Advent-AWI Holdings Inc. (formerly Advent Wireless Inc.)

In this Management Discussion and Analysis (MD&A), the terms “We,” “Us,” “Our,” “The Company” and “Advent” refer to Advent-AWI Holdings Inc. This MD&A of Advent-AWI Holdings Inc. should be read in conjunction with the Company’s audited consolidated financial statements for the year ended December 31, 2016, and the notes contained therein. This MD&A is effective as at April 14, 2017. The financial information presented herein has been prepared in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”). All financial data is expressed in Canadian dollars unless otherwise stated. Additional information, including the Company’s Annual Information Form (“AIF”), can be obtained from the System for Electronic Document Analysis and Retrieval (SEDAR) at www.sedar.com.

Forward-Looking statements

Certain statements in the MD&A, other than statements of historical fact, are forward-looking in nature and involve various risks and uncertainties. These risks and uncertainties can include, without limitations, statements concerning possible or assumed future results of operations of the Company preceded by, followed by, or that include words and phrases such as “will,” “believes,” “plans,” “intends,” “expects,” “anticipates,” “estimates” or similar expressions. Forward-looking statements are not guarantees of future performance. They involve risks, uncertainties, and assumptions related to all aspects of the wireless communications industry and the global economy. As a result, the Company’s actual results may differ materially from those anticipated in the forward-looking statements and there can be no assurance that such statements will prove to be accurate.

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Overview

The Company now operates in two business segments:

(1) Wireless through Am-Call Wireless Inc., a wholly owned subsidiary; and
(2) Micro finance through Adwell Financial Services Inc., a 70%-owned subsidiary.

(1) Wireless business

Am-Call is an authorized dealer of Rogers Communications Partnership ("Rogers") and is an independent specialty retailer of personal wireless and wireline communication products and services under the Rogers and Fido brands. Fido is the discount brand and is a wholly owned subsidiary of Rogers. The Company carries the full line of Rogers and Fido products and services, including wireless voice and data, high-speed Internet, digital cable television, home phone, Smart Home Monitoring and Rogers Platinum MasterCard.

As of December 31, 2016, the Company had 15 stores in Ontario (10 Rogers and 5 Fido), unchanged when compared with year end 2015.

Number of stores at December 31, 2016 – 15 stores (10 Rogers & 5 Fido, all in Ontario) Number of stores at December 31, 2015 – 15 stores (10 Rogers & 5 Fido, all in Ontario)

It is the Company's policy to evaluate its retail network on a continuous basis to make it more efficient and to better fit both Rogers and its corporate strategy. After closing three stores in 2015, the Company did not open nor close any store in 2016. As a Rogers' authorized dealer, the Company works with Rogers continuously to evaluate its retail network in order to make it more efficient and to better fit Rogers' retail landscape strategy. Rogers has unveiled its next generation store concept and design with the opening of a next-gen pilot store in Oshawa, Ontario during Q4, with plans to open a few more in the first half of 2017. This also means Rogers is mapping out its next generation store footprint, and it seems that Rogers is looking at fewer but more complete stores across the country, stores that can sell both consumer and business solutions to customers.

In its Q4 2016 MD&A, Rogers stated: "Our sales team and third-party retailers sell Business Solutions services to the enterprise, public sector, and carrier wholesale markets. An extensive network of third-party channel distributors deals with IT integrators, consultants, local service providers, and other indirect sales relationships. This diverse approach gives greater breadth of coverage and allows for strong sales growth for next generation services."

It added that “Business Solutions revenue increased this year primarily as a result of the growth in on-net next generation services (including our data centre businesses), which more than offset the continued planned reduction in lower margin, off-net legacy revenue.”

Economic Dependence

For the year ended December 31, 2016, approximately 85% (2015 – 85%) of the Company’s revenue was from Rogers, whereas the remaining approximately 15% (2015 – 15%) was generated through the Company’s 15 retail stores (as at year end) in Ontario (2015 – 15 stores).

Account Receivable from Rogers – 94% at December 31, 2016 (98% at December 31, 2015)

(2) Micro Finance business

In late 2015, the Company received approval from the TSXV (Toronto Stock Exchange Venture) to start a financial service subsidiary that would operate a consumer lending business in the Greater Vancouver area of British Columbia. This new subsidiary, Adwell Financial Services Inc. (“Adwell”) was incorporated on January 8, 2016. Adwell issued 1,000,000 shares at $0.0001 per share. The Company subscribed to 70% of the shares issued, with the remaining 30% owned by two minority shareholders, Q&Y Holdings Inc. (15%) and Adwealth Capital Holdings Inc. (15%).

Based on the shareholders’ agreement among the three parties, executed on January 27, 2016, the Company will invest, from its available cash on hand, up to $1,375,000 in Adwell’s first year of operation, of which $375,000 is for ongoing operations with the remaining $1,000,000 for advances to customers. The two minority shareholders, both with financial and lending experience, will assist in the start-up and continuing operations of the venture. Adwell commenced operations in Q1 2016.

At time of this MD&A, the Company had invested $1,200,000 of the $1,375,000 committed to Adwell, of which $350,000 was funding for the ongoing operations of Adwell, while $850,000 was funding for Adwell’s advances to customers.

Anticipating the $1,000,000 line of credit commitment to Adwell for its advances to customers to run out in the second half of 2017, the Company applied to the TSX in September 2016 for increased funding to Adwell. This COB (change of business) application was approved by the TSX in December and the required shareholders’ approval was obtained in a special shareholders meeting held in January 2017.

To provide better and more convenient customer service, Adwell opened its first service center in Burnaby, B.C. on December 1, 2016, providing walk-in services. Adwell also expanded its business to Toronto, Ontario, with an officially formed sales team, and commenced operations in November 2016.

Declaration of dividend

On September 9, 2016, the Company announced that in recognition of its strong financial position, a special dividend of $0.05 per common share would be paid on October 14, 2016, to all shareholders of record as at the close of business on September 30, 2016. This dividend payment was completed as announced.

Overall performance

	2016	2015	+/-	%
Wireless revenue	16,042,348	17,056,334	-1,013,986	-6%
Financing revenue	114,190	0	114,190	N/A
Total revenue (excluding investment income)	16,156,538	17,056,334	-899,796	-5%

Highlights:

- The Company's 2016 combined revenue decreased by $899,796, or 5% versus fiscal 2015.

- The decrease was primarily caused by the decrease in wireless revenue, dropping $1,013,986 or 6%, compared with 2015.

- 2016 saw a new revenue stream from the micro financing side of the business, which commenced operations in Q1 2016. However, this revenue stream ($114,190) is still small and accounted for less than 1% of the total revenue of the Company ($16,156,538) in 2016.

Below is a breakdown of the Company's wireless revenue for the year:

Rogers & Fido (combined)	2016	2015	+/-	%
Phone sales	9,657,026	10,851,359	-1,194,333	-11%
New activation commission	1,600,031	1,655,638	-55,607	-3%
Customer upgrade commission	472,884	558,938	-86,054	-15%
Residual commission	2,626,674	2,532,535	94,139	4%
Bonus commission	1,114,151	1,025,716	88,435	9%
Rogers Bank	88,286	29,198	59,088	202%
Cable & Others	483,296	402,950	80,346	20%
Total	16,042,348	17,056,334	-1,013,986	-6%

- The primary cause of the decrease in wireless revenue is a drop in phone sales revenue, which amounted to $1,194,333 or 11% year-over-year.
- The number of phones sold has been on a steady decline in the past few years. Customers are holding on to their smart phones longer than before as phones are becoming more and more expensive, with marquee models like the iPhone 7s and the Samsung S7s models selling at over $1,000. Additionally, there has not been any significant technological breakthrough in smartphones that would entice customers to upgrade.
- The other reason for the decrease in phones sales is the increased popularity of customers bringing their owned device to the carrier, especially on the Fido side. These BYOD (bring your owned device) customers may have brought their devices from overseas (international students in particular), or previously bought their device to avoid being tied up in term contracts offered by the carrier.
- Timed at around the “back-to-school” selling period, the launch of the Samsung Note 7 in August 2016 was supposed to be the much-needed fuel for customer upgrades. However, immediately after launch, the Samsung Note 7 was discovered to have a serious fire-hazard battery problem that led to its eventual worldwide recall and ultimately a halt in production. This unfortunate incident inevitably impacted business negatively.
- The iPhone 7, launched in September and expected to be the biggest beneficiary of this Samsung misfortune, was itself affected by a shortage of supply, especially in Canada. This shortage of hardware had a further negative impact on the Company’s business, especially on the upgrade side. The lack of big innovative changes between the iPhone 7 and iPhone 6 also explains why customers were not flocking to the new model.
- As a result, customer upgrade commission decreased by $86,054, or 15% year-over-year.
- New activation commission also dropped by $55,607, or 3% over 2015. Even though there was a small net increase in new activations during 2016, the increase was on the Fido side, which generated less commission than that of Rogers activations. There was a decrease on the Rogers side.
- The company managed to gain in its other revenue streams, registering increases in residual commission, bonus commission, bank (MasterCard) commission and cable commission. Rogers launched both Internet and MasterCard service on the Fido side during 2016, creating additional revenue potential for the Company’s Fido locations. “Roam Like Home”, a popular feature with Rogers customers, was made available to Fido customers as well in 2016, allowing Fido to become more competitive in the Canadian marketplace.
- On a more macro level, Roger’s strategy in 2016 continued with the “growth volume with value” theme carried over from 2015. The evidence of that is that dealers were given revenue targets in 2016 instead of ARPU (average revenue per user) targets, although product bundling and ARPU

continued to be the focus. This freed up dealers to go after both high ARPU customers as well as price conscious customers. The Rogers brand continued to target family type customers, attracting them with multi-product bundling discounts. The Fido brand is the engine for volume, targeting younger generation customers and new immigrants, and with aggressive pricing and generous data buckets to compete in the marketplace.

- Small/Medium Enterprise (SME) type customers continued to be Rogers' focus in 2016. Even though the Company is primarily in the retail end of the business, it has implemented procedures and provided training at its retail locations to persuade these customers. SME customers are usually multi-line customers with higher average ARPU.
- To lessen the reliance on only a few hardware manufacturers, Rogers has been trying to manage its device mix in 2016, bringing in hardware from lesser known manufacturers. We see this trend continuing in 2017.

Subscriber Base:

December 31, 2016 – 89,146
December 31, 2015 – 91,132
Decrease of 1,986 or 2%

The Rogers subscriber base has been on the decline for many years with the market heavily saturated. This was further hampered by Rogers' strategy of aiming at higher ARPU customers, sometimes at the expense of volume. With Rogers' renewed focus in volume discussed earlier, we have seen the decline slowed down in 2016 compared with previous years.

This will continue in 2017, as Rogers announced in its MD&A: "We continue to target organic growth in higher-value postpaid subscribers. We have maintained a stable mix of postpaid and prepaid subscribers. Prepaid plans are evolving to have properties similar to those of traditional postpaid plans…"

Since 2011, the addition to the subscriber base has been from Fido, with the growth in the Fido subscriber base mitigating the decrease in the Rogers subscriber base. This is again the case in 2016, when the increase in the Fido base was 3,289 (from 25,285 to 28,574), whereas the decrease on the Rogers side was 5,275 (from 65,847 to 60,572), resulting in a net decrease of 1,986. The Rogers side of the business has been under challenge for some time and to maintain subscriber base the key now is customer retention. Rogers is also aware of the situation and the focus is twofold:

1) Share Everything Plan – if the entire family is bundled into one plan, which can be shared among all users, the chance of customers leaving (churn) will be less.

2) Multi products under one household – if a customer has multiple products (e.g. wireless, Internet, TV, Smart home monitoring and credit card) under one roof, the chance of that customer leaving will be less.

The increase in new activations throughout 2016, as discussed in the 'Results of operations – Wireless business' section, is encouraging as this adds to the subscriber base. The key now is to give customers good reasons to sign up or stay with Rogers, instead of going to the competition. That is why the "why Rogers" and the Rogers "value propositions" are now so front and centre in all our messages.

Rogers said in its MD&A that overall revenue in Q4 increased 2% year-over-year to $3.51 billion on wireless service revenue growth of 6%. Postpaid wireless customers shelled out $7.83 more per month versus a year ago, as the company expanded its use of data plans that can be shared across devices and by multiple users in its share everything plan. Rogers Chief Financial Officer Tony Staffieri announced that the surge would likely extend into 2017 and lead to the 3 percent to 5 percent revenue growth rate. "You have more devices, more family members coming in," Staffieri said. "Teenagers and senior citizens, who might not have had contract phone plans in the past, are now more likely to have them and spend more money on bigger data plans."

On the other hand, increasing ARPU also means an increase in residual per customer. That also explains why even though the customer base decreased, the Company still registered an increase in residual revenue of $94,139 or 4%.

It is important to maintain the customer base because the Company receives residual income on the subscriber base every month. This gives the Company a steady flow of income.

<u>Selected Annual Consolidated Financial Information</u>

	Dec-16	Dec-15	Dec-14
Revenue	16,156,538	17,056,334	17,103,243
Income before income taxes	1,704,800	1,659,107	2,067,219
Income Tax expense (recovery)	447,559	441,633	492,220
Net earnings	1,257,241	1,217,474	1,574,999
Assets	20,605,371	19,483,984	19,576,532
Liabilities	3,689,370	3,228,478	3,941,724
Basic & diluted earnings per share	0.105	0.102	0.132

Please note that as the Company's B.C. operations were sold in 2014, the 2014 results include four months of B.C. operating revenue ($1,118,155) as well as the profit on its sale ($560,429).

In 2015, revenue and net earnings increased when compared with the 2014 net figures, indicating that the sale of the B.C. operations had no adverse effect on the Company's overall results. This is further proven in 2016. Even though there was a revenue decrease in 2016 over 2015, net earnings did not follow suit, but in fact had a slight increase instead.

The decrease in 2016 revenue, on the other hand, did not have a negative impact on the Company's net earnings, which actually recorded a slight increase instead over 2015. As discussed earlier in this MD&A, the majority of the revenue decrease was from hardware sales and since margins on hardware are nominal, the decrease did not transfer fully to the Company's bottom line.

It is expected that revenue will continue to be under downward pressure in 2017. The Company hopes the addition of the micro finance business will help mitigate this trend.

Results of operations – Wireless business

Looking at the number of activations and customer upgrades, in 2016:

ONTARIO (ROGERS & FIDO)				
	2016	**2015**	**+/-**	**%**
Voice activation	17,875	17,542	333	2%
Data activation	17,552	15,702	1,850	12%
Hardware upgrade	8,267	9,902	-1,635	-17%

From 2014 to 2015, the Company had gains in both new voice and data activations. This momentum continued into 2016. New voice and data activations continued to gain by 333 and 1,850 or 2% and 12%, respectively.

Likewise, from 2014 to 2015, the Company lost in its customer upgrades and this trend continued into 2016, when customer upgrade activities further retreated by 1,635 or 17%.

New activations generally come from children coming of age, switchers from other service providers as well as newcomers (immigrants and students) to the country. The Company has an advantage in gaining new customers with its focus on the Asian ethnic market, which has new immigrants and students arriving throughout the year. The Company has been concentrating on building networks and connections in new immigrant support groups and student associations to capture this share of the new business.

These efforts seemed to have worked better on the Fido side of the business, which targets the younger generation, is the more affordable brand and has always been the channel to generate volume. This continues to be the case in 2016, if we look at Rogers and Fido separately:

ROGERS				
	2016	**2015**	**+/-**	**%**
Voice activation	6,845	7,442	-597	-8%
Data activation	6,693	7,045	-352	-5%
Hardware upgrade	6,685	7,406	-721	-10%

FIDO				
	2016	**2015**	**+/-**	**%**
Voice activation	11,030	10,100	930	9%
Data activation	10,859	8,657	2,202	25%
Hardware upgrade	1,582	2,496	-914	-37%

Both Rogers' new voice and data activations decreased by 597 and 352, or 8% and 5%, respectively, in 2016. This is a reversal of the increase of 2015. Rogers has been positioning the Rogers brand to be at the higher end of the market, focusing on family plans and bundling to gain higher overall ARPU, sometimes at the expense of volume.

Fido is now the volume play for Rogers, with aggressive pricing and bonus data promotions at strategic selling periods such as the Q3 back-to-school and Q4 Christmas holiday period. As a result, Fido new voice and data activations increased by 930 and 2,202, or 9% and 25%, respectively, in 2016.

Rogers and Fido upgrades, however, both decreased by 721 (-10%) and 914 (-37%), although for different reasons. Rogers' decrease is more a result of the Samsung Note 7 incident and the supply shortage of the iPhone 7, as customers of these two brands are quite loyal and would have probably held back their upgrades and waited. On the Fido side, the decrease is more a result of a much higher percentage of BYOD in its customer base.

Customers are holding on to their smart phones longer than before not only because of higher prices (the result of CRTC's Wireless Code), but also because there has not been much significant technological breakthrough in smart phones lately.

Furthermore, the launch of this year's new phones such as the Samsung Note 7 and Apple iPhone 7 did not help speed up phone sales. In any event, it should be pointed out that there is no exclusivity to new phone models and all major carriers have them in their lineup. Launch of new phone is always a well anticipated event among phone followers, and keeping the early adopters, who are usually your most loyal customers, is key. The Company's ability to sell both the Rogers and Fido brand gives it an advantage to capture both ends of the market and help to maintain volume and to reduce customers leaving the Rogers/Fido family:

Ontario (Rogers & Fido)	2016	2015	+/-	%
Phone sales	9,657,026	10,851,359	-1,194,333	-11%
New activation commission	1,600,031	1,655,638	-55,607	-3%
Customer upgrade commission	472,884	558,938	-86,054	-15%
Residual commission	2,626,674	2,532,535	94,139	4%
Bonus commission	1,114,151	1,025,716	88,435	9%
Rogers Bank commission	88,286	29,198	59,088	202%
Cable & Others	483,296	402,950	80,346	20%
Total	16,042,348	17,056,334	-1,013,986	-6%

The decrease in phone sales of $1,194,333, or 11% is a direct result of the decrease in customer hardware upgrade, as well as new voice and data activations on the Rogers side. This was followed by a corresponding decrease in new activation commission and customer upgrade commission of $55,607 and $86,054, or 3% and 15%, respectively. The costs of smartphones are much higher now at upwards of $1,000, and therefore decrease in phone sales would have a higher impact on the Company's sales volume.

Residual commission increased by $94,139, or 4% over 2015, even though the subscriber base actually decreased. This is due to an increase in average residual per subscriber, indicating customers are subscribing to higher MSF (monthly service fee) plans (especially Rogers), and customers are adding data to their voice plans (especially Fido). Again, this is a welcoming sign for the Company, as residual provides a steady income stream for the Company.

Bonus commission increased by $88,435, or 9% compared with 2015. Quarterly and annual bonuses for both Rogers and Fido dealers are measured by multiple metrics. Rogers changes these metrics regularly to make sure their own sales objectives are met and as such bonus commission is not guaranteed. The bonus amount can also vary widely depending on the bonus tier achieved. In 2016, the Company managed to achieve the majority of the bonus metrics throughout the year. Bonus commission is obviously a very important revenue stream for the Company and management is taking every step necessary to attain the metrics. To that end, the Company needs to follow Rogers' direction and switch its business focus and strategy swiftly and efficiently to echo those of Rogers.

Rogers Bank commission, which is commission for signing up customers to Rogers and Fido MasterCard, increased by $59,088, or 202% over that of 2015. The Company has been very focused on promoting this incremental Rogers product in 2016. The Fido MasterCard was introduced during 2016, giving the Company's five Fido locations additional opportunity to generate commission revenue.

Cable and other commission also increased by $80,346, or 20%, compared with 2015. The gain was primarily the result of an aggressive residential Internet offer launched during back-to-school, with lower MSF and higher Internet speed than its major competitors.

Results of operations – Micro Financing business

	2016	2015	+/-	%
Financing revenue	114,190	0	114,190	N/A

Since Adwell commenced operations in Q1, 2016, there are no 2015 comparative figures to present.

In its first year of operations, Adwell provided unsecured short-term installment loans in amounts ranging from $1,500 to $5,000, with 9- to 36-month flexible repayment terms and no early repayment penalties to customers in the provinces of British Columbia and Ontario. These loans are alternatives to the payday loans, which are usually more expensive and stressful to individual consumers. With more flexible repayment term and expertise in customer service, Adwell is aiming to reduce customers' stress and rebuild their financial wellness.

Adwell's main income is interest generated from installment loans that grow in line with the number of customers. In 2016, Adwell generated interest revenue of $114,190, on loans bearing interest ranging from 31% to 48%, with a weighted average rate of 41%.

To support its fast pace growth, Adwell continued to recruit more loan officers to expand its sales team in the Greater Vancouver area of British Columbia. Adwell's service center located in Burnaby, B.C. opened on December 1, 2016, providing step-in services to customers. Meanwhile, Adwell's Toronto, Ontario sales team was also formed and started operating in November.

Furthermore, Adwell is also investigating the opportunity of expanding its service to include collateral lending in the Greater Vancouver area.

Gross profit margin
2016 – 41%
2015 – 37%
Increase: 4%

Gross profit margin for the year is 41%, compared with 37% in 2015. Two factors helped lift profit margin. The first is decrease in phone sales which drove down 2016 overall sales revenue, and the second is the net increase in non-margin based commission revenue.

For the Company, there are several factors that could affect profit margin:

- New activation commission and upgrade commission can be changed at short notice, depending on Rogers priorities and focus. Since 2016, these commissions are based on MSF multiples, rather than a fixed amount, reflecting Rogers focus on higher ARPU.
- Dealer bonus commission targets and achievement metrics vary quarter to quarter and year to year, and also may be favorable or unfavourable to the Company.
- Residual commission is a steady source of income but it is becoming more and more challenging to maintain customers amid heavy competition and the government allowing more competition in the future.
- Rogers has other commission revenue sources – Rogers Bank (MasterCard) and Cable commission such as Internet, Smart Home Monitoring and digital TV. Increasing these revenue streams, which the Company is striving to do, will improve profit margin as these are non-margin based products.

In short, the Company must adopt and adjust quickly to the constantly changing environment in which it operates, to maximize opportunities to generate revenue.

2016 General and Administration expenses - $4,950,247
2015 General and Administration expenses - $4,649,014

Increase: $301,233 or 6.5%

General & Administration expenses increased by $301,233, or 6.5% year-over-year. The biggest increase is the salary & payroll costs of Adwell, which commenced operations in 2016, as well as additional legal expenses incurred in the setting up of Adwell and the subsequent COB application in late 2016. This is mitigated by a decrease in rent and occupancy costs resulting from the closing of wireless stores in 2015.

2016 Advertising and Promotion expenses - $91,124
2015 Advertising and Promotion expenses - $107,466

Decrease: $16,342 or 15%

Following the trend of the past few years, the Company again spent less in net advertising and promotion in 2016 than in 2015, further dropping this expenditure by 15%. Rogers is moving towards one branded retail strategy and as a result is giving less and less leeway to dealers to do their own advertising and promotion, instead of centralizing it from their marketing department. Another strategy the Company saw Rogers adopting more often in 2016 was to use promotion credits, which dealers can obtain at a discount, to reduce the price of the phone. This approach can be very effective in short term “hit & run” type promotions, as competitors would have difficulty matching this.

The Company plays heavily in the ethnic market and considers it important to maintain its own identity and presence in the communities it serves, and will continue to advertise and promote its products and services in ethnic media channels when appropriate. The advertising and promotion we do now are all tactical in nature, hopefully to yield faster results.

Besides receiving co-op subsidy from Rogers on advertising and promotion activities, the Company also receives marketing funds from Rogers and phone manufacturers throughout the year, thus further reducing its overall sales & marketing costs. However, these subsidies depend on product timing (whether there is new product launch) and budget, and so they may not be repeated in the future.

Adwell incurred a small amount of advertising and promotion expenses in its first year of operations. The Company does not anticipate Adwell to be heavy in this category as customers are mostly attracted to Adwell via referrals and “word of mouth”.

2016 Amortization of Property and Equipment - $113,368
2015 Amortization of Property and Equipment - $150,433

Decrease: $37,065 or 25%

The reduction in amortization reflects writing off of property and equipment following the closure of wireless stores since Q3 2015.

2016 Amortization of Investment properties - $45,987
2015 Amortization of Investment properties - $45,986

There has been no change in investment properties since the reclassification of four properties as investment properties in 2014.

2016 Rental Income - $149,541
2015 Rental income - $129,463
Increase: $20,078

The increase was due to rent collected from one investment property that was rented out in Q3 2015.

2016 income before income taxes - $1,704,800
2015 income before income taxes - $1,659,107
Increase of $45,693 or 2.8%

2016 income before taxes increased by $45,693, or 2.8% even though Adwell lost $157,323 (before taxes) in its first year of operations.

2016 net income after taxes - $1,257,241
2015 net income after taxes - $1,217,474
Increase of $39,767 or 3%

2016 loss attributable to non-controlling interest - $35,030
2015 loss attributable to non-controlling interest - $Nil

2016 EPS - $0.105
2015 EPS - $0.102

Summary of consolidated quarterly results

	Mar-15	Jun-15	Sep-15	Dec-15	Mar-16	Jun-16	Sep-16	Dec-16
Wireless revenue	3,755,731	3,951,070	4,256,428	5,093,105	3,433,267	3,660,735	4,088,280	4,860,066
Financing revenue	0	0	0	0	2,953	20,259	36,251	54,727
Gross margin	38%	36%	41%	34%	40%	39%	41%	43%
Net income	337,287	267,641	364,154	248,392	274,802	178,460	411,610	392,369
Basic and diluted earnings per share	0.028	0.022	0.031	0.021	0.024	0.015	0.034	0.033

2016 revenue followed the more traditional trend in Canadian retail sales in that post-Christmas holiday Q1 is normally the slowest quarter of the year, while sales would generally build up in Q3 and peak in Q4. The Company's own sales follow this trend in general but we have seen revenue spike in Q3 instead, because of the ``back-to-school`` selling season, which now rivals Christmas. In 2016, the anticipated spike the market expected from the launch of Samsung Note 7 in Q3 did not materialize due to its worldwide recall and cease sell.

On the wireless revenue side, many factors are at play that can affect wireless revenue, among them are:

- Launch of new hardware – we have all seen the effect a new hardware launch (or recall in this particular case) can have on Q3 revenue, just by examining the Samsung Note 7 incident in 2016. The iPhone 7 launch in Q4 did help bring revenue back to the highest quarter of the year although it could have been better if more stock was available to the Canadian market. Nevertheless, a new model launch is always welcome, especially at a time when Rogers wants to stay ahead of the technology curve amongst competitors.

- Rogers promotions, if any, which affect new acquisitions – although these eased somewhat, the focus of Rogers is still on achieving higher ARPU customers. This may be a disadvantage for the Company, which plays in the retail, consumer end of the market.
- BYOD (bring your own device) has become more and more popular and continues to depress phone sales revenue. Rogers also encourages customers to utilize their existing devices on sharing plans, which is an excellent tool to reduce churn, but at the same time no hardware revenue is generated. We also observed consumers using their smartphones for a longer period of time. This is because of smartphones becoming more expensive and also the lack of any ground-breaking technology in new devices.
- Aiming to improve ARPU, Rogers is restricting premium smartphones (iPhone 7 and Samsung S7 models) to their premium high MSF plans only. This further affects volume and also encourages customers to gravitate toward BYOD.

On the financing revenue side, the Company's micro finance business commenced operations in Q1 2016, and has seen steady progress throughout the year, with quarterly revenue increasing by 586% in Q2, 79% in Q3 and 51% in Q4, respectively.

As discussed earlier in this MD&A, the Company has obtained TSXV and shareholders' approval to increase its funding to Adwell. With this commitment, and the expansion of Adwell's business coverage to Ontario, Adwell is expected to contribute more to the overall revenue of the Company in 2017.

<u>Fourth Quarter discussion</u>

ROGERS & FIDO (COMBINED)				
	Q4 2016	**Q4 2015**	**+/-**	**%**
Voice activation	4,709	4,218	491	12%
Data activation	5,048	3,609	1,439	40%
Hardware upgrade	2,211	2,851	-640	-22%

Voice activations increased by 491 (+12%) in Q4 2016, when compared with Q4 2015, while data activations also increased by 1,439 (+40%). However, customer upgrade activities decreased by 640 (-22%) over Q4 2015.

Rogers and Fido seen separately:

ROGERS				
	Q4 2016	**Q4 2015**	**+/-**	**%**
Voice activation	1,623	1,989	-366	-18%
Data activation	1,677	1,881	-204	-11%
Hardware upgrade	1,756	2,215	-459	-21%

FIDO				
	Q4 2016	**Q4 2015**	**+/-**	**%**
Voice activation	3,086	2,229	857	38%
Data activation	3,371	1,728	1,643	95%
Hardware upgrade	455	636	-181	-28%

The Q4 increase in both new voice and data activations were all on the Fido side, which recorded increase of 857 (+38%) and 1,643 (+95%), respectively. Fido has been using both aggressive pricing and bonus data to attract new customers and this strategy seemed to have worked. Fido has been the spearhead of growth for the Company and the volume play for Rogers and we expect this strategy to continue into 2017.

Rogers and Fido upgrades both decreased by 459 (-21%) and 181 (-28%), respectively. As mentioned earlier, the Samsung Note 7 incident adversely affected customer upgrades especially on the Rogers side as these are high-tier customers looking for the best phones. They might have held back on their upgrades or moved over to other models. Unfortunately, the shortage of iPhone 7 models in the Canadian market did not help fill this gap.

The decrease in Fido upgrades is caused more by its high BYOD base, especially among international students and new immigrants who bring their own devices from overseas. To improve new hardware take-up rate on the Fido side, Rogers has been trying to bring in more affordable phone models to entice customers to buy new hardware; its goal is to have customers sign a term plan that translates into less churn, an industry term for switching carriers.

	Q4 2016	Q4 2015	**+/-**	**%**
Phone sales	2,833,084	3,294,154	-461,070	-14%
New activation commission	398,935	434,865	-35,930	-8%
Customer upgrade commission	144,550	144,794	-244	0%
Residual commission	672,149	640,091	32,058	5%
Bonus commission	662,911	433,958	228,953	53%
Rogers Bank	32,106	4,526	27,580	609%
Cable & others	116,331	140,717	-24,386	-17%
Total Wireless revenue	4,860,066	5,093,105	-168,148	-3%

Q4 phone sales dropped by $461,070 (-14%) when compared with Q4 2015, a direct result of the decrease in customer upgrades at both Rogers and Fido, as well as the drop in new voice and data activations on the Rogers side. Although there was good gains in Fido voice and data numbers, most these are BYOD activations that do not generate hardware sales revenue.

By the same token, new activation commission revenue dropped $35,930 (-8%) even though overall number increased. Fido plans, especially data plans, are add-on plans with lower MSF. New activation commissions are now compensated on a MSF multiple basis instead of fixed basis in 2015.

The bright spot in Q4 is the increase in bonus commission of $228,953, or 53%. The increase is mostly on the Fido side, as the Company achieved a higher tier of bonus payout in the quarter. The Company also achieved a Rogers Bank incentive bonus on signing up new Rogers MasterCard, which added to the total bonus increase.

Rogers Bank (MasterCard) commission also had a healthy increase of $27,580 (609%). This product has become a bigger focus for Rogers and the Company.

The financing business of the Company (Adwell) did not start until 2016 so there is no year-over-year Q4 comparison. The Company has made steady progress through 2016 with good quarter-to-quarter increase in interest revenue. Adwell opened a service center in Burnaby B.C. to provide walk in customer service to its customers.

As mentioned earlier in this MD&A, the Company declared and completed payment of a dividend of $0.05 per common share in Q4.

<u>Liquidity</u>

Cash and cash equivalents as at December 31, 2016 - $13,377,363
Cash and cash equivalents as at December 31, 2015 - $12,320,370

Increase of $1,056,993 or 8.6%

Working capital as at December 31, 2016 - $13,064,504
Working capital as at December 31, 2015 - $12,204,306

Increase of $860,198 or 7%

The Company used its internally available funds to pay for the dividend payment of 5 cents per share in Q4, which amounts to $596,776. Payment of this dividend did not have a negative impact on the operating cash flow of the Company.

The liquidity of the Company has always been generated from the Company's operations. Bank credit facilities were not used and the Company had no outstanding balance as at December 31, 2016.

Summary of contractual obligations

Wireless business

Number of leases at December 31, 2016 – 12 (December 31, 2015 – 12)

There was no lease termination in 2016. However, the Company did extend one lease in Ontario during the year for an additional three years.

In the sale of the Company's B.C. stores in 2014, the Company assigned three leases to the purchaser. Two expired in 2015 and the remaining lease expired in August 2016.

Future minimum operating lease commitments are as follows:

YEAR	
2017	$392,576
2018	$320,634
2019	$134,625
2020	$41,228
2021	$0
Total	$889,063

Financing business

As mentioned earlier in this MD&A, Adwell, the Company's 70%-owned subsidiary, entered into a lease in Q3 2016 to open a service centre in Burnaby, B.C. The lease commenced on December 1, 2016 for a term of three years. The future minimum operating lease commitment of this lease is as follows:

YEAR	
2017	$21,429
2018	$22,614
2019	$21,725
Total	$65,768

In sum, the total future minimum operating lease commitment of the Company as at December 31, 2016 was as follows:

YEAR	
2017	414,005
2018	343,248
2019	156,350
2020	41,228
Total	954,831

Capital resources

The Company has two operating lines of credit. The first one is under Am Call Wireless, a subsidiary of Advent, and has a limit of $300,000, guaranteed by Advent, and has a general security agreement and an assignment of book debts, inventory and fire insurance proceeds, bearing interest at the prevailing prime rate plus 1%.

The Company also has a second operating line of credit for $250,000, secured by mortgages and bearing interest at the prevailing prime rate plus 0.75%.

There was no amount owning under either of these lines of credit as at December 31, 2016 (December 31, 2015 – nil).

Off balance sheet arrangements

The Company is landlord to four properties, one in Ontario and three in B.C.

The Ontario property (Horizon Center) has been leased since 2009. This commercial condominium unit was originally intended for another store but it was decided that the location was not suitable for selling wireless products at that time. This lease was extended for another three years when it expired on December 31, 2014, under the same terms and conditions. The Company has no intention to open a store at that location in the immediate future, and is keeping it as an investment property.

Two of the three B.C. properties are previously self-occupied stores of the Company's B.C. wireless operations. When the B.C. wireless business was sold in 2014, the two properties were leased to the purchaser, beginning from May 1, 2014.

One store in Burnaby, B.C. (Crystal Mall) is still occupied by the purchaser (tenant) at time of this MD&A, with the current lease expiring on April 30, 2019.

The other store in Richmond B.C. (Continental Center) was leased to another tenant for six years starting from August 1, 2015, to November 30, 2021, when the purchaser moved out in Q3 2015.

Beginning December 1, 2014, the Company leased out one of its two units at Aberdeen Square, Vancouver, B.C. The original intention for the purchase of Aberdeen Square was for the Company's B.C. wireless business but since that business was sold they were turned into investment purposes. The current lease term is for four years and will expire on November 30, 2018. On January 1, 2017, the Company also leased out the second unit at Aberdeen Square for five years, expiring December 31, 2021.

These properties have been classified on the balance sheet as investment properties. Total rent received was $149,541 in 2016 (2015 - $129,463). The market value of these properties combined is estimated at $2,754,000 as at December 31, 2016 (2015 - $2,544,000). The rental income on these investment properties has been presented as rental income on the consolidated statement of income and comprehensive income.

The Company intends to continue leasing these properties out at a reasonable return, but will evaluate other options, such as taking them back for company business purposes or selling them at a price that would generate a reasonable return in the eyes of management.

Transaction with related parties

Salaries and fees paid to the Company's directors and executive offices in 2016 was $909,815 (2015 – $805,569).

Proposed transactions

In Q4 2015, the Company obtained TSVX approval to permit it to commence a micro-financing business through a 70%-owned subsidiary, and to fund up to $1,375,000 in that venture from the Company's cash on hand. Consequently, the Company incorporated and became a 70% owner of Adwell, which commenced operations of its micro-finance business in Q1 2016.

It was a condition of the TSXV's approval that should the Company wish to invest/fund more than the initial $1,375,000 contribution, then the TSXV would deem such further investment/funding to be a COB (change of business) and the Company would be required to, among other things, obtain shareholder approval to such further investment/funding

As the Company wishes to have the ability to advance more funds to assist with Adwell's growing business and potential expansion plans, the required COB application was filed with the TSXV on September 22, 2016. Subsequently, the

TSXV notified the Company on October 31, 2016, that conditional approval has been granted, and is subject to the Company obtaining shareholder approval within 90 days.

The required approval was obtained at a shareholder meeting held in Vancouver B.C. on January 4, 2017.

As part of the COB application, the Company also applied to change its name from Advent Wireless Inc. to Advent-AWI Holdings Inc. to better reflect the business nature of the Company. The name change was approved and effective as at March 23, 2017.

<u>Outstanding share data</u>

There were 11,935,513 common shares issued and outstanding as at December 31, 2016 (December 31, 2015 – 11,935,513 shares). The number of common shares remains unchanged as at the date of this MD&A.

The Company issued no stock option during 2016 and there was no stock option outstanding as at December 31, 2016.

<u>Significant new and revised accounting standards adopted in the year</u>

Amendments to IAS 1, Presentation of Financial Statements, clarify guidance on materiality and aggregation, the presentation of subtotals, the structure of consolidated financial statements and the disclosure of accounting policies. This standard is required to be applied for periods beginning on or after January 1, 2016.

The interpretation had no impact on the Company's consolidated financial statements for the year ended December 31, 2016.

<u>Future accounting and reporting changes</u>

IFRS 9, Financial Instruments, addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortized cost, fair value through other comprehensive income (OCI) and fair value through the statement of operations and comprehensive income. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable option at inception to present changes in fair value in OCI. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. For financial liabilities, there were no changes to classification and measurement except for the recognition of changes in the Company's own credit risk in OCI for liabilities designated at fair value. The standard is effective for accounting periods beginning on or after January 1, 2018.

IFRS 15, Revenue from Contracts with Customers, applies to all revenue contracts with customers and provides a model for the recognition and measurement of the sale of some non-financial assets such as property, plant and equipment and intangible assets. This new standard sets out a five-step model for revenue recognition and applies to all industries. The core principle is that revenue should be recognized to depict the transfer of promised goods or services to customers in an amount that reflects the consideration that the entity expects to be entitled to in exchange for those goods or services. IFRS 15 requires numerous disclosures, such as the disaggregation of total revenue, disclosures about performance obligations, changes in contract asset and liability account balances and key judgments and estimates. This new standard is effective for fiscal years beginning on or after January 1, 2017, with early application permitted.

IFRS 16, Leases, was issued in January 2016 and is effective for annual periods beginning on or after January 1, 2019. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases. All leases result in the lessee obtaining the right to use an asset at the start of the lease and, if lease payments are made over time, also obtaining financing. Accordingly, IFRS 16 eliminates the classification of leases as either operating leases or finance leases as is required by IAS 17 Leases, and instead introduces a single lessee accounting model. Lessees will be required to recognize: (a) assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value; and (b) depreciation of lease assets separately from interest on lease liabilities in the income statement. IFRS 16 substantially carries forward the lessor accounting requirements in IAS 17. Accordingly, a lessor continues to classify its leases as operating leases or finance leases, and to account for those two types of leases differently.

IFRS 7, Financial Instruments: Disclosure, has two amendments relating to servicing contracts and interim consolidated financial statements. For servicing contracts, if an entity transfers a financial asset to a third party under conditions which allow the transferor to derecognise the asset, IFRS 7 requires disclosure of all types of continuing involvement that the entity might still have in the transferred assets. IFRS 7 provides guidance on what is meant by continuing involvement in this context. The amendment adds specific guidance to help management determine whether the terms of an arrangement to service a financial asset which has been transferred constitute continuing involvement. The amendment is prospective with an option to apply retrospectively. A consequential amendment to IFRS 1 is included to give the same relief to first-time adopters. The amendment for interim consolidated financial statements clarifies that the additional disclosure required by the amendments to IFRS 7, 'Disclosure - Offsetting financial assets and financial liabilities' is not specifically required for all interim periods, unless required by IAS 34. The amendment is retrospective.

The Company is currently evaluating the impact of these future amendments and has not yet determined the impact to the consolidated financial statements.

<u>Criticial accounting estimates</u>

The preparation of consolidated financial statements requires management to make assumptions and estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. Management's estimates and underlying assumptions are based on historical experience and are reviewed on an ongoing basis.

The estimates and assumptions that could result in a material effect in the next financial year on carrying amounts of assets and liabilities are outlined below:

Impairment of non-financial assets

The determination of long-lived asset impairment requires significant estimates and assumptions to determine the recoverable amount of a cash generating unit (“CGU”), the recoverable amount being the higher of fair value less costs to sell and value in use. The value in use method involves estimating the net present value of future cash flows derived from the use of the CGU, discounted at an appropriate rate.
In the event an impairment analysis is required, the key assumptions that would be utilized in the determination of future cash flows would represent management's best estimate of the range of economic conditions relating to the CGU, and would be based on historical experience, economic trends, and communication with other key stakeholders of the Company. These key assumptions would include the revenue growth rate, margin as a percentage of revenues, capital expenditures, the inflation growth rate and the discount rate. Significant changes in the key assumptions used in the determination of future cash flows could result in an impairment loss or reversal of a previously recognized impairment loss.

Estimated useful lives of non-financial assets

Judgment is used to estimate each component of an asset's useful life and is based on an analysis of factors including, but not limited to, the expected use of the asset. If the estimated useful lives change, this could result in an increase or decrease in the annual amortization expense and future impairment charges.

Income taxes

Deferred income tax assets and liabilities are due to temporary differences between the carrying amount for accounting purposes and the tax basis of certain assets and liabilities, as well as undeducted tax losses. Estimation is required for the timing of the reversal of these temporary differences and the tax rate applied. The carrying amounts of assets and liabilities are based on amounts recorded in the consolidated financial statements and are subject to the accounting estimates inherent in those balances. The tax basis of assets and liabilities and the amount of undeducted tax losses are based on the applicable income tax legislation, regulations and interpretations.

The timing of the reversal of the temporary differences and the timing of deduction of tax losses are based on estimations of the Company's future financial results.

Changes in the expected operating results, enacted tax rates, legislation or regulations, and the Company's interpretations of income tax legislation, will result in adjustments to the expectations of future timing difference reversals, and may require material deferred tax adjustments.

Significant judgments

Information about judgments made in applying accounting policies that have the most significant effect on the amounts recognized in the consolidated financial statements is set out below.

Gross Versus Net Revenue Recognition

The Company follows the guidance set out in IAS 18, Revenue in determining the presentation of revenue and costs of sale. The guidance requires the Company to assess whether it acts as a principal in a transaction or as an agent acting on behalf of others. To the extent that revenue is earned through the sale of hardware and accessories to customers, the Company has determined that these amounts should be reported on a gross basis in the consolidated statement of income and comprehensive income as the Company is exposed to the risks and rewards before and after the associated transaction.

The preparation of consolidated financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results could differ from these estimates.

Disclosure controls and procedures and internal controls over financial reporting

On November 23, 2007, the British Columbia Securities Commission and the securities commissions in the other jurisdictions in which the Company is registered, exempted Venture Issuers from certifying disclosure controls and procedures as well as Internal Controls over Financial Reporting as of December 31, 2007, and thereafter. Since the Company is a Venture Issuer it is now required to file basic certificates, which it has done for the year ended December 31, 2016. The Company makes no assessment relating to establishment and maintenance of disclosure controls and procedures as defined under Multilateral Instrument 52-109 as at December 31, 2016.

Financial Instruments

The Company did not use derivative financial instruments such as swaps, futures or hedging contracts in Q4 2016. The Company has no plans to use any of these in the foreseeable future.

Risk factors

Wireless business

A new credit risk arose since 2014 from the $800,000 promissory note given by the purchaser of the discontinued operations in B.C. The Company was able to minimize exposure by obtaining a mortgage on two commercial strata units as collateral. The market value of the collateral is estimated to be $358,000 as of December 31, 2016 (December 31, 2015 - $316,000).

The credit risk of the promissory note is reducing over time as it is being paid down by 60 monthly instalments. At the time of this MD&A, the Company had received payments on time. The purchaser is an experienced operator in the B.C. market, which further mitigates credit risk.

The wireless communications industry is affected by economic conditions and consumer confidence and spending. Phenomena such as recessions, a drop in economic activity and a feeling of economic uncertainty in the populace can erode consumer and business confidence and reduce discretionary spending. Even though wireless cell phones are becoming more and more of a necessity, they are still considered discretionary among a large part of the population. Our operating results also are subject to seasonal fluctuations that materially impact quarter-to-quarter operating results, and thus one quarter’s operating results are not necessarily indicative of a subsequent quarter’s operating results.

The Company’s economic dependence on Rogers is the main risk factor. Advent is in an industry in which the carrier pays the dealer commission to bring in new customers and service existing ones. It is also part of an industry in which hardware (mainly wireless handsets) is heavily subsidized by the carrier – phones are sold to consumers at a hefty discount and the dealer recovers the cost of hardware through a back-end hardware subsidy from the carrier. A good example is the Apple iPhone and other Android smart phones, where the phone could sell for as little $499 on a two-year contract or $1,000+ dollars without a contract.

For the year ended December 31, 2016, approximately 83% (2015 – 85%) of the Company's revenue was from Rogers Communications Inc., whereas the remaining approximately 17% (2015 – 15%) was generated through the Company's 15 retail stores (2015 – 15 stores).

Account receivable from Rogers – 94% at December 31, 2016 (98% at December 31, 2015). Management has decided that no bad debt provision is required on the Rogers receivables as past collection experience and the credit quality of Rogers are good.

Unless there is a change in the Canadian model of subsidizing hardware, this economic dependence on Rogers is going to be the same in the near future. Additionally, since the Company is so heavily dependent on Rogers' products, several of the risk factors affecting Rogers affect Advent as well.

Canadian wireless companies could face increased competitive pressure because of recent legal changes to foreign ownership of telcos and control of the wireless licences. In other words, giants such as Verizon in the U.S. and others could enter the Canadian market either by acquiring wireless licences or smaller companies that hold such licences. Foreign carriers could also acquire smaller Canadian companies with less than 10% of the spectrum and thereby gain this spectrum and launch fierce competition against companies such as Rogers.

A risk factor that became more tangible was when the previous Federal Government decided to further open up the Canadian telecom services industry to foreign investors by easing up on foreign ownership rules. Whether and by how much all this changes under the new Liberal government of Prime Minister Justin Trudeau remains to be seen at the time of this MD&A. Meanwhile, Rogers says in its MD&A for 2016 year-end that foreign ownership is still a threat to existing carriers.

Spectrum fees (to cover the government's costs of processing applications and regulating use of the spectrum) may increase with the renewal of cellular and PCS spectrum licences. Rogers says in its 2011 MD&A: "While the Minister of Industry announced in March 2011 that the previously existing annual fee of $0.0351 per MHz per population of the licensed area would continue to apply to all cellular and PCS licences (850 MHz and 1.9 GHz) upon renewal, including those initially assigned by auction, the Minister may review and amend the fees during the licence term after further consultation with licensees. Changes to spectrum fees could significantly increase Rogers' payments and as a result, could materially reduce our operating profit. The timing of fee increases (if any) is unknown."

[NOTE: Please also review Rogers' year-end 2016 and Q4 2016 MD&A section on regulations affecting the telecom industry and on general risk for more details on the above and to understand additional potential risks and uncertainties.]

The media has been headlining reports based on studies that claim alleged links between radio frequency emissions from wireless handsets and various health concerns, including cancer, and interference with various medical devices, including hearing aids and pacemakers. The Company and Rogers have yet to come across definitive reports or studies linking such health issues to radio frequency emissions; continued media reporting may discourage the use of wireless handsets. Alternatively, authorities could impose more restrictive standards on radio frequency emissions from low powered devices, such as wireless handsets.

Additionally, in July 2013, a class action was launched in British Columbia against providers of wireless communications in Canada and manufacturers of wireless devices, alleging adverse health effects incurred by long-term users of cellular devices. The plaintiffs are seeking unspecified damages and punitive damages, effectively equal to the reimbursement of the portion of revenues the defendants have received that can reasonably be attributed to the sale of cellular phones in Canada. While mentioning this suit in its Q2 2016 MD&A, Rogers is not recording a liability for this contingency.

A continuing risk factor is the increasing competitiveness of Rogers' two main rivals, Bell Canada and TELUS with their own networks. They continue to mount an aggressive marketing campaign. Concurrently, new and smaller entrants continue to increase their share of the market in both the voice and data markets. Rogers says in its MD&A: "There is no assurance that our current or future competitors will not provide services that are superior to ours or at lower prices, adapt more quickly to evolving industry trends or changing market requirements, enter markets we operate in, or introduce competing services. Any of these factors could reduce our business market share or revenue, or increase churn."

Risk factors also include technological changes causing product obsolescence, intense competition in the wireless telecommunications industry and changes in the regulatory environment. Management reviews all these risk factors regularly and discusses strategies to deal with these if they happen to arise. The Company depends heavily on its service provider, Rogers, to provide innovative and competitive products and services to the marketplace. Technology is inevitably subject to obsolescence and Rogers must keep up with future changes in technology to stay competitive.

Indications are that Rogers is not only aware of this but is taking active steps to manage this issue. For instance, Rogers Wireless launched the first Canadian commercial deployment of Long Term Evolution (“LTE”) network services in Ottawa, Toronto, Montreal and Vancouver and now reaches more than 70% of the Canadian population. LTE is a next generation technology that enables unparalleled connectivity, offering speeds that are between three and four times faster than HSPA+ with peak theoretical download rates of up to 150 Megabits per second (Mbps) and upload speeds of up to 7*0 Mbps.* In the race to connect homes and businesses in Canada to the fastest broadband speeds available.

For the first time in its MD&A in Q3 2016, Rogers also listed as a risk the possibility of cyber attacks against its network and the network of its suppliers, as something that could lead to service disruptions, legal suits and other actions. More on this can be found in Rogers’ year-end 2016 MD&A under the Risks section. Undoubtedly, such an event would also affect the results of the Company.

<u>Micro Finance business</u>

Credit Risk is the risk of loss that arises when a customer fails to pay an amount owing to Adwell. Credit quality of the customer is assessed based on a number of proprietary credit models and individual credit limits are defined in accordance with this assessment and other factors including the ability of the customer to comfortably afford the periodic loan payments. The linear approval flows will ensure a high quality of loan application process. After evaluating the client’s information, Adwell will decide the loan terms for each applicant such as the maximum of loan principal.

Adwell will continue to develop underwriting models based on the historical performance of groups of customer loans which guide its lending decisions. In 2016, Adwell has decided that due to the good status of its loan portfolio, as well as its relatively small size, no loss provision needed to be made. Adwell will continue to evaluate its loan portfolio in 2017 and make provision for loan losses when deem necessary.

Adwell takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of Adwell’s merchandise leasing and consumer lending businesses. Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions. The Criminal Code of Canada, however, imposes a restriction on the cost of borrowing in any lending transaction to 60% per year. The application of capital requirements or a reduction in the maximum cost of borrowing could have a material adverse effect on Adwell's financial condition, liquidity and results of operations.

Privacy, Information Security, and Data Protection Regulations
Adwell is subject to various privacy, information security and data protection laws and takes reasonable measures to ensure compliance with all requirements. Legislators and regulators are increasingly adopting new privacy information security and data protection laws which may increase Adwell's cost of compliance. While Adwell has taken reasonable steps to protect its data and that of its customers, a breach in Adwell's information security may adversely affect Adwell's reputation and also result in fines or penalties from governmental bodies.