except to the extent that it relates to a business combination, or items recognized directly in equity or in other comprehensive income.

Current tax expense represents the amount of income taxes payable, in respect of the taxable profit for the period, based on tax law that is enacted or substantially enacted at the reporting date, and is adjusted for changes in estimates of tax expense recognized in prior periods. A current tax liability or asset is recognized for income tax payable, or paid but recoverable in respect of all periods to date.

The Company uses the asset and liability method of accounting for income taxes. Accordingly, deferred tax assets and liabilities are recognized for the deferred tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years when those temporary differences are expected to be recovered or settled and in the manner in which those temporary differences are expected to be recovered or settled through sale or continued use. In addition, the effect on deferred tax assets and liabilities of a change in tax rates is recognized in both net earnings and comprehensive income in the period in which the enactment or substantive enactment takes place.

A deferred tax asset is recognized for unused tax losses, tax credits, and deductible temporary differences, to the extent that it is probable that future taxable income will be available to utilize such amounts. Deferred tax assets are reviewed at each reporting date and are adjusted to the extent that it is no longer probable that the related tax benefits will be realized.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and the Company intends to settle its current tax assets and liabilities on a net basis.

Deferred tax is provided on temporary differences arising on investments in subsidiaries, except where the timing of the reversal of the temporary difference is controlled by the Company and it is probable that the temporary difference will not reverse in the foreseeable future.

##### (g) Financial instruments — recognition and measurement:

The Company classifies its financial assets into one of the following categories as follows:

###### (i) Fair value through profit or loss:

This category comprises derivatives and financial assets acquired principally for the purpose of selling or repurchasing in the near term. They are carried at fair value with changes in fair value recognized in profit or loss.

## ESI SOFTWARE INC.

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2017, December 31, 2016 and December 31, 2015

#### 3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

(ii) Loans and receivables:

These assets are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are carried at cost less any provision for impairment. Individually significant receivables are considered for impairment when they are past due or when objective evidence is received that a specific counterparty will default.

(iii) Held-to-maturity investments:

These assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Company's management has the positive intention and ability to hold to maturity. These assets are measured at amortized cost using the effective interest method. If there is objective evidence that the investment is impaired, determined by reference to external credit ratings and other relevant indicators, the financial assets is measured at present value of estimated future cash flows. Any changes to the carrying amount of the investments, including impairment losses, are recognized through profit or loss.

(iv) Available-for sale investments:

Non-derivative financial assets not included in the above categories are classified as available-for-sale. They are carried at fair value with changes in fair value recognized directly in equity. Where a decline in the fair value of an available-for-sale financial asset constitutes objective evidence of impairment, the amount of the loss is removed from equity and recognized through other comprehensive income.

All financial assets except those measured at fair value through profit or loss are subject to review for impairment at least at each reporting date. Financial assets are impaired when there is objective evidence of impairment as a result of one or more events that have occurred after initial recognition of the asset and that event has an impact on the estimated future cash flows of the financial asset or the group of financial assets.

The Company has classified its cash, marketable securities and investment at fair value through profit or loss. The Company's receivables and due from related parties are classified as loans and receivables.

The Company classifies its financial liabilities into one of two categories as follows:

(i) Fair value through profit or loss:

This category comprises derivatives and financial liabilities incurred principally for the purpose of selling or repurchasing in the near term. They are carried in the statement of financial position at fair value with changes in fair value recognized in profit or loss.

(ii) Other financial liabilities:

This category consists of liabilities carried at amortized cost using the effective interest method.

The Company's accounts payable and accrued liabilities, deferred revenue, and due to related parties are classified as other financial liabilities.

(h) Future accounting policy changes issued but not yet in effect:

The Company has reviewed new and revised accounting pronouncements that have been issued but are not yet effective. The Company has not early adopted any of these standards and is currently evaluating the impact, if any, that these standards might have on its consolidated financial statements.

#### IFRS 9 — Financial Instruments

In November 2009, the IASB issued guidance relating to the classification and measurement for financial assets followed by requirements for financial liabilities and derecognition which were added in 2010. IFRS 9 was amended in 2013 to add new general hedge accounting requirements. The standard must be applied retrospectively and is effective for annual periods beginning after January 1, 2018, with earlier application permitted. The Company will adopt this standard and it is not expected to have a material impact to its financial reporting disclosure.

#### IFRS 15 — Revenue from Contracts with Customers

In May 2014, the IASB published a new standard, IFRS 15 Revenue from Contracts with Customers. This standard supersedes current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and related interpretations. The standard outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. The standard may be applied retrospectively or with a modified transition approach and is effective for reporting periods on or

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**3. SIGNIFICANT ACCOUNTING POLICIES: (Continued)**

after January 1, 2018, with earlier application permitted. The Company will adopt this standard and does not expect a material impact to its financial reporting disclosure.

IFRS 16 — Leases will replace IAS 17 Leases

This standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases with a term of more than twelve months, unless the underlying asset is of low value. A lessee is required to recognize a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. The standard will be effective for annual periods beginning on or after January 1, 2019, but earlier application is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial adoption of IFRS 16. The Company is assessing the impact of adopting this standard.

**4. RECEIVABLES:**

The Company's receivables are as follows:

	<b>2017</b>	<b>2016</b>
Trade receivables . . . . .	\$ 77,655	\$ 95,772
Less: Allowance for doubtful accounts . . . . .	(43,000)	(84,000)
Net trade receivables . . . . .	34,655	11,772
Sales tax receivable . . . . .	8,211	395
	\$ 42,866	\$ 12,167

The Company maintains an allowance for doubtful accounts that represents its estimate of the uncollectible amounts based on specific losses estimated on individual exposures. The Company recorded \$67,439 in bad debts during the year ended December 31, 2017 (2016 — \$80,868) in general and administrative expenses in the statements of income and comprehensive income.

**5. EQUIPMENT:**

	<b>Computer hardware</b>	<b>Computer software</b>	<b>Furniture and fixtures</b>	<b>Total</b>
<i>Cost</i>				
Balance December 31, 2015 . . . . .	\$268,714	\$164,025	\$93,431	\$526,170
Additions . . . . .	12,841	2,091	—	14,932
Balance December 31, 2016 . . . . .	\$281,555	\$166,116	\$93,431	\$541,102
Additions . . . . .	12,181	—	—	12,181
Balance, December 31, 2017 . . . . .	293,736	166,116	93,431	553,283
<i>Accumulated depreciation</i>				
Balance December 31, 2015 . . . . .	\$238,507	\$161,921	\$68,138	\$468,566
Additions . . . . .	10,988	3,150	6,059	20,197
Balance December 31, 2016 . . . . .	\$249,495	\$165,071	\$74,197	\$488,763
Additions . . . . .	11,445	1,045	3,848	16,338
Balance, December 31, 2017 . . . . .	260,940	166,116	78,045	505,101
<i>Carrying amounts</i>				
December 31, 2016 . . . . .	32,060	1,045	19,234	52,339
December 31, 2017 . . . . .	32,796	—	15,386	48,182

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**6. DEVELOPMENT COSTS:**

	<u>Deferred development costs</u>
<i>Cost</i>	
Balance December 31, 2015 . . . . .	\$1,640,713
Additions . . . . .	231,783
Balance December 31, 2016 . . . . .	<u>\$1,872,496</u>
Additions . . . . .	271,850
Balance, December 31, 2017 . . . . .	<u><u>2,144,346</u></u>
<i>Accumulated amortization</i>	
Balance December 31, 2015 . . . . .	\$ 200,989
Amortization . . . . .	336,486
Balance December 31, 2016 . . . . .	<u>\$ 537,475</u>
Amortization . . . . .	389,809
Balance, December 31, 2017 . . . . .	<u><u>927,284</u></u>
<i>Carrying amounts</i>	
December 31, 2016 . . . . .	1,335,021
December 31, 2017 . . . . .	1,217,062

The remaining useful life of these assets range from approximately 1 to 5 years.

Intangible assets are tested for impairment when there is an indication that the asset may be impaired. There were no impairments recorded for the years ended December 31, 2017 and 2016.

**7. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES:**

Accounts payable and accrued liabilities are as follows:

	<u>2017</u>	<u>2016</u>
Trade payables and accrued liabilities . . . . .	\$28,374	\$ 1,633
Payroll accruals . . . . .	26,694	12,000
	<u>\$55,068</u>	<u>\$13,633</u>

**8. SHARE CAPITAL:**

The Company is authorized to issue an unlimited number of Class A voting common shares, Class B voting common shares, Class C non-voting preferred shares, and Class D non-voting common shares. All common shares rank equally in voting rights and entitlement to dividends and to the company's residual assets.

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Issued:			
125 Class A and B common voting shares (2016 — 125, 2015 — 125) . . . . .	\$ 1	\$ 1	\$ 1
— Class C preferred non-voting shares (2016 — nil, 2015 — 53) . . . . .	—	—	—
1 Class D common non-voting shares (2016 — 1, 2015 — 1) . . . . .	—	—	—

## ESI SOFTWARE INC.

### NOTES TO FINANCIAL STATEMENTS (Continued)

For the years ended December 31, 2017, December 31, 2016 and December 31, 2015

#### 9. CAPITAL MANAGEMENT:

The company's objectives in managing capital are to ensure sufficient liquidity to pursue its strategy for growth and maximize the return to its shareholders. The capital structure of the company consists of cash and shareholders' equity. In order to maintain or adjust its capital structure, the Company's shareholders review and approve any material transactions that are not in the normal course of business.

#### 10. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT:

Financial instruments measured at fair value are classified into one of three levels in the fair value hierarchy according to the relative reliability of the inputs used to estimate the fair values. The three levels of the fair value hierarchy are:

- Level 1 — Unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 — Inputs other than quoted prices that are observable for the asset or liability either directly or indirectly; and
- Level 3 — Inputs that are not based on observable market data.

The fair value of the Company's financial instruments, except for cash, marketable securities and investment approximates their carrying values due to the short-term nature of these instruments. The fair value of cash and marketable securities are determined using Level 1 inputs. The investment is determined using Level 2 inputs and approximates fair value as at December 31, 2017 and 2016.

The Company is exposed to a variety of financial risks by virtue of its activities including credit risk, liquidity risk and foreign exchange risk. The Company does not maintain any debt or financial instruments with interest rate exposure and therefore does not have exposure to interest rate risk.

##### a) Credit risk

Credit risk is the risk of financial loss to the Company if any counter-party to a financial statement fails to meet its contractual obligations. The Company's marketable securities and receivables are exposed to credit risk. The Company has assessed the credit risk on its marketable securities as low as its funds are held in Canadian and U.S. financial institutions. As at December 31, 2017, the Company has \$42,866 (2016 — \$12,167) of receivables outstanding.

##### b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its obligations as they come due. The Company manages its liquidity risk by forecasting cash flows from operations and anticipating any investing and financing activities.

As at December 31, 2017, the Company has current assets of \$607,633 (2016 — \$737,902) to settle current liabilities of \$456,978 (2016 — \$431,212).

As per normal operating activities, the Company intends to rely on positive cash flows from operations and obtaining additional financing to achieve its future objectives. However, there can be no assurance that actual cash flows from operations will be as forecasted or that such equity will be available on a timely basis under terms acceptable to the Company.

##### c) Foreign exchange risk

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company is exposed to U.S. dollars, however, the U.S. dollar has been fairly stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

At December 31, 2017, the Company had cash and cash equivalents denominated in U.S. dollars of \$21,251 (2016 — \$9,588) and accounts receivables denominated in U.S. dollars of \$10,120 (2016 — \$15,867). A 10% variation in the U.S. dollar would have a minimal impact on net income.

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**11. RELATED PARTY INFORMATION:**

The Company has an insignificant amount in ESI Holdings Inc., an affiliate of the Company, which the Company records at fair value as an investment on the statement of financial position.

a) Due from related parties:

	<b>2017</b>	<b>2016</b>
ESI Holdings Inc. . . . .	\$ —	\$295,216
Shareholder of related entity . . . . .	15,000	20,000
	<b>\$15,000</b>	<b>\$315,216</b>

Advances to ESI Holdings Inc. are unsecured, non-interest bearing and have no specified terms of repayment. Advances to the shareholder of related entity are repayable upon demand and are non-interest bearing.

b) Due to related parties:

	<b>2017</b>	<b>2016</b>
ESI Holdings Inc. . . . .	\$ 756	\$ —
Shareholder advances . . . . .	26,769	34,794
	<b>\$27,525</b>	<b>\$34,794</b>

Advances from ESI Holdings Inc. and the shareholders are repayable upon demand and are non-interest bearing.

c) Transactions with related parties:

Related parties are defined as the shareholders, key management personnel and companies under common control.

(i) The Company has an agreement with ESI Holdings Inc. for a range of services including management fees, consulting fees, reimbursed expenses and rental expense as the Company operates from a suite within a building owned by ESI Holdings Inc. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company paid \$50,929 (2016 — \$47,287, 2015 — \$170,919) in management fees, consulting fees, reimbursed expenses and rental expense during the years recorded in general and administrative expense in the statements of income and comprehensive income.

(ii) Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Company directly or indirectly, including any external director of the Company.

Remuneration of key management of the Company comprises the following expenses:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Salaries, bonuses and fees . . . . .	\$145,101	\$114,997	\$120,017

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**12. INCOME TAXES:**

The following table reconciles the expected income tax expense (recovery) at the Canadian statutory income tax rates to the amounts recognized in the statement of operations and comprehensive loss for the years ended December 31, 2017, 2016 and 2015:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Earnings before tax . . . . .	\$474,500	\$413,663	\$215,118
Statutory tax rate . . . . .	12.62%	13.00%	13.50%
Expected income tax . . . . .	59,882	53,776	29,041
Non-deductible items . . . . .	(633)	(1,898)	(612)
Change in tax rates . . . . .	177,321	(4,904)	(7,012)
Effective income tax expense . . . . .	<u>\$236,570</u>	<u>\$ 46,974</u>	<u>\$ 21,417</u>
Current tax expense . . . . .	67,867	64,966	21,924
Deferred tax expense (recovery) . . . . .	168,703	(17,992)	(507)
Effective income tax expense . . . . .	<u>\$236,570</u>	<u>\$ 46,974</u>	<u>\$ 21,417</u>

Deferred taxes reflect the tax effect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and their tax values. Deferred tax assets (liabilities) at December 31, 2017 and 2016 are comprised of the following:

	<u>2017</u>	<u>2016</u>
Carrying amount of equipment and leasehold improvements in excess of their tax basis . . . . .	\$ (3,837)	\$ (1,563)
Carrying amount of deferred development costs in excess of its tax basis . . . . .	(328,775)	(168,523)
Marketable securities . . . . .	(4,833)	(1,472)
Investment in ESI Holdings Ltd. . . . .	(7,180)	(3,357)
Deferred expenses for tax purpose . . . . .	11,610	10,603
Net deferred tax liability . . . . .	<u>\$(333,015)</u>	<u>\$(164,312)</u>

**13. SEGMENT INFORMATION:**

The Company has identified only one geographic and operational segment.

**14. OPERATING EXPENSES:**

a) Sales and marketing expenses:

The Company's sales and marketing expenses according to their nature for the years ended December 31 as follows:

	<u>2017</u>	<u>2016</u>	<u>2015</u>
Salaries and wages . . . . .	\$ 37,075	\$ 53,787	\$114,154
Advertising and marketing . . . . .	37,150	31,069	31,723
Travel and entertainment . . . . .	4,246	3,691	9,690
Training and consulting . . . . .	66,591	88,559	9,758
	<u>\$145,062</u>	<u>\$177,106</u>	<u>\$165,325</u>

**ESI SOFTWARE INC.**

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**For the years ended December 31, 2017, December 31, 2016 and December 31, 2015**

**14. OPERATING EXPENSES: (Continued)**

b) Technology and operations expenses:

The Company's technology and operations expenses according to their nature for the years ended December 31 as follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Salaries and wages . . . . .	\$78,231	\$ 96,932	\$ 83,339
Internet and software costs . . . . .	19,490	19,314	23,464
Other . . . . .	1,597	—	6,194
	<u>\$99,318</u>	<u>\$116,246</u>	<u>\$112,997</u>

c) General and administrative expenses:

The Company's general and administrative expenses according to their nature for the years ended December 31 as follows:

	<b>2017</b>	<b>2016</b>	<b>2015</b>
Salaries and wages . . . . .	\$302,034	\$280,089	\$231,816
Professional fees . . . . .	9,917	13,032	12,803
Travel and entertainment . . . . .	734	443	—
Rent, facilities, and office . . . . .	211,326	183,688	248,625
	<u>\$524,011</u>	<u>\$477,252</u>	<u>\$493,244</u>

**15. SUBSEQUENT EVENTS:**

On May 14, 2018, Dye & Durham Corporation, a leading provider of registry searches, data solutions and legal workflow software solutions in Canada and the United Kingdom for legal and professional businesses executed a binding letter of intent to acquire the Company. The transaction subsequently closed on July 31, 2018 whereby Dye & Durham purchased all the outstanding shares of ESI Software Inc., for \$11.0 million.

## APPENDIX C

### ESILAW MD&A

#### **Basis of Presentation**

This Management's Discussion and Analysis ("**ESI Software MD&A**") of ESI Software Inc. ("**ESI Software**" or the "**Company**") has been prepared as of the date of this prospectus and discusses the ESI Software's financial performance, business overview, strategy and outlook from management's viewpoint. This document should be read in its entirety and is intended to complement and supplement ESI Software's audited financial statements for the years ended December 31, 2017, 2016 and 2015 (the "**Financial Statements**"). The Financial Statements have been prepared in accordance with International Financial Reporting Standards ("**IFRS**"). ESI Software's fiscal year is the 12-month period ending December 31.

ESI Software presents its Financial Statements in Canadian dollars. In this ESI Software MD&A, all references to "\$" or "dollars" are to Canadian dollars and amounts are stated in Canadian dollars unless otherwise indicated.

#### ***Cautionary Note Regarding Non-IFRS Measures and Industry Metrics***

This ESI Software MD&A makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS, do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of ESI Software's results of operations from management's perspective and to discuss ESI Software's financial outlook. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of ESI Software's financial information reported under IFRS. See "Non-IFRS Financial Measures".

#### ***Caution Regarding Forward-Looking Information***

Some of the information contained in this ESI Software MD&A, including, in particular, the sections below entitled "Strategic Priorities" and "Liquidity and Capital Resources", contain forward-looking statements. The forward-looking statements and other forward-looking information are provided as of the date of this ESI Software MD&A and are based on management's opinions, estimates and assumptions in light of its experience and perception of historical trends, current trends, current conditions and expected future developments, as well as other factors that management believes appropriate and reasonable in the circumstances. ESI Software does not undertake to update any such forward-looking statements whether as a result of new information, future events or otherwise, except as required by applicable securities laws. Actual results may differ materially from those indicated or underlying forward-looking statements as a result of various factors, including those described below under the heading "Risk Factors" contained elsewhere in this prospectus.

ESI Software cautions that the list of risk factors and uncertainties is not exhaustive and other factors could also adversely affect its results. Readers are urged to consider the risks, uncertainties and assumptions carefully in evaluating the forward-looking information and are cautioned not to place undue reliance on such information. See "Forward-Looking Statements" and "Risk Factors" in the prospectus for a discussion of the uncertainties, risks and assumptions associated with these statements.

#### **Business Overview**

ESI Software is a leading provider of law firm software solutions to help firms streamline firm management. ESI Software has been providing law practices with time, billing, accounting and practice management software since 1983, and is headquartered in British Columbia.

ESI Software delivers a scalable all-in-one desktop, cloud, or a combination of both, solution to law firms, enabling them to remain in compliance with applicable trust accounting rules. ESI Software reduces the friction points within a law firms back office, thereby reducing the number of disbursement errors and allowing law firms to focus on value-add tasks.

## **Factors Affecting ESI Software's Performance**

### ***Operating, General and Administrative Expenses***

ESI Software's operating, general and administrative expenses consist of the following:

- Technology and operations includes internet and information technology costs as well as the compensation expenses for employees in management, technology, operations, accounting and human resources. Compensation expenses include salaries, bonuses with related benefits, as well as pension plan contributions.
- Sales and marketing includes marketing and advertising expenses as well as the compensation expense for employees that work in sales and marketing. Compensation expenses include salaries, bonuses and commissions with related benefits, as well as pension plan contributions.
- Amortization and depreciation represent the proration of costs for intangible and tangible assets.
- General and administrative expense consists of consulting fees, insurance, office and general expenses, executive compensation, rent and utilities, travel and entertainment and telephone expenses.

### ***Maintaining and Growing Revenues from Existing ESI Software Clients***

ESI Software's business model includes maintaining and growing revenues from within the existing ESI Software client base. Because the Company earns a large majority of its revenue from the sale of the ongoing ESICare support plan to earlier purchaser of perpetual ESI Software application licenses, should clients cease to pay for ongoing support stop, revenue may therefore be adversely impacted.

### ***Managing the Migration of customers to ESI Software 360***

The ESILaw 360 software application, which included additional new functionality for existing clients, including payment based on monthly subscription licenses, was launched in 2015. Currently ESILaw 360 is available both in a cloud based and local install based versions. The Company views the ESILaw 360 monthly subscription licenses revenue model as favourable, as it allow for revenue to be recognized in accordance with IFRS and is a more predictable and attractive revenue model. ESI Software largely discontinued actively selling perpetual licenses for the use of its legacy ESI Software application in 2015. The Company believes that this migration opportunity is strong across all client segments, particularly given the new functionality available in the ESILaw 360 software application and that the migration of all data from the legacy ESI Software application to the ESILaw 360 software application is completely automated (allowing for a seamless customer experience). However, revenue may be adversely impacted in the event that clients do not migrate. At the end of Fiscal 2017, 270 clients were using ESILaw 360 out of 1,281 total ESI Software clients.

## Selected Annual Information

	For the years ended December 31,		
	2017	2016	2015
<b>Revenue</b> . . . . .	\$1,714,104	\$1,610,831	\$1,349,266
<b>Direct Costs</b> . . . . .	\$ 65,207	\$ 76,851	\$ 59,492
<b>Gross Profit</b> . . . . .	\$1,648,897	\$1,533,980	\$1,289,774
<b>Expenses</b> . . . . .	\$1,174,538	\$1,127,287	\$ 954,206
<b>Net income and comprehensive income (loss)</b> . . . . .	\$ 237,930	\$ 366,689	\$ 193,699
Amortization and depreciation . . . . .	\$ 406,147	\$ 356,683	\$ 182,640
Interest . . . . .	\$ nil	\$ nil	\$ nil
Tax expense (recovery) . . . . .	\$ 235,570	\$ 46,974	\$ 21,417
<b>EBITDA<sup>(1)</sup></b> . . . . .	\$ 879,647	\$ 770,346	\$ 397,756
<b>Adjusted EBITDA<sup>(2)</sup></b> . . . . .	\$ 879,647	\$ 770,346	\$ 497,756
<b>Cash provided by operations</b> . . . . .	\$ 799,943	\$ 694,343	\$ 410,000
<b>Total assets</b> . . . . .	\$1,902,454	\$2,450,055	\$2,582,573
<b>Total liabilities</b> . . . . .	\$ 789,993	\$ 595,524	\$ 625,731

Notes:

(1) EBITDA and adjusted EBITDA are not recognized measures under IFRS.

(2) In 2015 a one-time payment of \$100,000 was paid to a related company.

## Results of Operations

The following summarizes ESI Software's recent results of operations as of the dates and for the periods indicated below. The information should be read together with the Financial Statements. Historical financials and operating information may not be indicative of future performance, and certain financial information presented below includes non-IFRS financial measures that ESI Software believes are important in evaluating the operating performance of the business and making results more comparable from period to period. See "Non-IFRS Financial Measures".

### Fiscal 2017

#### Revenue

Revenue was \$1.7 million for Fiscal 2017 an increase of \$0.1 million compared to \$1.6 million for Fiscal 2016. The increase was primarily attributable to additional revenue recognized from the migration of customers from the legacy ESI Software to ESILaw 360 platform.

#### Expenses

For Fiscal 2017 consolidated expenses were \$1.2 million in line with 2016 expenses of \$1.1 million for the same period.

<u>Expenses</u>	<u>2017</u> <u>(\$)</u>	<u>2016</u> <u>(\$)</u>
Sales and marketing . . . . .	145,062	177,106
Technology and operations . . . . .	99,318	116,246
General and administrative . . . . .	524,011	477,252
Amortization and depreciation . . . . .	406,147	356,683
Interest . . . . .	nil	nil
<b>Total expenses</b> . . . . .	<b>1,174,538</b>	<b>1,127,287</b>

### Net income

Net income for Fiscal 2017 was \$237,930 which was a decrease from Fiscal 2016 (\$366,689), due to (a) increases in amortization expenses (\$49,464) and general and administrative expenses (\$46,759) offsetting the \$103,000 increase in revenue over the period.

### Fiscal 2016

#### Revenue

Revenue was \$1.6 million for Fiscal 2016, an increase of \$0.3 million compared to \$1.3 million for Fiscal 2015. The increase was primarily attributable to:

- a) Additional revenue recognized from the migration of customers to from the legacy ESILaw software to ESILaw 360; and
- b) the execution of new sales initiatives.

#### Expenses

For Fiscal 2016 consolidated expenses were \$1.13 million, an increase of 18%, compared to \$954,000 for the same period in Fiscal 2015, primarily due to the increase in amortization expense, as shown below:

<u>Expenses</u>	<u>2016</u> <u>(\$)</u>	<u>2015</u> <u>(\$)</u>
Sales and marketing . . . . .	177,106	165,325
Technology and operations . . . . .	116,246	112,997
General and administrative . . . . .	477,252	493,244
Amortization and depreciation . . . . .	356,683	182,640
Interest . . . . .	nil	nil
<b>Total expenses . . . . .</b>	<b>1,127,287</b>	<b>954,206</b>

The increase in expenses was primarily due to a \$174,000 increase in amortization expenses associated with the increased development costs of ESILaw 360 platform.

### Net income

Net income in Fiscal 2016 was \$366,689, an increase of 89% from Fiscal 2015 (\$194,000). This increase was a result of \$262,000 in additional revenue outpacing the increase in expenses.

### Summary of Quarterly Results

The following table sets out select quarterly results for the past eight quarters:

#### Quarterly Results

	<u>Q4 2017</u>	<u>Q3 2017</u>	<u>Q2 2017</u>	<u>Q1 2017</u>
<b>Revenue . . . . .</b>	\$462,811	\$409,667	\$424,025	\$416,070
<b>Net income (loss) . . . . .</b>	\$ 96,781	\$ 96,781	\$ 63,664	\$ 20,191
<b>EBITDA . . . . .</b>	\$294,545	\$215,801	\$227,500	\$141,802
<b>Adjusted EBITDA . . . . .</b>	\$294,545	\$215,801	\$227,500	\$141,802
	<u>Q4 2016</u>	<u>Q3 2016</u>	<u>Q2 2016</u>	<u>Q1 2016</u>
<b>Revenue . . . . .</b>	\$469,649	\$349,939	\$384,406	\$405,315
<b>Net income (loss) . . . . .</b>	\$110,914	\$103,371	\$114,628	\$ 37,775
<b>EBITDA . . . . .</b>	\$214,293	\$205,784	\$218,483	\$131,785
<b>Adjusted EBITDA . . . . .</b>	\$214,293	\$205,784	\$218,483	\$131,785

## Liquidity and Capital Resources

ESI Software manages its capital structure based on the funds available to it in order to support the continuation of and expansion of its operations and to maintain a flexible capital structure which optimizes the cost of capital at an acceptable risk. ESI Software defines capital to include share capital, the stock option component of its shareholders' equity as well as its borrowings. ESI Software intends to rely on positive cash flows from operations and, if required, additional financings to achieve its growth strategies.

### Cash Flows

The primary source of cash flow is revenue collected from monthly subscription licenses and fees for ongoing support on a monthly basis as the support is provided. The company recognizes deferred revenue when payment is received in advance of the monthly subscription licenses or support. ESI Software's approach to liquidity is to always have sufficient liquidity to meet its liabilities as they come due. This is achieved by continuously monitoring cash flows and reviewing actual operating expenditures and revenue to budget.

### For the Fiscal Years 2017, 2016 and 2015

<u>Cash Flow</u>	<u>2017</u> <u>(\$)</u>	<u>2016</u> <u>(\$)</u>	<u>2015</u> <u>(\$)</u>
Net cash provided by operating activities . . . . .	799,943	694,343	410,000
Net cash provided by (used) financing activities . . . . .	(687,053)	(476,190)	(245,181)
Net cash used in investing activities . . . . .	(1,519)	(182,077)	(244,172)
Change in cash during the year . . . . .	111,371	36,076	(79,353)
Cash and cash equivalents, beginning of year . . . . .	139,819	103,743	183,096
<b>Cash and cash equivalents, end of year . . . . .</b>	<b>251,190</b>	<b>139,819</b>	<b>103,743</b>

In Fiscal 2017, ESI Software had a net cash increase of \$111,000 in comparison to an increase of \$36,076 in Fiscal 2016. ESI Software increased its cash provided from operations to \$799,943 from \$ 694,343 in Fiscal 2017, primarily due to increased revenue. Net cash used in financing activities was \$687,000 in Fiscal 2017, an increase of \$210,000 from Fiscal 2016, this was due to increases in loans to related companies. In addition, significant financing activities in Fiscal 2017, 2016 and 2015 included payment of dividends of \$230,000, 269,000 and \$244,000, respectively. Principal investments in Fiscal 2017 included \$272,000 spent on development costs offset by increases in its marketable securities of \$283,000.

Net cash used in investing activities was \$182,077 in Fiscal 2016 compared to \$244,172 in Fiscal 2015. Capital expenditures in both years was primarily on the development costs of the ESILaw 360 software platform.

### Fiscal Years 2017, 2016 and 2015

ESI Software's capital expenditures are primarily composed of technology infrastructure maintenance, technology upgrades, software product enhancement to support strategic initiatives. Capital expenditures in Fiscal 2017 were \$272,000 compared to \$232,000 in Fiscal 2016. In Fiscal 2017, capital expenditures primarily relate to the ongoing software development and enhancement of ESILaw 360 software, similar to the expenditures incurred in Fiscal 2016. In Fiscal 2015 the Company spent \$239,000 on capital expenditures the most of which related to the development of the Company's ESILaw 360 software platform.

### Contractual Obligations

ESI Software does not have any contractual obligations. The Company leases office premises on a month to month basis from a related party without a lease obligation.

### Financial Instruments and Other Instruments

The Company does not have any financial instruments other than normal course accounts receivable and payables associated with its business activities.

## Off-Balance Sheet Arrangements

ESI Software does not have any off-balance sheet arrangements as of the date of this report.

## Related Party Transactions

### *Compensation of key management personnel*

*Fiscal Years ending:*

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Consulting fees, salaries and bonuses . . . . .	\$145,101	\$114,997	\$120,017

As at December 31, 2017, \$nil; (2016 — \$nil; 2015 — \$nil) was included in accounts payable and accrued liabilities for consulting fees, bonus and reimbursement of expenses. The amounts due are unsecured, bear no interest and are payable on demand.

### *ESI Holdings Agreement*

	<u>December 31, 2017</u>	<u>December 31, 2016</u>	<u>December 31, 2015</u>
Expense . . . . .	\$50,929	\$47,287	\$179,919

The Company has an agreement with ESI Holdings Inc. for range of services including management fees, consulting fees, reimbursed expenses and rental expense as the Company operates from a suite within a building owned by ESI Holdings Inc. These transactions are in the normal course of operations and have been valued at the exchange amount, which is the amount of consideration established and agreed to by the related parties. The Company paid \$50,929 in fiscal 2017 (2016 — \$47,287, 2015 — \$179,919) in management fees, consulting fees, reimbursed expenses and rental expense during the periods reflected in general and administrative expenses in the statements of income and comprehensive income. The Company has an insignificant common share investment in ESI Holdings Inc, an affiliate of the Company, which the Company records at fair value as an investment on the statement of financial position.

## Outstanding Share Information

The authorized capital of ESI Software consists of an unlimited number of class A and class B voting common shares, class C non-voting preferred shares, and class D non-voting common shares. The issued and outstanding common shares as at December 31, 2017 and June 30, 2018 are as follows:

<u>Common shares</u>	<u>June 30, 2018</u>	<u>December 31, 2017</u>
Class A . . . . .	80	80
Class B . . . . .	45	45
Class D . . . . .	<u>1</u>	<u>1</u>
<b>Total</b> . . . . .	126	126

## Critical Accounting Estimates

Significant assumptions about the future and other sources of estimation uncertainty that management has made at the end of the reporting period, that could result in a material adjustment to the carrying amounts of assets and liabilities, in the event that actual results differ from assumptions made, relate to, but are not limited to the following:

- The carrying value and impairment assessment of intangible assets. ESI Software estimates the useful lives of intangible assets based on the expected life of the project. The estimated useful lives of the intangible assets are reviewed periodically and are updated if expectations differ from the previous estimates due to technical or commercial obsolescence. In addition, at each reporting period, assets or

cash generating units are evaluated to determine whether there are any indications of impairment. If any such indication exists, an impairment test is performed and if indicated, an impairment loss is recognized to the extent that the carrying amount exceeds the recoverable amount. The recoverable amount of the intangible asset is calculated based on cash flow projections using several assumptions and estimates that represent management's best estimate of the range of economic conditions that will exist over the remaining useful life of the assets.

Please refer to note 3 of the Financial Statements for a description of ESI Software's accounting policies.

### **Changes in Accounting Policies (including initial adoption)**

ESI Software has not made any material changes to its accounting policies during Fiscal 2017. Please also refer to note 3 of the Financial Statements for a description of ESI Software's accounting policies.

Effective January 1, 2018, the Company will adopt IFRS 9 which sets out requirements for recognizing and measuring financial assets, financial liabilities and some contracts to buy or sell non-financial items. The adoption of IFRS 9 did not have a material impact on the financial results of the Company.

Effective January 1, 2018, the Company will adopt IFRS 15 which addresses revenue from contracts with customers. The adoption of IFRS 15 is not expected to have a material impact on the financial results of the Company.

### **Risks and Uncertainties**

#### ***Credit Risk***

Credit risk is the risk that one party to a transaction will fail to discharge an obligation and cause the other party to incur a financial loss. ESI Software is exposed to credit risk in the event of non-performance by clients, but does not anticipate any such non-performance which would be material. To the extent necessary, ESI Software takes steps to monitor the credit risk and credit rating of clients. The Company's marketable securities and receivables are exposed to credit risk. The Company has assessed the credit risk on its marketable securities as low as its funds are held in Canadian and U.S. financial institutions. As at December 31, 2017, \$42,866 (2016 — \$12,167) of receivables outstanding.

#### ***Market Risk***

ESI Software is exposed to market risk primarily in terms of revenue generation. ESI Software's revenue is driven by transaction volumes which have increased with the growth and strength of the Canadian economy. ESI Software monitors the market conditions in an effort to capture fluctuations that may affect the ongoing revenue.

#### ***Liquidity Risk***

Liquidity risk is the risk that ESI Software will not be able to meet its financial obligations as they fall due. ESI Software's cash resources are managed based on financial forecasts and anticipated cash flows. Contractual maturities such as debt, trade and other payables, accrued liabilities and dividends payable are exposed to liquidity risk.

As at December 31, 2017, the Company has current assets of \$607,633 (December 31, 2016 — \$737,902) to settle current liabilities of \$456,978 (December 31, 2016 — \$431,212).

As per normal operating activities, the Company intends to rely on positive cash flows from operations and obtaining additional financing to achieve its future objectives. However, there can be no assurance that actual cash flows from operations will be as forecasted or that such equity will be available on a timely basis under terms acceptable to the Company.

***Foreign exchange Risk***

Foreign exchange risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. However, the foreign currency has been fairly stable when compared to the Canadian dollar and therefore management considers the foreign exchange risk to be minimal.

As at December 31, 2017, the Company had cash and cash equivalents denominated in U.S. dollars of \$13,654 (2016 — \$4,751) and accounts receivables denominated in U.S. dollars of \$10,120 (2016 — \$15,867). A 10% variation in the U.S. dollar would have a minimal impact on net income.

**Subsequent Events**

On May 14, 2018, Dye & Durham Corporation, a leading provider of registry searches, data solutions and legal workflow software solutions in Canada and the United Kingdom for legal and professional businesses executed a binding letter of intent to acquire the Company. The transaction closed on July 31, 2018 whereby Dye & Durham purchased all the outstanding shares of ESI Software Inc., for \$11.0 million.

## APPENDIX D

### CHARTER OF THE BOARD OF DIRECTORS

This Charter of the Board of Directors (the “**Charter**”) was adopted by the board of directors (the “**Board**”) of the Corporation on September 6, 2018. To the extent of any conflict between the terms of this Charter and the unanimous shareholder agreement dated July 31, 2018, governing the Corporation (the “**USA**”), the terms of the USA shall govern.

#### **1. Purpose**

The purpose of this Charter is to set out the mandate and responsibilities of the Board of the Corporation. Pursuant to the *Business Corporations Act* (Ontario) (the “**Act**”) governing the Corporation, the Board is responsible for managing or supervising the management of the business and affairs of the Corporation. By approving this Charter, the Board confirms its responsibility for the stewardship of the Corporation and its affairs. This stewardship function includes responsibility for the matters set out in this Charter. The responsibilities of the Board described herein are pursuant to, and subject to, the Act and the by-laws of the Corporation in effect from time to time and do not impose any additional responsibilities or liabilities on the directors at law or otherwise.

#### **2. Composition**

The Board shall be constituted with a majority of individuals who qualify as “independent” within the meaning of National Instrument 58-101 — *Disclosure of Corporate Governance Practices* (“**NI 58-101**”). If at any time a majority of the Corporation’s directors are not independent because of the death, resignation, bankruptcy, adjudicated incompetence, removal or change in circumstance of any director who was an independent director within the meaning of NI 58-101, the remaining directors shall appoint a sufficient number of directors who qualify as “independent” to comply with this requirement at their earliest convenience. Pursuant to NI 58-101, an independent director is one who is free from any direct or indirect relationship which could, in the view of the Board, be reasonably expected to interfere with a director’s independent judgment.

At least annually, the Board shall, with the assistance of the Committees of the Board, determine: (i) the independence of each director based on the definition of independence contained in the listing standards of the TSX and NI 58-101; (ii) the independence of each Audit Committee member based on the definition of independence contained in Multilateral Instrument 52-110 — *Audit Committees* (“**NI 52-110**”); (iii) the independence of each Compensation and Governance Committee member; and (iv) the “financial literacy” of each Audit Committee member based on the definition of financial literacy contained in NI 52-110.

If at any time the Chair of the Board is not independent, the Board shall appoint an independent director as a Lead Director and consider other possible steps and processes to ensure that independent leadership is provided for the Board.

#### **3. Responsibilities of the Board of Directors**

The Board is responsible for the stewardship and oversight of the Corporation and its business and in that regard shall be specifically responsible for:

- (a) selecting from among its members a Chair and independent lead director if the Chair is not independent (the “**Lead Director**”);
- (b) appointing the Chief Executive Officer of the Corporation;
- (c) to the extent feasible, satisfying itself as to the integrity of the Chief Executive Officer and other executive officers of the Corporation and that the Chief Executive Officer and other executive officers create a culture of integrity throughout the organization;
- (d) approving the long-term goals and the strategic and financial plans for the Corporation on an annual basis;

- (e) reviewing and approving an annual budget for the Corporation prepared by the Executive Management Team;
- (f) supervising the activities and managing the investments and affairs of the Corporation;
- (g) considering and approving all material decisions affecting the Corporation and its subsidiaries and controlled entities including all material acquisitions, dispositions, capital expenditures and debt financing;
- (h) assessing the performance of the CEO, and, together with the CEO, the performance of the CFO, COO, General Counsel and such other members of senior management of the Corporation as the Board may from time to time determine (collectively, the “**Executive Management Group**”);
- (i) issuing shares and other securities of the Corporation for such consideration as the Board may deem appropriate, subject to the Act, and applicable securities laws and stock exchange rules;
- (j) approving the re-purchase of securities of the Corporation, subject to the Act;
- (k) understanding the principal risks of the business in which the Corporation is engaged, for achieving a proper balance between risks incurred and the potential return to shareholders, and for ensuring that there are systems in place which effectively monitor and manage those risks with a view of long-term viability of the Corporation;
- (l) ensuring the integrity and adequacy of the Corporation’s internal controls and management information systems;
- (m) ensuring that the financial results are reported fairly and in accordance with generally accepted accounting standards;
- (n) succession planning for the CEO and, together with the CEO, succession planning for the Executive Management Group;
- (o) establishing committees of the Board where required or prudent, which shall be comprised entirely of independent directors (provided that a sufficient number of independent, qualified directors are available to sit on any such committee), and defining their mandates;
- (p) maintaining records and providing reports to shareholders of the Corporation (“**Shareholders**”);
- (q) ensuring the Executive Management Group provides effective and adequate communication with Shareholders, other stakeholders and the public;
- (r) determining the amount and timing of dividends and other distributions to Shareholders, if any;
- (s) developing the Corporation’s approach to corporate governance and evaluating the effectiveness of the Corporation’s corporate governance; and
- (t) fulfilling such other duties and responsibilities as set out in the Act, and applicable securities laws and stock exchange rules.

It is recognized that every member of the Board in exercising powers and discharging duties must act honestly and in good faith with a view to the best interests of the Corporation and its Shareholders. Directors must exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. In this regard, they will comply with their duties of honesty, loyalty, care, diligence, skill and prudence.

In addition, members of the Board are expected to carry out their duties in accordance with policies and regulations adopted by the Board from time to time.

It is expected that the members of the Executive Management Group will co-operate in all ways to facilitate compliance by the Board with its legal duties by causing the Corporation and its subsidiaries to take such actions as may be necessary in that regard and by promptly reporting any data or information to the Board that may affect such compliance.

#### 4. Expectations of Directors

The Board has developed a number of specific expectations of directors to promote the discharge by the directors of their responsibilities and to promote the proper conduct of the Board.

- (a) ***Commitment and Attendance.*** All directors are expected to maintain a high attendance record at meetings of the Board and the committees of which they are members. Attendance by telephone or video conference may be used to facilitate a director's attendance.
- (b) ***Preparation for Meetings.*** All directors are expected to review the materials circulated in advance of meetings of the Board and its committees and should arrive prepared to discuss the issues presented. Directors are encouraged to contact the Chair of the Board, or, if one has been appointed, the Lead Director, and any other appropriate member of the Executive Management Group to ask questions and discuss agenda items prior to meetings.
- (c) ***Participation in Meetings.*** Each director is expected to be sufficiently knowledgeable of the business of the Corporation, including its financial statements, and the risks it faces, to ensure active and effective, and candid and forthright participation in the deliberations of the Board and of each committee on which he or she serves.
- (d) ***Loyalty, Ethics and Personal Conduct.*** In their roles as directors, all members of the Board owe a duty of loyalty to the Corporation. This duty of loyalty mandates that the best interests of the Corporation take precedence over any other interest possessed by a director. Directors are expected to: (i) exhibit high standards of personal integrity, honesty and loyalty to the Corporation; (ii) project a positive image of the Corporation to news media, the financial community, governments and their agencies, shareholders and employees; (iii) be willing to contribute extra efforts, from time to time, as may be necessary including, among other things, being willing to serve on committees of the Board; and (iv) disclose any potential conflict of interest that may arise with the affairs or business of the Corporation and, generally, avoid entering into situations where such conflicts could arise or could reasonably be perceived to arise.
- (e) ***Other Board Memberships and Significant Activities.*** The Corporation values the experience directors bring from other boards on which they serve and other activities in which they participate, but recognizes that those boards and activities also may present demands on a director's time and availability and may present conflicts or legal issues, including independence issues. Each member of the Board should, when considering membership on another board or committee, make every effort to ensure that such membership will not impair the member's time and availability for his or her commitment to the Corporation. Directors should advise the Chair before accepting membership on other public company boards or any audit committee or other significant committee assignment on any other board, or establishing other significant relationships with businesses, institutions, governmental units or regulatory entities, particularly those that may result in significant time commitments or a change in the member's relationship to the Corporation.
- (f) ***Contact with Management and Employees.*** All members of the Board should be free to contact members of the Executive Management Group at any time to discuss any aspect of the Corporation's business. Directors should use their judgement to ensure that any such contact is not disruptive to the operations of the Corporation. The Board expects that there will be frequent opportunities for members of the Board to meet with members of the Executive Management Group in meetings of the Board and committees, or in other formal or informal settings.
- (g) ***Confidentiality.*** The proceedings and deliberations of the Board and its committees are confidential. Each member of the Board will maintain the confidentiality of information received in connection with his or her service as a director.

#### 5. Meetings

The Board will meet not less than four times per year: three meetings to review quarterly results and one meeting prior to the issuance of the annual financial results of the Corporation. The Board shall meet

periodically without members of the Executive Management Group present to ensure that the Board functions independent of management of the Corporation. At each Board meeting, unless otherwise determined by the Board, an *in camera* meeting of independent directors will take place, which session will be chaired by the Chair of the Board or Lead Director if the Chair is not independent within the meaning of NI 58-101. Any of the Chair, Chief Executive Officer (if he or she is a director), or Lead Director may call and provide formal notice of a directors meeting, provided it is done in consultation with the other members of such group.

In discharging its mandate, the Board and any committee of the Board will have the authority to retain and receive advice from outside financial, legal or other advisors (at the cost of the Corporation) as the Board or any such committee determines to be necessary to permit it to carry out its duties.

The Board appreciates having certain members of the Executive Management Group attend each Board meeting to provide information and opinion to assist the members of the Board in their deliberations. Executive Management Group attendees who are not Board members will be excused for any agenda items which are reserved for discussion among directors only.

#### **6. Board Meeting Agendas and Information**

The Chief Executive Officer, subject to input and approval from the Chair and, if one has been appointed, the Lead Director, and input from the other directors as needed, will develop the agenda for each Board meeting. Agendas will be distributed to the members of the Board before each meeting, and all Board members shall be free to suggest additions to the agenda in advance of the meeting.

Whenever practicable, information and reports pertaining to Board meeting agenda items will be circulated to the directors in advance of the meeting by members of the Executive Management Group. Reports may be presented during the meeting by members of the Board, Executive Management Group and/or staff, or by invited outside advisors. It is recognized that under some circumstances, due to the confidential nature of matters to be discussed at a meeting, it will not be prudent or appropriate to distribute written materials in advance.

#### **7. Telephone Board Meetings**

A director may participate in a meeting of the Board or in a committee meeting by means of telephone, electronic or such other communications facilities as permit all persons participating in the meeting to communicate with each other and a director participating in such a meeting by such means is deemed to be present at the meeting.

While it is the intent of the Board to follow an agreed meeting schedule as closely as possible, from time to time, telephone board meetings may be called in order for directors to be in a position to better fulfill their legal obligations. Alternatively, the Executive Management Group may request the directors to approve certain matters by unanimous written consent.

#### **8. Measures for Receiving Shareholder Feedback**

All publicly disseminated materials of the Corporation shall provide for a mechanism for feedback of Shareholders.

#### **9. Communications Policy**

The Board shall approve the content of the Corporation's major communications to Shareholders and, if applicable, the investing public including any Annual Report, Management Information Circular, Annual Information Form and any prospectuses which may be issued. The Audit Committee shall review and recommend to the Board the approval of the quarterly and annual financial statements (including, if applicable, the Management's Discussion & Analysis). The Board also has responsibility for monitoring all of the Corporation's external communications. However, the Board believes that it is the function of the Executive Management Group to speak for the Corporation in its communications with the investment community, the media, clients, suppliers, employees, governments and the general public.

The Board shall have responsibility for reviewing the Corporation's policies and practices with respect to disclosure of financial and other information including insider reporting and trading. The Board shall approve and monitor the disclosure policies designed to assist the Corporation in meeting its objective of providing timely, consistent and credible dissemination of information, consistent with disclosure requirements under applicable securities law. The Board shall review the Corporation's policies relating to communication and disclosure on an annual basis.

Generally, communications from Shareholders and, if applicable, the investment community will be directed to a members of the Executive Management Group, who will coordinate an appropriate response depending on the nature of the communication. It is expected, if communications from stakeholders are made to any individual members of the Board, that a member of the Executive Management Group will be informed, if appropriate and consulted to determine any appropriate response.

#### **10. Internal Control and Management Information Systems**

The Board has oversight for the integrity of the Corporation's internal control and management information systems. All material matters relating to the Corporation and its business require the prior approval of the Board, subject to the Board's ability to delegate such matters to, among others, the Corporation's Audit Committee, Compensation and Governance Committee and the Executive Management Group. The Executive Management Group is authorized to act, without Board approval, on all ordinary course matters relating to the Corporation's business.

The Audit Committee has responsibility for ensuring internal controls are appropriately designed, implemented and monitored and for ensuring that management and financial reporting is complete and accurate, even though the Executive Management Group may be charged with developing and implementing the necessary procedures.

#### **11. Delegation of Powers**

The directors may establish one or more committees and may, subject to the Act and other applicable laws, delegate to such committees any of the powers of the Board. The directors may also, subject to the Act and other applicable laws, delegate powers to manage the business and affairs of the Corporation to such of the officers of the Corporation as they, in their sole and absolute discretion, may deem necessary or desirable to appoint, and define the scope of and manner in which such powers will be exercised by such persons as they may deem appropriate.

The Board retains responsibility for oversight of any matters delegated to any director(s) or any committee of the Board, to the Executive Management Group or to other persons.

#### **12. Board Effectiveness**

The Board shall review and, if determined appropriate, approve the recommendations of the applicable committee of the Board, if any, concerning formal position descriptions for the Chair of the Board and Lead Director, if any, and for each committee of the Board, and for the Chief Executive Officer, provided that in approving a position description for the Chief Executive Officer, the Board shall consider the input of the Chief Executive Officer and shall develop and approve corporate goals and objectives that the Chief Executive Officer is responsible for meeting (which may include goals and objectives relevant to the Chief Executive Officer's compensation, as recommended by the applicable committee of the Board, if any).

The Board shall review and, if determined appropriate, adopt a process recommended by the applicable committee of the Board, if any, for reviewing the performance and effectiveness of the Board as a whole, the committees of the Board and the contributions of individual directors on an annual basis.

#### **13. Inconsistencies with Applicable Laws**

In the event of any conflict or inconsistency between this Charter and the provisions of the Act or other applicable laws, in each case as amended, restated or amended and restated from time to time, the provisions hereof shall be ineffective and shall be superseded by the provisions of the Act or such other applicable laws to the extent necessary to resolve such conflict or inconsistency.

## APPENDIX E

### CHARTER OF THE AUDIT COMMITTEE

This Charter of the Audit Committee (the “**Charter**”) was adopted by the board of directors of the Corporation on September 6, 2018. To the extent of any conflict between the terms of this Charter and the unanimous shareholder agreement dated July 31, 2018, governing the Corporation (the “**USA**”), the terms of the USA shall govern.

#### **1. Purpose**

The Audit Committee (the “**Committee**”) is a committee of the Board of Directors (the “**Board**”) of the Corporation. The members of the Committee and the chair of the Committee (the “**Chair**”) are appointed by the Board on an annual basis (or until their successors are duly appointed) for the purpose of overseeing the Corporation’s financial controls and reporting and monitoring whether the Corporation complies with financial covenants and legal and regulatory requirements governing financial disclosure matters and financial risk management.

#### **2. Composition**

The Committee should be comprised of a minimum of three directors of the Corporation.

All members of the Committee must (except to the extent permitted by NI 52-110 — *Audit Committees*, as it may be amended or replaced from time to time (“**NI 52-110**”)) be independent (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.

All members of the Committee must be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected to be raised by the Corporation’s financial statements).

Any member of the Committee may be removed or replaced at any time by the Board and will cease to be a member of the Committee on ceasing to be a director of the Corporation. The Board may fill vacancies on the Committee by election from among the Board. If and whenever a vacancy will exist on the Committee, the remaining members may exercise all powers of the Committee so long as a quorum remains.

#### **3. Limitations on Committee’s Duties**

In contributing to the Committee’s discharge of its duties under this Charter, each member of the Committee will be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended or may be construed as imposing on any member of the Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which any member of the Board may be otherwise subject.

Members of the Committee are entitled to rely, absent actual knowledge to the contrary, on (a) the integrity of the persons and organizations from whom they receive information, (b) the accuracy and completeness of the information provided, (c) representations made by the Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, General Counsel and such other members of senior management of the Corporation as the Board may from time to time determine (collectively, the “**Executive Management Group**”) as to the non-audit services provided to the Corporation by the external auditor, (d) financial statements of the Corporation represented to them by a member of the Executive Management Group or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with applicable generally accepted accounting principles, and (e) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

#### **4. Meetings**

The Committee shall meet regularly, but not less frequently than quarterly. A quorum for the transaction of business at any meeting of the Committee will be a majority of the members of the Committee or such greater number as the Committee will by resolution determine. The Committee will keep minutes of each meeting of the Committee. A copy of the minutes will be provided to each member of the Committee.

Meetings of the Committee will be held from time to time and at such place as any member of the Committee will determine upon two days' prior notice to each of the other Committee members. The members of the Committee may waive the requirement for notice. In addition, each of the Chief Executive Officer, the Chief Financial Officer and the external auditor will be entitled to request that the Chair call a meeting.

The Committee may ask members of the Executive Management Group and employees of the Corporation (including, for greater certainty, its affiliates and subsidiaries) or others (including the external auditor) to attend meetings and provide such information as the Committee requests. Members of the Committee will have full access to information of the Corporation (including, for greater certainty, its affiliates, subsidiaries and their respective operations) and will be permitted to discuss such information and any other matters relating to the results of operations and financial position of the Corporation with the Executive Management Group, employees, the external auditor and others as they consider appropriate.

The Committee or its Chair should meet at least once per year with the Executive Management Group and the external auditor in separate sessions to discuss any matters that the Committee or either of these groups desires to discuss privately. In addition, the Committee or its Chair should meet with the Executive Management Group quarterly in connection with the Corporation's interim financial statements. The Committee shall hold executive sessions without management present at each Committee meeting.

The Chair will determine any desired agenda items.

#### **5. Committee Activities**

As part of its function in assisting the Board in fulfilling its oversight responsibilities (and without limiting the generality of the Committee's role), the Committee will have the power and authority to:

##### **A. Financial Disclosure**

- (a) Review and recommend for Board approval the Corporation's interim financial statements, including any certification, report, opinion or review rendered by the external auditor and, if applicable, the related management's discussion & analysis and press release.
- (b) Review and recommend for Board approval the Corporation's annual financial statements, including, if applicable, any certification, report, opinion or review rendered by the external auditor, the annual information form and the related management's discussion & analysis and press release.
- (c) Review and recommend for Board approval any other material press releases that contain financial information and such other financial information of the Corporation provided to the public or any governmental body as the Committee requires.
- (d) Satisfy itself that adequate procedures have been put in place by the Executive Management Group for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and the related management's discussion & analysis.
- (e) Review any litigation, claim or other contingency and any regulatory or accounting initiatives that could have a material effect upon the financial position or operating results of the Corporation and the appropriateness of the disclosure thereof in the documents reviewed by the Committee.
- (f) Receive periodically reports from the Executive Management Group assessing the adequacy and effectiveness of the Corporation's disclosure controls and procedures.

## **B. Internal Control**

- (a) Review the Executive Management Group's process to identify and manage the significant risks associated with the activities of the Corporation.
- (b) Review the effectiveness of the internal control systems for monitoring compliance with financial disclosure matters, financial risk management, laws and regulations.
- (c) Have the authority to communicate directly with the Chief Financial Officer.
- (d) Receive periodical Executive Management Group reports assessing the adequacy and effectiveness of the Corporation's internal control systems.
- (e) Assess the overall effectiveness of the internal control and risk management frameworks through discussions with the Executive Management Group, the Chief Financial Officer and the external auditors and assess whether recommendations made by the Chief Financial Officer or the external auditors have been implemented by the Executive Management Group.

## **C. Relationship with the External Auditor**

- (a) Recommend to the Board the selection of the external auditor and the fees and other compensation to be paid to the external auditor.
- (b) Have the authority to communicate directly with the external auditor and the Chief Financial Officer of the Corporation and arrange for the external auditor to be available to the Committee and the Board as needed.
- (c) Advise the external auditor that it is required to report to the Committee and not to the Executive Management Group.
- (d) Monitor the relationship between the Executive Management Group and the external auditor, including reviewing any the Executive Management Group letters or other reports of the external auditor, discussing any material differences of opinion between the Executive Management Group and the external auditor and resolving disagreements between the external auditor and the Executive Management Group.
- (e) If considered appropriate, establish separate systems of reporting to the Committee by each of the Executive Management Group and the external auditor.
- (f) Review and discuss on an annual basis with the external auditor all significant relationships they have with the Corporation, the Executive Management Group, the external asset manager or employees that might interfere with the independence of the external auditor.
- (g) Pre-approve all non-audit services (or delegate such pre-approval, as the Committee may determine and as permitted by applicable laws) to be provided by the external auditor.
- (h) Review the performance of the external auditor and recommend any discharge of the external auditor when the Committee determines that circumstances warrant.
- (i) Periodically consult with the external auditor without the Executive Management Group present about (i) any significant risks or exposures facing the Corporation, (ii) internal controls and other steps that the Executive Management Group has taken to control such risks, and (iii) the fullness and accuracy of the financial statements of the Corporation, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (j) Review and approve any proposed hiring of current or former partners or employees of the current (and any former) external auditor of the Corporation.

## **D. Audit Process**

- (a) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The

Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

- (b) Following completion of the annual audit and quarterly reviews, review separately with each of the Executive Management Group and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (c) Review any significant disagreements among the Executive Management Group and the external auditor in connection with the preparation of the financial statements.
- (d) Where there are significant unsettled issues between the Executive Management Group and the external auditor that do not affect the audited financial statements, the Committee will seek to ensure that there is an agreed course of action leading to the resolution of such matters.
- (e) Review with the external auditor and the Executive Management Group significant findings and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented.
- (f) If applicable, review the system in place to seek to ensure that the financial statements, management's discussion & analysis and other financial information disseminated to regulatory authorities and the public satisfy applicable requirements.

#### **E. Financial Reporting Processes**

- (a) Review the integrity of the Corporation's financial reporting processes, both internal and external, in consultation with the external auditor.
- (b) Periodically consider the need for an internal audit function, if not present.
- (c) Approve any changes to the internal auditor, if applicable, or to the reporting lines of the internal auditor.
- (d) Review all material financial statement issues, off balance sheet issues, material contingent obligations and material related party transactions.
- (e) Review with the Executive Management Group and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with the Executive Management Group, the ramification of their use and the external auditor's preferred treatment and any other material communications with the Executive Management Group with respect thereto. Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

#### **6. General**

- (a) Inform the Board of matters that may significantly impact on the financial condition or affairs of the business.
- (b) Respond to requests by the Board with respect to the functions and activities that the Board requests the Committee to perform.
- (c) Annually review this Charter and, if the Committee deems appropriate, recommend to the Board changes to this Charter.
- (d) If applicable, review the public disclosure regarding the Committee required from time to time by NI 52-110.

- (e) The Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.
- (f) Review in advance, and consult in, the hiring and appointment of the Corporation's internal auditor, if applicable.
- (g) Perform any other activities as the Committee or the Board deems necessary or appropriate.

**7. Complaint Procedures**

- (a) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its external auditor) reasonably believed to involve questionable accounting, internal accounting controls, auditing, ethical or other matters.
- (b) Complaints are to be directed to the attention of the General Counsel of the Corporation and the General Counsel will report to the Committee quarterly on any complaints received and their resolution.
- (c) The Committee should endeavour to keep the identity of the complainant confidential.
- (d) The Chair will have the power and authority to lead the review and investigation of a complaint. The Committee should retain a record of all complaints received. Corrective action may be taken when and as warranted.

