DIVERSIFIED ROYALTY CORP.

Annual Information Form
For the year ended December 31, 2018

March 11, 2019

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MEANINGS OF CERTAIN REFERENCES

In this AIF, references to "**DIV**" or the "**Corporation**" means Diversified Royalty Corp. either alone or together with its subsidiaries, as the context requires.

FORWARD-LOOKING STATEMENTS

Certain statements in this AIF, and documents referred to herein, may constitute "forward-looking information" within the meaning of applicable securities laws, also know as "forward-looking statements". Such statements involve known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements or industry results, to be materially different from any future results, performance or achievements or industry results expressed or implied by such forward-looking information. Forward-looking information is generally identified by the use of terms and phrases such as "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "predict", "project", "will", "would", and similar terms and phrases, including references to assumptions. Such information includes, but is not limited to, comments with respect to strategies, expectations, planned operations or future actions. Forward-looking information includes, without limitation, statements with respect to expectations, projections or other characterizations of future events or circumstances, and DIV's and its Royalty Partners' objectives, goals, strategies, beliefs, intentions, plans, estimates, projections and outlook, including statements relating to the estimates or predictions of actions of customers, competitors or regulatory authorities, and statements regarding DIV's and its Royalty Partners' future economic performance. DIV has based these forward-looking statements on DIV's current expectations about future events. Some of the specific forward-looking statements in this AIF include, but are not limited to, statements with respect to: the payment of the remaining consideration owing to Mr. Lube in respect of the one net new Mr. Lube Location added to the ML Royalty Pool on May 1, 2019, and the expected timing thereof; DIV's objective to purchase stable and growing royalty streams from Royalty Partners and to increase distributable cash per Share by making accretive royalty purchases; DIV's intention to pay dividends to Shareholders and the expected timing of the record and payment dates for monthly dividends; DIV's intention to increase the dividend as distributable cash per Share increases allow; the revenues of the Corporation and its ability to pay dividends to Shareholders are dependent on the ongoing ability of Sutton Group, Mr. Lube and LoyaltyOne to generate cash and pay royalties and management fees to DIV and its subsidiaries; the expectation that DIV will be required to make income tax payments once DIV utilizes the remainder of its non-capital tax losses, to the extent that DIV's taxable income is not otherwise sheltered by then available undepreciated capital tax pools, which income tax payments will reduce the cash available for payment of dividends to Shareholders; statements with respect to the DRIP; the manner in which DIV intends to structure future royalty acquisitions; the circumstances under, and means by, which the SGRS Royalty Pool, ML Royalty Pool, SGRS Royalty Rate and ML Royalty Rate may be adjusted; future increases to the management fees paid by Sutton Group and Mr. Lube to DIV; expectations with respect to the opening of new Mr. Lube Locations and the geographic locations thereof; expectations of increase ML Gross Sales through a combination of new Mr. Lube Locations and same store sales growth; the operating strategies and initiatives that DIV's Royalty Partners intend to employ to increase profitability and grow their businesses; the risks related to, and facing, the SGRS Business, ML Business and AIR MILES® Reward Program; the risks related to, and facing, DIV's business; DIV's intention to use the remaining proceeds from the sale of the FW Rights and net proceeds from the Debenture Offering to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time; the possibility that DIV could reduce or suspend the declaration and payment of dividends on the Shares in the future if DIV is unable to complete royalty acquisitions that will result in a payout ratio that approximates 100% over time; DIV's expected continued dependence on royalty payments received from Sutton Group, Mr. Lube and LoyaltyOne; the outlook of DIV's and its Royalty Partners' businesses and global economic and geopolitical conditions; the expectation that SGRS LP, ML LP and AM LP will distribute all available cash to DIV, except in certain limited circumstances; DIV's intention to ensure that the Shares and the Debentures continue to be qualified investments under the Tax Act for trusts governed by RRSPs, registered education savings plans, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs; the possibility that ML LP may elect to enter into an interest rate swap arrangement for the incremental debt obtained under the 2018 ML Credit Agreement Amendment; the expectation that Mr. Sean Morrison will continue to be instrumental in assisting DIV carry out its growth strategy; the competitive environment in which DIV and its Royalty Partners operate; the performance characteristics of DIV's Royalty Partners; DIV and its Royalty Partners' ability to fund their respective debt maturities and to meet current and future obligations; with the expected tax treatment of DIV's dividends to Shareholders; the expected tax treatment, including investment eligibility of the Shares and Debentures; DIV's

access to available sources of debt and equity financing; expectations, including anticipated trends and challenges, in respect of the royalty sector; and the date of the next annual meeting of DIV's Shareholders.

Forward-looking information contained in this AIF is based on certain key expectations and assumptions made by the Corporation, including, without limitation, expectations and assumptions respecting: the general economy; the payment of royalties from Royalty Partners and adjustments thereto; the ability to acquire additional royalties from prospective Royalty Partners; the expected use by DIV of the cash proceeds from the sale of the FW Rights; the expected use by DIV of the net proceeds from the issuance of the Debentures; the ability to maintain a payout ratio approximating 100% over time; the business strategy, growth opportunities, budgets, projected costs, goals, plans and objectives of the Corporation and its Royalty Partners; the ability to receive equity and/or debt financing on acceptable terms; tax laws not being changed so as to adversely affect DIV's or its Royalty Partners' financing capability, operations, activities, structure or distributions; the ability of DIV and its Royalty Partners' to retain and continue to attract qualified and knowledgeable personnel; no material changes to government and environmental regulations adversely affecting DIV's or its Royalty Partners' operations; and competition for acquisitions, will be consistent with the current economic climate. Although the forward-looking information contained in this AIF is based upon what the Corporation's management believes to be reasonable assumptions, the Corporation cannot assure investors that actual results will be consistent with such information. Undue reliance should not be placed on the forward-looking information since no assurance can be given that it will prove to be correct.

Forward-looking information reflects current expectations of the Corporation's management regarding future events and operating performance as of the date of this AIF. Such information involves significant risks and uncertainties, should not be read as guarantees of future performance or results, and will not necessarily be accurate indications of whether or not such results will be achieved. A number of factors could cause actual results to differ materially from the results discussed in the forward-looking information including, without limitation: the Corporation's high dependency on the operations of Sutton Group, Mr. Lube and LoyaltyOne; the closure of stores by Mr. Lube; prevailing yields on similar securities; the Corporation's reliance on key personnel; dividends are not guaranteed and will fluctuate with business performance (including the impact of taxation), and may be reduced or suspended at any time; possibility of reducing or suspending dividend payments when the payout ratio exceeds 100% over time; DIV will have less cash available for the payment of dividends to Shareholders when DIV commences paying income tax following the utilization of the remainder of its non-capital tax losses, to the extent that its taxable income is not otherwise sheltered by then available undepreciated capital tax pools; dependence on business of Royalty Partners to fund dividends; the unpredictability and volatility of Share prices; dilution of existing Shareholders; leverage and restrictive covenants of DIV and its Royalty Partners under their respective credit facilities; investment eligibility of the Shares; current economic conditions; failure to access financing; credit facilities risk; the financial health of the Corporation's Royalty Partners and cash flows; failure to realize anticipated benefits of royalty acquisitions; failure to complete further royalty acquisitions or future royalty acquisitions not being accretive; regulatory risk; regulatory filing and licensing requirements; fluctuations in interest rates; competition for royalty acquisition targets; limitations on future growth and cash flow; sensitivity to general economic conditions and levels of economic activity; financing constraints; foreign exchange exposure; and any residual liability arising from its former St. Ambroise plant. Readers are cautioned that the foregoing list is not exhaustive. For additional information with respect to risks and uncertainties, readers should carefully review and consider the risk factors described under "*Risk Factors*" and elsewhere in this AIF. The information contained in this AIF, including the documents referred to herein, identifies additional factors that could affect the operating results and performance of the Corporation. Readers are urged to carefully consider those factors.

The forward-looking information contained in this AIF is expressly qualified in its entirety by this cautionary statement. Forward-looking information reflects management's current beliefs and is based on information currently available to the Corporation. The forward-looking information is made as of the date of this AIF (or in the case of information contained in a document referred to herein, as of the date of such document), and the Corporation assumes no obligation to publicly update or revise such forward-looking information to reflect new information, subsequent or otherwise, except as may be required by applicable securities law.

NON-IFRS MEASURES

In addition to financial measures prescribed by IFRS, "EBITDA", "Normalized EBITDA", "distributable cash", "same store sales growth" and "payout ratio" are used as a non-IFRS measures in this AIF.

References to "**EBITDA**" in this AIF are references to earnings (determined in accordance with IFRS) before amounts for interest, taxes, depreciation and amortization. "**Normalized EBITDA**" is calculated as EBITDA before certain items including: share-based compensation, litigation expense, impairment loss, other finance income (costs), and fair value adjustment on interest rate swaps. While EBITDA and Normalized EBITDA are not recognized measures under IFRS, management of the Corporation believes that, in addition to net income, EBITDA and Normalized EBITDA are useful supplemental measures as they provide investors with an indication of cash available for distribution prior to debt service needs, litigation expenditures and interest income. The methodologies used by the Corporation to determine EBITDA and Normalized EBITDA may differ from those utilized by other issuers or companies and, accordingly, EBITDA and Normalized EBITDA as used in this AIF may not be comparable to similar measures used by other issuers or companies. Readers are cautioned that EBITDA and Normalized EBITDA should not be construed as an alternative to net income or loss determined in accordance with IFRS as indicators of an issuer's performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

References to "**distributable cash**" in this AIF are to the amount of money which the Corporation expects to have available for distribution to Shareholders as dividends and is calculated as Normalized EBITDA less interest expense on credit facilities plus interest income. Distributable cash is not a recognized financial measure under IFRS. However, the Corporation believes that distributable cash is a useful measure as it provides investors with an indication of cash available for distribution to shareholders as dividends. Investors should be cautioned, however, that distributable cash should not be construed as an alternative to the statement of cash flows as a measure of liquidity and cash flows of the Corporation. The Corporation's method of calculating distributable cash may differ from that of other issuers and companies and, accordingly, distributable cash may not be comparable to similar measures used by other issuers or companies.

References to "**same store sales growth**" in this AIF are to the percentage increase in store sales over the prior comparable period that were open in both the current and prior periods, excluding stores that were permanently closed. Same store sales growth is a non-IFRS financial measure and does not have a standardized meaning prescribed by IFRS. However, DIV believes that same store sales growth is a useful measure as it provides investors with an indication of the change in year-over-year sales of Mr. Lube locations. DIV's method of calculating same store sales growth may differ from those of other issuers or companies and, accordingly, same store sales growth may not be comparable to similar measures used by other issuers or companies.

The "**payout ratio**" is calculated by dividing the total dividends declared during the period by the distributable cash generated in that period. The payout ratio is not a recognized measure under IFRS, however, management of the Corporation believes that it provides supplemental information regarding the extent to which the Corporation distributes cash, when compared to its cash flow capacity. The Corporation's method of calculating payout ratio may differ from that of other issuers and companies and, accordingly, payout ratio may not be comparable to similar measures used by other issuers or companies.

For a reconciliation of EBITDA, Normalized EBITDA and distributable cash to the nearest IFRS measure, see the Corporation's management discussion and analysis for the year ended December 31, 2018, a copy of which is filed under the Corporation's profile on SEDAR at www.sedar.com.

DATE OF INFORMATION

The information in this AIF is presented as of December 31, 2018, unless otherwise indicated.

PRESENTATION OF FINANCIAL INFORMATION

Unless otherwise indicated, all references to "$" or "dollars" are to Canadian dollars, which is DIV's functional currency. The fiscal year end of all entities within the corporate structure of DIV is December 31. Financial information of DIV is prepared in accordance with International Financial Reporting Standards ("**IFRS**").

THIRD PARTY INFORMATION

This AIF includes market share information, industry data and forecasts obtained from independent industry publications, market research and analyst reports, surveys and other publicly available sources. Although the Corporation believes these sources to be generally reliable, market and industry data is subject to interpretation and cannot be verified with complete certainty due to limits on the availability and reliability of raw data, the voluntary nature of the data gathering process and other limitations and uncertainties inherent in any statistical survey. Accordingly, the accuracy and completeness of this data is not guaranteed. The Corporation has not independently verified any of the data from third party sources referred to in this AIF nor ascertained the underlying assumptions relied upon by such sources.

GLOSSARY OF TERMS

"**2017 ML Credit Agreement Amendment**" has the meaning ascribed to it under "*General Development of the Business – 2017 Amendment of the ML Credit Agreement*".

"**2018 ML Credit Agreement Amendment**" has the meaning ascribed to it under "*General Development of the Business – Mr. Lube Royalty Rate Increase and Net Addition to the Mr. Lube Royalty Pool*".

"**ADS**" has the meaning ascribed to it under "*Corporate Structure – Royalty Partners*".

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

"**Aimia**" has the meaning ascribed to it under "*General Development of the Business - Canadian AIR MILES® Acquisition*".

"**AIR MILES® Acquisition**" has the meaning ascribed to it under "*General Development of the Business - Canadian AIR MILES® Acquisition*".

"**AIR MILES® APA**" has the meaning ascribed to it under "*General Development of the Business - Canadian AIR MILES® Acquisition*".

"**AIR MILES® Licences**" has the meaning ascribed to it under "*General Development of the Business - Canadian AIR MILES® Acquisition*".

"**AIR MILES® Marks**" means the registered and unregistered trademarks, service marks, brands, certification marks, logos, trade dress, trade names, business names, Uniform Resource Locator, domain names and other similar indicia of source or origin and all registrations, applications for registration, and renewals thereof related to the AIR MILES® program in Canada subsisting as of August 25, 2017.

"**AIR MILES® Marks License**" has the meaning ascribed to it under "*Licence and Royalty Agreements - AIR MILES® Licences*".

"**AIR MILES® Reward Program**" has the meaning ascribed to it under "*Corporate Structure – Royalty Partners – LoyaltyOne, Co.*".

"**AIR MILES® Rights**" means, collectively, the AIR MILES® Scheme and the AIR MILES® Marks.

"**AIR MILES® Royalty**" has the meaning ascribed to it under "*General Development of the Business - Canadian AIR MILES® Acquisition*".

"**AIR MILES® Scheme**" means the know-how, processes, trade secrets, confidential information, unpatented inventions, studies and data, marketing strategies, sponsor and/or supplier information, manuals, technology, research and development reports, technical information, technical assistance and similar materials recording or evidencing expertise or information, advertising and promotional materials and other intellectual property related to the AIR MILES® Reward Program in Canada.

"**AIR MILES® Scheme License**" has the meaning ascribed to it under "*Licence and Royalty Agreements - AIR MILES® Licences*".

"**AM Credit Agreement**" has the meaning ascribed to it under "*Description of Capital Structure - Credit Facilities*".

"**AM GP**" means AM Royalties GP Inc., a corporation incorporated pursuant to the laws of British Columbia, and the general partner of AM LP.

"**AM GP Units**" means general partner units of AM LP.

"**AM LP**" means AM Royalties Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

"**AM LP Units**" means the ordinary limited partnership units of AM LP.

"**AM Operating Loan**" has the meaning ascribed to it under "*General Development of the Business – Canadian AIR MILES® Acquisition*".

"**AM Term Loan**" has the meaning ascribed to it under "*General Development of the Business – Canadian AIR MILES® Acquisition*".

"**Annual Royalty Rate Increase**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**Audit Committee**" means the audit committee of DIV's board of directors.

"**Cash Offer Price**" has the meaning ascribed to it under "*Capital Structure – Debentures – Change of Control*".

"**CBCA**" means the *Canada Business Corporations Act*.

"**Change of Control**" means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction of more than 66 2/3% of the outstanding voting securities of the Corporation and, for greater certainty, excludes an acquisition, merger, reorganization, amalgamation, arrangement, combination or other similar transaction involving the Corporation if immediately after the closing of such transaction no person, or group of persons acting jointly or in concert, holds voting control or direction over more than 66 2/3% of the outstanding voting securities of the Corporation or the successor entity resulting from such transaction.

"**CDS**" means CDS Clearing and Depository Services Inc.

"**Common Share Interest Payment Election**" has the meaning ascribed to it under "*Capital Structure – Debentures – Method of Payment – Interest Payment Election*".

"**Conversion Price**" has the meaning ascribed to it under "*General Development of the Business – Debenture Offering"*.

"**Corporation**" or "**DIV**" means Diversified Royalty Corp.

"**CREA**" means Canadian Real Estate Association.

"**Current Market Price of a Share**" on any date, means the volume weighted average trading price at which the Shares have traded on the TSX during the 20 consecutive trading days ending on the fifth trading day before such date, or if the Shares are not then listed on a stock exchange, the value of a Share as determined in good faith by the Corporation's board of directors.

"**DDF**" has the meaning ascribed to it under "*Description of the Business – Business of Sutton Group – Technology"*.

"**Debenture Certificates**" has the meaning ascribed to it under "*Capital Structure – Debentures – Book Based System for Debentures*".

"**Debentureholders**" means the persons for the time being entered in the register for Debentures maintained by the Debenture Trustee as registered holders of Debentures or any transferees of such persons by endorsement or delivery.

"**Debenture Indenture**" has the meaning ascribed to it under "*General Development of the Business – Debenture Offering"*.

"**Debenture Offer**" has the meaning ascribed to it under "*Capital Structure – Debentures – Book Based System for Debentures*".

"**Debenture Offer Price**" has the meaning ascribed to it under "*Capital Structure – Debentures – Book Based System for Debentures*".

"**Debentures**" has the meaning ascribed to it under "*General Development of the Business – Debenture Offering"*.

"**Debenture Offering**" has the meaning ascribed to it under "*General Development of the Business – Debenture Offering*".

"**Debenture Trustee**" has the meaning ascribed to it under "*General Development of the Business – Debenture Offering"*.

"**Deferral Election**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures"*.

"**Determined Amount**" has the meaning ascribed to it pursuant to the ML LP Agreement.

"**DIV Board Agreement**" means the board agreement dated June 30, 2014 between Franworks and DIV with respect to the rights of Franworks to nominate individuals for election to the board of directors of DIV.

"**DRIP**" has the meaning ascribed to it under "*Dividends – Dividend Reinvestment Plan*".

"**EBITDA**" has the meaning ascribed to it under "*Non-IFRS Measures*".

"**Effective Date**" has the meaning ascribed to it under "*Capital Structure – Debentures – Change of Control*".

"**Eligible Location**" on an ML Adjustment Date, means any Mr. Lube Location that is not included in the ML Royalty Pool on such date and has been open for business since July 1 of the previous ML Reporting Period; provided, in the case of a Non-Flagship Location, that the premises license or lease in respect of such Non-Flagship Location expires no less than 8.5 years after such ML Adjustment Date, excluding renewal rights that are not at Mr. Lube's option.

"**Event of Default**" has the meaning ascribed to it under "*Capital Structure – Debentures – Events of Default and Waiver*".

"**Flagship Location**" means a Mr. Lube Location in respect of which Mr. Lube receives a sales royalty equal to or greater than 7% of gross sales (taking into account the same inclusions and exclusions as set forth in the definition of ML Gross Sales).

"**Franworks**" means Franworks Franchise Corp.

"**FW Business**" means the business of franchising, licensing and operating Original Joe's, Elephant & Castle and State & Main restaurants carried on by OJFG.

"**FW Class B LP Units**" means the Class B limited partner units in the capital of FW LP which have the rights, privileges, restrictions and conditions set out in the FW LP Agreement.

"**FW Class C LP Units**" means the Class C limited partner units in the capital of FW LP which have the rights, privileges, restrictions and conditions set out in the FW LP Agreement.

"**FW Class D LP Units**" means the Class D limited partner units in the capital of FW LP which have the rights, privileges, restrictions and conditions set out in the FW LP Agreement.

"**FW Exchange Agreement**" means the exchange agreement dated September 26, 2014 among the Corporation, FW GP and OJFG.

"**FW Governance Agreement**" means the governance agreement dated September 26, 2014 between the Corporation, OJFG, Franworks, FW LP, FW GP and Mr. Derek Doke, as amended.

"**FW GP**" means FW Royalties GP Inc., a company incorporated pursuant to the laws of British Columbia, and the general partner of FW LP.

"**FW GSA**" means the general security agreement dated September 26, 2014 between OJFG, FW LP and Franworks.

"**FW Licence and Royalty Agreement**" means the licence and royalty agreement dated September 26, 2014 between FW LP and OJFG.

"**FW LP**" means FW Royalties Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

"**FW LP Agreement**" means the amended and restated agreement of limited partnership of FW LP dated September 26, 2014 among FW GP, OJFG and the Corporation.

"**FW Registration Rights Agreement**" means the registration rights agreement dated September 26, 2014 between OJFG and DIV.

"**FW Rights**" all registered and unregistered trademarks (including service marks, logos, brand names, trade dress and pending applications for registration) and all certification marks, if any, used in the FW Business, including all trade names confusingly similar to any of the foregoing trademarks or certification marks, if any, used in the FW Business, and all intellectual property (excluding trademarks) pertaining to or used in connection with the FW Business.

"**FW Rights Sale Agreement**" means the agreement dated August 31, 2016 among DIV, FW LP, FW GP, OJFG and Franworks.

"**Homebase Dashboard**" has the meaning ascribed to it under "*Description of the Business – Business of Sutton Group – Technology*".

"**IFRS**" has the meaning ascribed to under "*Presentation of Financial Information*".

"**Ineligible Consideration**" has the meaning ascribed to it under "*Capital Structure – Debentures – Conversion Rights*".

"**Interest Obligation**" has the meaning ascribed to it under "*Capital Structure – Debentures – Method of Payment – Interest Payment Election*".

"**Interest Payment Date**" has the meaning ascribed to it under "*Capital Structure – Debentures – General*".

"**LoyaltyOne**" has the meaning ascribed to it under "*Corporate Structure – Royalty Partners – LoyaltyOne, Co.*".

"**Make-Whole Premium**" has the meaning ascribed to it under "*Capital Structure – Debentures – Change of Control*".

"**Maturity Date**" means December 31, 2022.

"**Maxam**" means Maxam Capital Corp.

"**Maxam II**" means Maxam Opportunities Fund II LP.

"**MI 62-104**" means Multilateral Instrument 62-104 – *Takeover Bids and Issuer Bids*, as in existence on January 1, 2015.

"**ML Acquisition**" means the indirect acquisition by DIV of the ML Rights pursuant to the terms of the ML Acquisition Agreement.

"**ML Acquisition Agreement**" means the acquisition agreement dated July 23, 2015, among DIV, Mr. Lube and ML LP with respect to, among other things, the purchase and sale of the ML Rights.

"**ML Adjustment Date**" means May 1 of each year.

"**ML Business**" means the business of franchising, licensing and operating automotive maintenance businesses that use the ML Rights and all activities related thereto.

"**ML Class A LP Units**" means the Class A limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Class B Distribution Adjustment**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits"*.

"**ML Class B Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Class B LP Units**" means the Class B limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Class C LP Units**" means the Class C limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Class D Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Class D LP Units**" means the Class D limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Class E Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Class E LP Units**" means the Class E limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Class F Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Class F LP Units**" means the Class F limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Credit Agreement**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**ML Exchange Agreement**" means the exchange agreement dated August 19, 2015 among the Corporation, ML GP and Mr. Lube.

"**ML Exchangeable Units**" means the ML Class A LP Units, ML Class B LP Units, ML Class C LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units issued and outstanding from time to time.

"**ML Flagship Inclusion Rate**" for any period means (i) for the purposes of determining the ML Incremental Royalty Amount (as defined in the ML LP Agreement), 0%; and (ii) for all other purposes, (a) 35.97122% until the first ML Incremental Royalty Rate Increase has occurred; (b) 33.55705% after first ML Incremental Royalty Rate Increase has occurred and until the second ML Incremental Royalty Rate Increase has occurred; (c) 31.44654% after the second ML Incremental Royalty Rate Increase has occurred and until the third ML Incremental Royalty Rate

Increase has occurred; (d) 29.58580% after the third ML Incremental Royalty Rate Increase has occurred and until the fourth ML Incremental Royalty Rate Increase has occurred; and (e) 27.93296% after the fourth ML Incremental Royalty Rate Increase has occurred.

"**ML Franchisees**" means all the persons who are party to an ML Franchise Agreement as franchisee.

"**ML Franchise Agreements**" means all of the franchise agreements entered into by, or in favour of, Mr. Lube, as franchisor, an ML Franchisee, as franchisee and any Guarantor(s) (as defined in the ML Acquisition Agreement), as guarantor(s).

"**ML Governance Agreement**" means the governance agreement dated August 19, 2015 between the Corporation, Mr. Lube, Mr. Lube GP, ML LP and ML GP.

"**ML GP**" means ML Royalties GP Inc., a company incorporated pursuant to the laws of British Columbia, and the general partner of ML LP.

"**ML GP Unit**" means an ordinary general partner unit in the capital of ML LP which has the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Gross Sales**" for any period, means (i) in the case of any Flagship Location, (a) 100% of the gross sales of such Mr. Lube Location that are not Tire Sales and (b) with respect to gross sales that are Tire Sales, the amount of such Tire Sales multiplied by the ML Flagship Inclusion Rate; and (ii) in the case of any Non-Flagship Location, (a) 50% of the gross sales of such Mr. Lube Location that are not Tire Sales; and (b) with respect to gross sales that are Tire Sales, the amount of such Tire Sales multiplied by the ML Non-Flagship Inclusion Rate, including in each case without limitation, the entire amount of the actual sales price of all services performed for customers, the sale price of all products, and all other receipts or receivables whatsoever from all business conducted at or originating from such Mr. Lube Location, whether for cash, credit, charge account or otherwise, but excluding in each case:

(a) any sum shown separately from the price which is collected from customers and remitted by such Mr. Lube Location to the appropriate governmental authority for any sales tax, goods and services tax, harmonized sales tax, value added tax, service tax or similar tax levied by any governmental authority;

(b) the value of any coupons or bona fide discounts given to customers in furtherance of any promotion approved by the licensee; and

(c) the amount of any refund or credit given in respect of any goods or services provided to a customer for which a refund of the whole or part of the purchase price is made or for which a credit is given.

For the purposes of determining gross sales in any period, if the ML Franchisee receives compensation in respect of a temporary closure of any Mr. Lube Location from business interruption insurance or otherwise, the gross sales for such period shall include all sales assumed to have been lost by such Mr. Lube Location for which the ML Franchisee receives compensation pursuant to business interruption insurance or otherwise.

"**ML GSA**" means the general security agreement dated August 19, 2015 between Mr. Lube and ML LP, as amended and restated from time to time.

"**ML Incremental Royalty Condition**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Incremental Royalty Rate Increase**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*".

"**ML Licence and Royalty Agreement**" means the licence and royalty agreement dated August 19, 2015 between ML LP and Mr. Lube providing for, among other things, the licence by ML LP to Mr. Lube of the right to use of the ML Rights, and the payment by Mr. Lube to ML LP of a royalty as specified therein for the use of the ML Rights.

"**ML Lost System Sales**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures*".

"**ML LP**" means ML Royalties Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

"**ML LP Agreement**" means the amended and restated agreement of limited partnership of ML LP dated August 19, 2015 among ML GP, Mr. Lube and the Corporation, as amended on March 19, 2018.

"**ML LP Lender**" means the Canadian chartered bank providing the credit facilities in connection with the ML Credit Agreement.

"**ML LRA Amendment**" has the meaning ascribed to it under "*General Development of the Business – Amendment of ML Licence and Royalty Agreement*".

"**ML Make-Whole Carryover Payment**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures*".

"**ML Make-Whole Payment**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures*".

"**ML Management Agreement**" means the management agreement dated August 19, 2015 between the Corporation and Mr. Lube.

"**ML Marks**" means all registered and unregistered trade-marks (including service marks, logos, brand names, certification marks, trade names, trade dress and applications for registration) used in the ML Business, and all trade names confusingly similar to any of the foregoing trade-marks, if any, used in the ML Business, and all goodwill associated with all of the foregoing, but excluding the Canadian trademarks for "Mr. Detail" and "Mr. Wash".

"**ML Non-Flagship Inclusion Rate**" means 50% of the applicable ML Flagship Inclusion Rate.

"**ML Normalized EBITDA**" means "Normalized EBITDA", as that term is defined in the ML LP Agreement.

"**ML Operating Loan**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**ML Ordinary LP Units**" means the ordinary limited partner units in the capital of ML LP which have the rights, privileges, restrictions and conditions set out in the ML LP Agreement.

"**ML Partnership Units**" means, collectively, the ML GP Units, ML Ordinary LP Units, ML Class A LP Units, ML Class B LP Units, ML Class C LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units.

"**ML Reporting Period**" means the 12 month period commencing on January 1 and ending on December 31 of each year.

"**ML Rights**" means all of Mr. Lube's right, title and interest, in and to the ML Marks and the ML Works.

"**ML Royalty Pool Increase Condition**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures*".

"**ML Royalty Payment**" has the meaning ascribed to it under "*Licence and Royalty Agreements – ML Licence and Royalty – ML Royalty Payment*".

"**ML Royalty Pool**" means for any period, all Mr. Lube Locations in respect of which Mr. Lube is required to pay a royalty to ML LP pursuant to and in accordance with the terms and provisions of the ML Licence and Royalty Agreement.

"**ML Royalty Rate**" means the royalty rate payable by Mr. Lube to ML LP pursuant to the terms of the ML Licence and Royalty Agreement, which is currently (i) 7.45% for ML System Sales related to non-Tire Sales; (ii) 2.50% for

ML System Sales related to Tire Sales at Flagship Locations; and (iii) 1.25% for ML System sales related to Tire Sales at Non-Flagship Locations, and shall remain at such rate unless and until it is increased in accordance with the ML LP Agreement.

"**ML System Sales**" for any period, means the aggregate of ML Gross Sales for each Mr. Lube Location in the ML Royalty Pool for such period, subject to certain adjustments.

"**ML Term Loan**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**ML Works**" mean all works protected by copyright that are used in connection with the ML Business, including all standards, specifications, documentation, manuals, advertising materials and promotional materials relating to the ML Business, but specifically excluding any software.

"**Mr. Lube**" means Mr. Lube Canada Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

"**Mr. Lube GP**" means Mr. Lube Canada GP Inc., the general partner of Mr. Lube.

"**Mr. Lube Location**" means any automotive maintenance service business owned and operated by Mr. Lube or one of its subsidiaries that uses the ML Rights in connection with the operation of its business, and any automotive maintenance service business operated by an ML Franchisee or other sub-licensee of Mr. Lube or one of its subsidiaries that is permitted to use the ML Rights in connection with the operation of its business.

"**Mr. Lube ROFO Notice**" has the meaning ascribed to it under "*Governance Agreements – ML Governance Agreement*".

"**Mr. Lube Subject Property**" has the meaning ascribed to it under "*Governance Agreements – ML Governance Agreement*".

"Mutual Release and Termination Agreement" has the meaning ascribed to it under "*General Development of the Business – Sale of FW Rights"*.

"**Non-Flagship Location**" means a Mr. Lube Location in respect of which Mr. Lube receives a sales royalty of less than 7.0% of ML Gross Sales (taking into account the same inclusions and exclusions as set forth in the definition of ML Gross Sales).

"**NYSE**" means the New York Stock Exchange.

"**OJFG**" means Original Joe's Franchise Group Inc.

"**Participant**" has the meaning ascribed to it under "*Capital Structure – Debentures – Book Based System for Debentures*".

"**payout ratio**" has the meaning ascribed to it under "*Non-IFRS Measures*".

"**Permanently Closed Mr. Lube Location**" has the meaning ascribed to it under "*Licence and Royalty Agreements– ML Licence and Royalty – Mr. Lube Location Openings and Closures*".

"**Royalty Partner Financials**" has the meaning ascribed to it under "*Governance Agreements – Undertakings to Securities Commissions*".

"**Royalty Partners**" has the meaning ascribed to it under "*General Development of the Business – Overview*".

"**Royalty Payment Period**" means each month in a calendar year.

"**Royalty Pool Agent Count**" means the number of agents included in the SGRS Royalty Pool.

"**RSUs**" means restricted share units of DIV.

"**Saint Ambroise Purchaser**" means 8439117 Canada Inc., an entity that purchased Corporation's Saint Ambroise, Quebec soil remediation facility and related assets and liabilities on May 31, 2013.

"**SEDAR**" means the System for Electronic Document Analysis and Retrieval, which can be accessed at www.sedar.com.

"**Seller**" has the meaning ascribed to it under "*General Development of the Business – Canadian AIR MILES® Acquisition*".

"**Senior Creditor**" means a holder of Senior Indebtedness and includes any agent, representative, or trustee of any such holder.

"**Senior Indebtedness**" has the meaning ascribed to it under "*Capital Structure – Debentures – Subordination*".

"**SGRS Adjustment Date**" means July 1 of each year.

"**SGRS Business**" means the business of franchising and licensing Sutton Group Franchises as carried on by Sutton Group and activities related thereto.

"**SGRS Class A Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Class A LP Units**" means the Class A limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Class B Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Class B LP Units**" means the Class B limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Class C Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Class C LP Units**" means the Class C limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Class D Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Class D LP Units**" means the Class D limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Class E Exchange Limit**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Class E LP Units**" means the Class E limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Credit Agreement**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**SGRS Credit Agreement Amendment**" has the meaning ascribed to it under "*General Development of the Business – Amendment of SGRS Credit Agreement*".

"**SGRS Exchange Agreement**" means the exchange agreement dated June 19, 2015 between the Corporation, SGRS GP and Sutton Group.

"**SGRS Exchangeable Units**" means the SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units issued and outstanding from time to time.

"**SGRS Franchise Agreement**" means a franchise agreement between Sutton Group and any other person pursuant to which such person is permitted to operate a Sutton Group Franchise subject to the terms and conditions contained therein.

"**SGRS Franchisee**" means the person identified as the franchisee pursuant to an SGRS Franchise Agreement.

"**SGRS Governance Agreement**" means the governance agreement dated June 19, 2015 between the Corporation, SGRS GP, SGRS LP, Sutton Group and certain individuals.

"**SGRS GP**" means SGRS Royalties GP Inc., a company incorporated pursuant to the laws of British Columbia, and the general partner of SGRS LP.

"**SGRS GP Units**" means an ordinary general partner unit in the capital of SGRS LP which has the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS GSA**" means the general security agreement dated June 19, 2015 between Sutton Group and SGRS LP.

"**SGRS Incremental Royalty Condition**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS Incremental Royalty Rate Increase**" has the meaning ascribed to it under "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

"**SGRS IP**" means all intellectual property (excluding trademarks) pertaining to or used in connection with the SGRS Business, including, without limitation, all trade secrets, patented technology, domain names, know-how and show-how, and the uniform standards, methods, procedures, and specifications regarding the establishment and operation of Sutton Group Franchises, and all copyrights (whether in print, electronic or other form) containing such know-how, show-how, standards, methods, procedures, and specifications, as well as all copyrights in all advertising and promotional materials used in connection with the SGRS Business, but excludes, for greater certainty, the SGRS Marks and the certain excluded intellectual property of the Sutton Group.

"**SGRS Licence and Royalty Agreement**" means the licence and royalty agreement dated June 19, 2015 between SGRS LP and Sutton Group providing for, among other things, the licence by SGRS LP to Sutton Group of the right to use of the SGRS Rights, and the payment by Sutton Group to SGRS LP of a royalty as specified therein for the use of the SGRS Rights.

"**SGRS LP**" means SGRS Royalties Limited Partnership, a limited partnership formed pursuant to the laws of the Province of British Columbia.

"**SGRS LP Agreement**" means the amended and restated agreement of limited partnership of SGRS LP dated June 19, 2015 among SGRS GP, Sutton Group and the Corporation, as further amended and restated on May 31, 2016.

"**SGRS LP Lender**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**SGRS Marks**" means all registered and unregistered trademarks (including service marks, logos, brand names, trade dress and pending applications for registration) and all certification marks, if any, used in the SGRS Business, and all trade names confusingly similar to any of the foregoing trade mark or certification marks, if any, used in the SGRS Business, and all goodwill associated therewith or appurtenant thereto.

"**SGRS Management Agreement**" means the management agreement dated June 19, 2015 between the Corporation and Sutton Group.

"**SGRS Normalized EBITDA**" means "Normalized EBITDA", as that term is defined in the SGRS LP Agreement.

"**SGRS Operating Loan**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**SGRS Ordinary LP Units**" means the ordinary limited partner units in the capital of SGRS LP which have the rights, privileges, restrictions and conditions set out in the SGRS LP Agreement.

"**SGRS Partnership Units**" means, collectively, the SGRS GP Units, SGRS Ordinary LP Units, SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units.

"**SGRS Reporting Period**" means the 12 month period commencing on January 1 and ending on December 31 of each year.

"**SGRS Rights**" means collectively, the SGRS Marks and SGRS IP.

"**SGRS Royalty Payment**" has the meaning ascribed to it under "*Licence and Royalty Agreements – SGRS Licence and Royalty – SGRS Royalty Payment*".

"**SGRS Royalty Pool**" means for any period, the number of agents in which Sutton Group is required to pay a royalty to SGRS LP pursuant to and in accordance with the terms and provisions of the SGRS Licence and Royalty Agreement.

"**SGRS Royalty Rate**" means the royalty rate payable by Sutton to SGRS LP pursuant to the terms of the SGRS Licence and Royalty Agreement, which was increased to $59.693 per agent, per month on July 1, 2018 (previously $58.523 per agent, per month) and shall remain as such unless and until it is increased in accordance with the SGRS LP Agreement.

"**SGRS Term Loan**" has the meaning ascribed to it under "*Description of Capital Structure – Credit Facilities*".

"**Shareholders**" means the holders of common shares of DIV.

"**Shares**" means common shares of DIV.

"**Special Committee**" has the meaning ascribed to it under "*General Development of the Business – Sale of FW Rights*".

"**Sutton Group**" means Sutton Group Realty Services Ltd., a corporation amalgamated under the laws of Canada.

"**Sutton Group Acquisition**" means the indirect acquisition by DIV of the SGRS Rights pursuant to the terms of the Sutton Group Acquisition Agreement.

"**Sutton Group Acquisition Agreement**" means the acquisition agreement dated June 9, 2015, among the Corporation, Sutton Group and SGRS LP with respect to, among other things, the purchase and sale of the SGRS Rights.

"**Sutton Group ROFO Notice**" has the meaning ascribed to it under "*Governance Agreements – SGRS Governance Agreement – Right of First Opportunity*".

"**Sutton Group Subject Property**" has the meaning ascribed to it under "*Governance Agreements – SGRS Governance Agreement – Right of First Opportunity*".

"**Tire Sales**" for any period, means the gross sales of a Mr. Lube Location derived from the sale of tires and rims.

"**TSX**" means the Toronto Stock Exchange.

CORPORATE STRUCTURE

Diversified Royalty Corp.

The Corporation was incorporated under the CBCA on July 29, 1992 under the name Bennett Environmental Inc. On June 22, 2012, the Shareholders approved a change of name from Bennett Environmental Inc. to BENEV Capital Inc. On September 18, 2014, the Shareholders approved a change of name from BENEV Capital Inc. to Diversified Royalty Corp. On June 25, 2015, the Shareholders approved an amendment to the Corporation's articles to change the province in which the Corporation's registered office is situated from the Province of Ontario to the Province of British Columbia, which amendment was made effective to the Corporation's articles on July 2, 2015.

The principal and head office of the Corporation is located at Suite 902 – 510 Burrard Street, Vancouver, British Columbia, V6C 3A8. The Corporation's registered office is located at 25th Floor, 700 West Georgia Street, Vancouver, British Columbia, V7Y 1B3.

The Corporation's current material subsidiaries are SGRS LP, SGRS GP, ML LP, ML GP, AM LP and AM GP. The Corporation's current Royalty Partners are Sutton Group, Mr. Lube and LoyaltyOne.

SGRS Royalties Limited Partnership

SGRS LP is a limited partnership formed by the Corporation under the laws of the Province of British Columbia on June 8, 2015 for the initial purpose of acquiring the SGRS Rights pursuant to the Sutton Group Acquisition Agreement. The Corporation holds 8,834,702 SGRS Ordinary LP Units (representing 100% of the issued and outstanding SGRS Ordinary LP Units). In addition, Sutton Group holds 99,544,608 SGRS Class A LP Units, 100,000,000 SGRS Class B LP Units, 100,000,000 SGRS Class C LP Units, 100,000,000 SGRS Class D LP Units and 100,000,000 SGRS Class E LP Units (representing 100% of the issued and outstanding SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units, respectively). The SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units are exchangeable for Shares in accordance with the terms of the SGRS LP Agreement and the SGRS Exchange Agreement. See "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*" and "*– SGRS Exchange Agreement*". At present, no SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units or SGRS Class E LP Units are immediately exchangeable for Shares.

SGRS Royalties GP Inc.

SGRS GP, a company incorporated under the laws of the Province of British Columbia, is the general partner of SGRS LP. The Corporation owns 99% (99 common shares) of the issued and outstanding common shares of SGRS GP, and the remaining 1% (one common share) is owned by Sutton Group.

ML Royalties Limited Partnership

ML LP is a limited partnership formed by the Corporation under the laws of the Province of British Columbia on July 22, 2015 for the initial purpose of acquiring the ML Rights pursuant to the ML Acquisition Agreement. The Corporation holds 41,801,662 ML Ordinary LP Units (representing 100% of the issued and outstanding ML Ordinary LP Units). In addition, Mr. Lube holds 99,719,017 ML Class B LP Units, 100,000,000 ML Class D LP Units, 100,000,000 ML Class E LP Units and 100,000,000 ML Class F LP Units (representing 100% of the issued and outstanding ML Class B LP Units, ML Class D LP Units, ML Class E LP Units, and ML Class F LP Units respectively). The ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units are exchangeable for Shares in accordance with the terms of the ML LP Agreement and the ML Exchange Agreement. See "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*" and "*– ML Exchange Agreement*". At present, no ML Class A LP Units or ML Class C LP Units are issued and outstanding and no ML Class B LP Units, ML Class D LP Units, ML Class E LP Units or ML Class F LP Units are immediately exchangeable for Shares.

ML Royalties GP Inc.

ML GP, a company incorporated under the laws of the Province of British Columbia, is the general partner of ML LP. The Corporation owns 99% (99 common shares) of the issued and outstanding common shares of ML GP, and the remaining 1% (one common share) is owned by Mr. Lube.

AM Royalties Limited Partnership

AM LP is a limited partnership formed by the Corporation under the laws of the Province of British Columbia on August 21, 2017 for the initial purpose of acquiring the AIR MILES® Rights pursuant to the AIR MILES® APA. The Corporation holds 36,350,000 AM LP Units, representing 100% of the issued and outstanding AM LP Units.

AM Royalties GP Inc.

AM GP, a company incorporated under the laws of the Province of British Columbia, is the general partner of AM LP. The Corporation owns 100% (100 common shares) of the issued and outstanding common shares of AM GP. AM GP holds 100 AM GP Units (representing 100% of the issued and outstanding AM GP Units).

Royalty Partners

Sutton Group Realty Services Ltd.

Sutton Group is a corporation amalgamated under the laws of Canada. Sutton Group is a residential real estate firm in the business of franchising and licensing Sutton Group Franchises in Canada. The Corporation does not have any direct or indirect ownership interest in Sutton Group. Sutton Group licenses the SGRS Rights from SGRS LP pursuant to the SGRS Licence and Royalty Agreement for use in the SGRS Business.

Mr. Lube Canada Limited Partnership

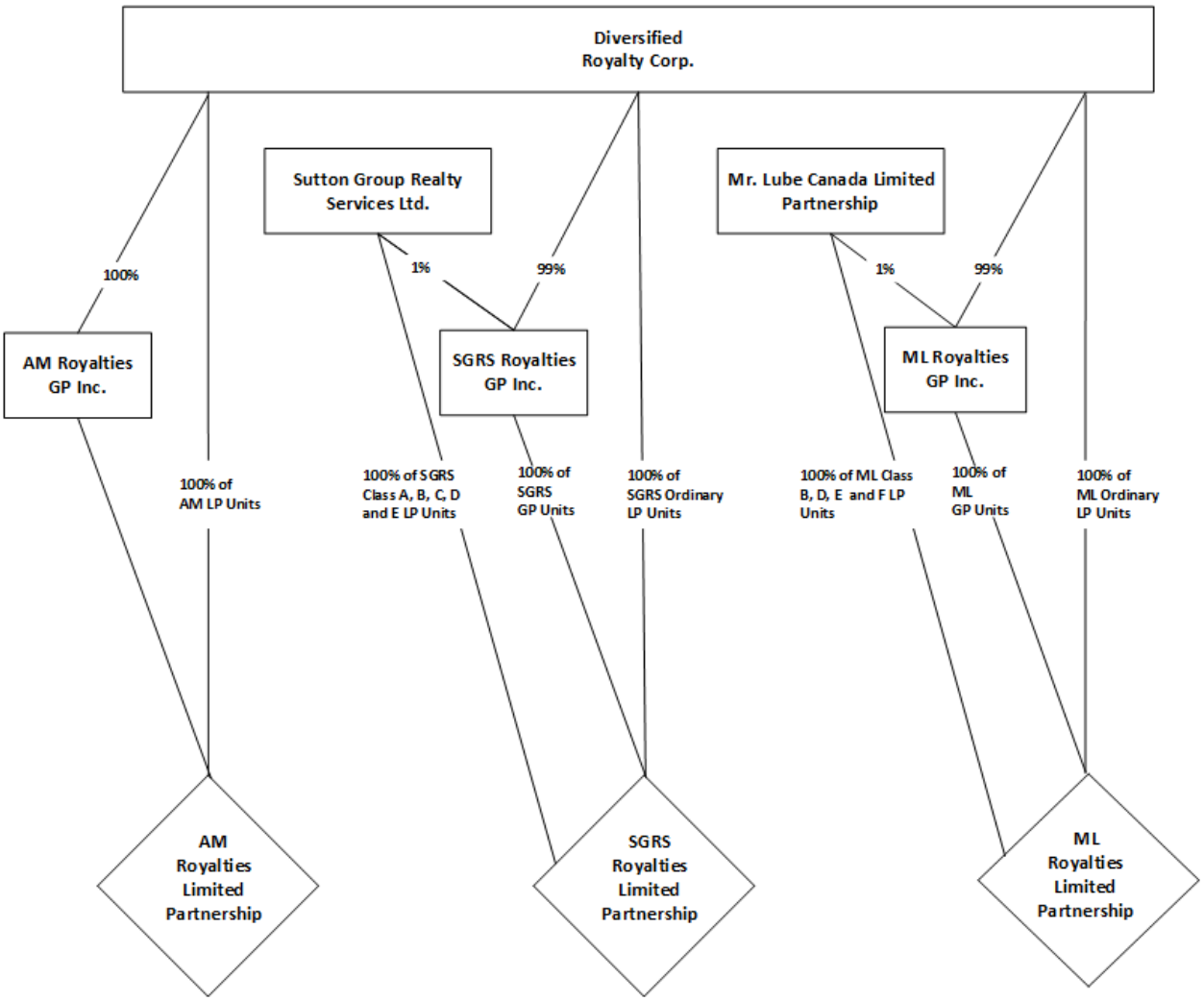
Mr. Lube is a limited partnership formed on May 1, 2006 under the laws of the Province of British Columbia and is the leading quick service oil change provider in Canada. In addition to oil change services, Mr. Lube also provides a variety of automotive maintenance services. The Corporation does not have any direct or indirect ownership interest in Mr. Lube. Mr. Lube licenses the ML Rights from ML LP pursuant to the ML Licence and Royalty Agreement for use in the ML Business.

LoyaltyOne, Co.

LoyaltyOne, Co. ("**LoyaltyOne**") is the operator of the AIR MILES® reward program in Canada (the "**AIR MILES® Reward Program**"), the parent company of which is Alliance Data Systems Corporation ("**ADS**"), an NYSE listed company. The Corporation does not have any direct or indirect ownership interest in LoyaltyOne or ADS. LoyaltyOne licenses the AIR MILES® Rights from AM LP pursuant to the AIR MILES® Licences.

Intercorporate Relationships

The following chart illustrates the intercorporate relationships of the Corporation as of the date hereof:



As noted above, the Corporation does not have any direct or indirect interest in Sutton, Mr. Lube or LoyaltyOne.

GENERAL DEVELOPMENT OF THE BUSINESS

Overview

DIV is a multi-royalty corporation engaged in the business of acquiring royalties from well-managed multi-location businesses and franchisors in North America ("**Royalty Partners**"). DIV believes that its royalty structure provides a strong incentive for a Royalty Partner to continue growing its business while retaining control of its business. DIV's primary objectives are to: (i) purchase stable and growing royalty streams from Royalty Partners; and (ii) increase distributable cash per Share by making accretive royalty purchases. These objectives, if achieved, will allow DIV to pay a monthly dividend to Shareholders, while increasing the dividend as distributable cash flow per share allows. DIV's Shares and Debentures trade on the TSX under the symbols "DIV" and "DIV.DB", respectively. Details with respect to the development of the Corporation's business over its three most recently completed financial years are set out below.

2016 SGRS Royalty Pool Amendment

On July 4, 2016, the SGRS Royalty Pool was adjusted to increase the number of agents in the SGRS Royalty Pool from 5,185 agents to 5,400 agents.

The consideration paid by SGRS LP to Sutton for the additional royalty revenue was approximately $1.0 million. The consideration was paid in Shares on the basis of the 20-day volume weighted average closing price of the Shares for the period ending May 24, 2016. Specifically, based on a weighted average closing price of $2.29 per Share, the consideration paid for the additional royalty revenue was paid to Sutton in the form of an adjustment to the SGRS Class A Exchange Limit as a result of which Sutton exchanged 455,392 SGRS Class A LP Units for 455,392 Shares on July 4, 2016.

Sale of FW Rights

On August 31, 2016, DIV and FW LP entered into an acquisition agreement with OJFG (the "**FW Rights Sale Agreement**") to sell the FW Rights to OJFG in exchange for: (i) $90.0 million in cash; (ii) the cancellation of 8,992,187 Shares held by OJFG; (iii) the extinguishment of OJFG's right to receive 637,051 Shares related to the April 1, 2015 amendment to the FW License and Royalty Agreement through which five new Franworks restaurants were added to the Franworks royalty pool; and (iv) the extinguishment of OJFG's right to receive accrued dividends on such 637,051 Shares to the date of closing. A copy of the FW Rights Sale Agreement is available on SEDAR at www.sedar.com.

The terms of the FW Rights Sale Agreement were reviewed and recommended for approval by a special committee of the board of directors of DIV consisting of all disinterested directors (the "**Special Committee**"), which specifically excluded Messrs. Derek Doke and Murray Coleman. On August 31, 2016, following the resignation of Mr. Doke from the DIV board, the Special Committee considered the terms of the FW Rights Sale Agreement and unanimously recommended its approval by the DIV board after consulting with its legal and independent financial advisors. Immediately following the receipt of the recommendation of the Special Committee, the DIV board unanimously voted to approve entering into the FW Rights Sale Agreement and all transactions contemplated therein, with Mr. Coleman declaring his interest in such transactions and abstaining from voting.

On November 27, 2016, the sale of the FW Rights was completed. The sale of the FW Rights was part of a larger transaction whereby Cara Operations Limited entered into an agreement with OJFG to acquire majority control of OJFG for $93.0 million, of which $90.0 million was used to fund the purchase of the FW Rights by OJFG. Cara Operations Limited's investment in OJFG and the sale of the FW Rights closed concurrently.

DIV used approximately $15.0 million of the cash proceeds from the sale of the FW Rights to extinguish outstanding amounts under the term loan advanced to FW LP in connection with its acquisition of the FW Rights in September 2014 with the remaining cash proceeds from the sale, net of transaction expenses, being added to DIV's cash balance.

DIV, Franworks, OJFG, Mr. Derek Doke, FW LP and FW GP entered into a mutual release and termination agreement (the "**Mutual Release and Termination Agreement**") upon closing the sale of the FW Rights in order to terminate the previously existing royalty and other commercial arrangements between the parties. Specifically, the Mutual Release and Termination Agreement served to terminate the obligations of the parties under, among other agreements, the FW Licence and Royalty Agreement, the FW Governance Agreement, the FW Exchange Agreement, the FW Registration Rights Agreement, the FW GSA and the DIV Board Agreement. A copy of the Mutual Release and Termination Agreement is available on SEDAR at www.sedar.com. In addition, on closing of the sale of the FW Rights, OJFG surrendered all of the FW Class B LP Units, FW Class C LP Units, FW Class D LP Units and common shares of FW GP it held for cancellation. Notwithstanding the foregoing, OJFG continued to make royalty payments to FW LP up to November 27, 2016 in accordance with the terms of the FW Licence and Royalty Agreement.

The undertakings of each of Franworks and OJFG dated September 26, 2014 previously delivered to the securities commissions and other securities regulatory authorities in each of the provinces of Canada were terminated in connection with the closing of the sale of the FW Rights. Accordingly, the financial statements and management's discussion and analysis of Franworks for the interim period ended September 30, 2016, represent the last financial period in respect of which separate financial statements and management's discussion and analysis have been filed by Franworks under DIV's profile on SEDAR at www.sedar.com.

Following the sale of the FW Rights, the Corporation's subsidiaries FW LP and FW GP were wound up in December 2016.

Amendment of SGRS Credit Agreement

On July 5, 2017, the Corporation announced that effective June 20, 2017, SGRS LP amended the SRGS Credit Agreement with a Canadian chartered bank to extend the maturity of the SGRS Term Loan and SRGS Operating Loan from June 19, 2018 to June 30, 2022 (the "**SGRS Credit Agreement Amendment**"). The SGRS Credit Agreement Amendment also provided an interest rate improvement of 25 basis points, and after taking into account SGRS LP's interest rate swap arrangement then in place, the interest rate on the SGRS Term Loan was fixed at 3.16% per annum until June 19, 2018. In June 2018, SGRS LP entered into an interest rate swap arrangement with an effective date of June 19, 2018 and a maturity date of June 21, 2021 that results in a fixed interest rate of 4.641%. As of the date hereof, the SGRS Operating Loan remains undrawn. For additional details on the SGRS Credit Agreement see "*Description of Capital Structure – Credit Facilities – SGRS Term Loan, SGRS Operating Loan, and SGRS LP Interest Rate Swap*".

2017 Amendment of ML Credit Agreement

On August 3, 2017, the Corporation announced that effective July 31, 2017, ML LP amended the ML Credit Facility with a Canadian chartered bank to extend the maturity of the ML Term Loan and ML Operating Loan from August 19, 2018 to July 31, 2022 (the "**2017 ML Credit Agreement Amendment**"). After taking into account ML LP's interest rate swap arrangement then in place, the interest rate on the ML Term Loan was fixed at 3.07% until August 13, 2018. In August 2018, ML LP entered into an interest rate swap arrangement with an effective date of August 13, 2018 and a maturity date of July 31, 2022 that results in a fixed interest rate of 4.17% in respect of $34.6 million of the $41.6 million outstanding under the ML Term Loan. As of the date hereof, the ML Operating Loan remains undrawn. For additional details on the ML Credit Agreement see "*Description of Capital Structure – Credit Facilities – ML Term Loan, ML Operating Loan, and ML LP Interest Rate Swap*".

Canadian AIR MILES® Acquisition

On August 25, 2017, the Corporation acquired the AIR MILES® Rights from a subsidiary of Aimia Inc. ("**Aimia**") for $53.75 million plus additional contingent consideration of up to $13.75 million (the "**AIR MILES® Acquisition**"). The Corporation now receives an aggregate royalty (the "**AIR MILES® Royalty**"), payable quarterly, equal to 1% of gross billings from the AIR MILES® Reward Program in Canada in accordance with the terms of the two license agreements (collectively the "**AIR MILES® Licences**") acquired by the Corporation as part of the AIR MILES® Acquisition. See "*Licence and Royalty Agreements – AIR MILES® Licences*" for further details with respect to the AIR MILES® Licences. The AIR MILES® Acquisition was completed pursuant to an asset purchase agreement (the "**AIR MILES® APA**") dated August 25, 2017 between DIV, AM LP, Aimia and

Aimia's indirect subsidiary Air Miles International Trading B.V. (the "**Seller**"), a copy of which is available on SEDAR at www.sedar.com.

The remaining contingent consideration of up to $13.75 million is payable pursuant to the AIR MILES® APA subject to certain milestones being met. The milestones relate to The Bank of Montreal's AIR MILES® sponsorship contract with LoyaltyOne being renewed or replaced with an AIR MILES® sponsorship contract with another one of the four other major Canadian chartered banks on or before July 31, 2019 and the achievement of certain royalty revenues by AM LP under the AIR MILES® Licences during the 12-month period commencing at the start of the first fiscal quarter post-contract renewal or replacement. The contingent consideration, if any, is payable 45 days following the end of such 12-month period, subject to acceleration in certain circumstances set forth in the AIR MILES® APA. The amount of the contingent consideration payable will vary depending on the length of such renewed contract, if any, and the royalty revenue post renewal or replacement. See "*– Renewal of AIR MILES® Contract by BMO*", below, for a discussion with respect to BMO's renewal of its AIR MILES® sponsorship contract with LoyaltyOne.

AM LP funded the closing payment of $53.75 million with cash on hand. However, AM LP partially refinanced the acquisition of the AIR MILES® Rights on September 6, 2017 through a new credit facility entered into with a Canadian chartered bank comprising a term loan of $17.4 million (the "**AM Term Loan**") and revolving facility of $3.0 million (the "**AM Operating Loan**"). See "*Description of Capital Structure – Credit Facilities – AM Credit Agreement*" for further details with respect to the AM Term Loan and the AM Operating Loan.

Renewal of AIR MILES® Contract by BMO

On October 16, 2017 the Corporation announced that LoyaltyOne, the operator of the AIR MILES® Reward Program in Canada, signed a multi-year sponsorship renewal agreement with the Bank of Montreal ("**BMO**"). According to ADS's news release dated October 16, 2017, BMO will continue to issue AIR MILES® reward miles to consumer and business customers through its various BMO MasterCard products and debit spend within the BMO AIR MILES Banking Plan. BMO is currently the largest sponsor participating in the AIR MILES® Reward Program in Canada. According to ADS's Form 10-K dated February 26, 2019, the agreement with BMO expires in 2020, subject to automatic renewals for undisclosed periods.

Amendment of ML Licence and Royalty Agreement

On October 20, 2017, ML LP and Mr. Lube entered into an amendment to the ML Licence and Royalty Agreement (the "**ML LRA Amendment**") in respect of the new retail tire program launched by Mr. Lube on September 19, 2017. Under Mr. Lube's new retail tire program, Mr. Lube has reduced the ML Royalty Rate and waived certain other fees payable by ML Franchisees on Tire Sales to account for the lower margins on these hard goods. Pursuant to the ML LRA Amendment, ML LP has agreed to reduce the effective ML Royalty Rate payable on ML Gross Sales derived from Tire Sales to 2.5% for Flagship Locations. The ML Royalty Rate applicable to the ML Gross Sales of non-Tire Sales remains unchanged. At present, all of the Mr. Lube Locations in the ML Royalty Pool in respect of which Mr. Lube pays a royalty to ML LP are Flagship Locations. To the extent any Non-Flagship Locations are added to the ML Royalty Pool in the future, the ML Royalty Rate payable on Tire Sales will be 1.25%. Pursuant to the ML LRA Amendment, the effective ML Royalty Rate payable on Tire Sales will not be adjusted for any ML Incremental Royalty Rate Increases pursuant to the ML LP Agreement. The ML LRA Amendment prohibits Mr. Lube from changing the fees it charges to ML Franchisees on Tire Sales without the prior written consent of ML LP, which consent may be withheld by ML LP in its sole and absolute discretion. If ML LP withholds its consent to any proposed change, Mr. Lube may, at its option by written notice to ML LP, elect to terminate the amendments to the ML Licence and Royalty Agreement in respect of the new retail tire program, and upon termination, the ML Royalty Rate payable on Gross Sales derived from the sale of tires and rims shall revert to 6.95% for Flagship Locations and 3.475% for Non-Flagship Locations, as adjusted for any ML Royalty Rate increases in accordance with the ML LP Agreement. The ML LRA Amendment is effective from September 18, 2017. A copy of the ML LRA Amendment is available on SEDAR at www.sedar.com.

Debenture Offering

On November 7, 2017, the Corporation completed a bought deal public offering of an aggregate principal amount of $57.5 million convertible unsecured subordinated debentures ("**Debentures**") at a price of $1,000 per

Debenture (the "**Debenture Offering**"). The Debentures mature on December 31, 2022 and bear interest at an annual rate of 5.25% payable semi-annually in arrears on the last day of December and June in each year, commencing June 30, 2018. At the holder's option, the Debentures may be converted into Shares of the Corporation at any time prior to the close of the business on the earlier of the last business day immediately preceding December 31, 2022 and the date fixed for redemption. The conversion price is $4.55 per common share (the "**Conversion Price**") being a conversion rate of approximately 219.7802 Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events as described in the trust indenture dated November 7, 2017 (the "**Debenture Indenture**") between the Corporation and Computershare Trust Company of Canada (the "**Debenture Trustee**") governing the terms of the Debentures. See "*Description of Capital Structure – Debentures*" for further details with respect to the Debentures.

Mr. Lube Royalty Rate Increase and Net Addition to the Mr. Lube Royalty Pool

On May 1, 2018, the ML Royalty Rate paid by Mr. Lube on non-Tire Sales was increased by 0.5% from 6.95% to 7.45%. The total consideration paid to Mr. Lube for the increase of the Mr. Lube Royalty Rate was $9.2 million. DIV elected to pay for the Mr. Lube Royalty Rate increase in cash, which was partially financed by an increase in the ML Term Loan, as described below.

On May 1, 2018, the Mr. Lube Royalty Pool was adjusted to include the royalties from two new Mr. Lube Locations and to remove one Mr. Lube Location that was permanently closed. With the adjustment for these two openings and one closure, the Mr. Lube Royalty Pool had 118 Mr. Lube Locations on May 1, 2018. The initial consideration paid to Mr. Lube for the estimated net additional royalty revenue was $0.9 million, representing 80% of the total estimated consideration of $1.2 million. DIV elected to pay the initial consideration to Mr. Lube in cash, which was partially financed by an increase in the ML Term Loan as described below. The remaining consideration will be paid to Mr. Lube on May 1, 2019, being the next ML Adjustment Date, and will be adjusted to reflect the actual system sales of the two new Mr. Lube Locations added to the Mr. Lube Royalty Pool for the year ended December 31, 2018.

In connection with the increase in the Mr. Lube Royalty Rate and the net addition to the Mr. Lube Royalty Pool, the ML Credit Agreement was amended (the "**2018 ML Credit Agreement Amendment**") to increase the ML Term Loan from $34.6 million to $41.6 million. For additional details on the ML Credit Agreement see "*Description of Capital Structure – Credit Facilities – ML Term Loan, ML Operating Loan, and ML LP Interest Rate Swap*".

DESCRIPTION OF THE BUSINESS

Business of DIV

The business of DIV is to acquire royalties from well-managed multi-location businesses and franchisors in North America. DIV expects that the acquisition of additional royalties can be completed with minimal increases in general and administrative costs (DIV currently has three employees, engages consultants on an as needed basis and receives administrative support services from Maxam for a monthly fee of approximately $8,500 pursuant to the terms of a services agreement with Maxam dated September 29, 2014, as amended). DIV's structure also allows for additional transactions with current Royalty Partners (by way of accretive acquisitions of new stores opened (in the case of Mr. Lube) and additional agents (in the case of Sutton) and incremental royalty purchases in the case of Mr. Lube and Sutton) and opportunities for new Royalty Partners. The business of SGRS LP, ML LP and AM LP is the ownership and licensing of the SGRS Rights, ML Rights and AIR MILES® Rights, respectively.

All of the Corporation's operating revenues noted below were earned from the receipt of royalties and management fees from Franworks, Sutton Group, Mr. Lube and LoyaltyOne in accordance with the respective licence and royalty agreements. On November 27, 2016, the Corporation completed the sale of the FW Rights. Accordingly, the revenues of the Corporation and its ability to pay dividends to Shareholders are dependent on the ongoing ability of Sutton Group, Mr. Lube and LoyaltyOne to generate cash and pay royalties and management fees to DIV and its subsidiaries. See "*Risk Factors*".

The following table summarizes DIV's revenues for the years ended December 31, 2018, 2017, and 2016:

(000s)	December 31, 2018	December 31, 2017	December 31, 2016
Royalty income:			
Mr. Lube	$14,845	$13,816	$13,237
AIR MILES®	7,724	3,043	-
Sutton	3,830	3,754	3,608
Franworks	-	-	11,024
	26,399	20,613	27,869
Management fees:			
Mr. Lube	$ 210	$ 206	$ 202
Sutton	100	100	100
Total revenues:	**$ 26,709**	**$ 20,919**	**$ 28,171**

1) On November 27, 2016, the Corporation completed the sale of the FW Rights pursuant to the terms of the FW Rights Sale Agreement. Accordingly, the royalty income from Franworks for the year ended December 31, 2016 only includes amounts for the period from January 1, 2016 to November 27, 2016.
2) The AIR MILES® Acquisition closed on August 25, 2017. Notwithstanding the August 25, 2017 closing date, AM LP was entitled to royalties earned under the AIR MILES® Licences commencing August 22, 2017. Accordingly, the royalty income from the AIR MILES® Licences for the year ended December 31, 2017 only includes amounts for the period from August 22, 2017 to December 31, 2017.

Business of Sutton Group

History and Business Strategy

Sutton Group is a leading provider of services to residential real estate REALTORS®. Sutton Group generates cash flow from franchise fees derived from a national network of real estate agents in Canada operating under the Sutton Group name. As at December 31, 2018, Sutton Group's franchise network consisted of approximately 7,200 REALTORS® operating under 119 SGRS Franchise Agreements providing services through more than 200 offices across Canada.

Sutton Group was originally founded in North Vancouver in 1983. Sutton Group's business is based on the principle that real estate should be driven by highly personalized relationships between the REALTOR® and his or her clients. As such, the Sutton Group's business model was designed to put the REALTOR®, not the real estate company, at the center of each business transaction. Sutton Group delivers consumer-driven services, cost-control and creative business freedom to independent REALTORS®.

Sutton Group offers each of its REALTORS® a personal email and custom website at the 'sutton.com' address. This service aims to position Sutton Group's REALTORS® as specialized information brokers, and to empower them to continue growing responsive relationships through a cohesive and personal marketing strategy.

Sutton Group's revenue is driven primarily by franchise fees paid under SGRS Franchise Agreements. These franchise fees are fixed in nature based on a fixed monthly rate per agent and increase at a fixed rate annually. Historically, this has provided Sutton Group with reasonably stable revenues despite fluctuations in the level of activity in the real estate industry.

The two founders of Sutton Group, Scott Shaw and Lance Tracey, managed the business for the first 30 years. In September 2015, Drew Keddy was appointed as the new president and CEO of Sutton Group. When Mr. Keddy resigned in 2018, Rick Taron assumed the role of interim CEO of Sutton Group. The costs of managing the business are typically steady from year-to-year and include cost categories such as: personnel, rent, general and administrative expenses, professional fees and promotional expenses.

The number of REALTORS®, Sutton Group's model, and Sutton Group's ability to attract agents and brokers to its brand are key drivers of Sutton Group's performance. These drivers, in combination with other uncontrollable risk factors, including the economy at large and government and regulatory activity, all affect Sutton Group's performance. See "*Risk Factors – Risks Related to the SGRS Business*"

Recent Developments in Sutton Group's Business

- **2016** – Sutton Group opened several new offices including its first office in New Brunswick.

- **2016** – Sutton Group rolled out a social media management tool with "Back-at-You Media" and introduced its Sutton-branded iMessage stickers app for use with Realtors' IOS devices. Sutton Group also entered into several strategic relationships with suppliers for services ranging from office supplies to national training programs.

- **2017** – Sutton Group added new offices in British Columbia and Ontario. Sutton Group expanded its "Sutton Connect" program used to bring REALTORS® together to enhance their referral networks. Sutton Group also launched a new website which allows its' REALTORS® to post enhanced listings which is expected to improve visibility and increase transaction volumes.

- **2018 –** Sutton Group began initiating technology jumpstart pilot programs, where Sutton Group head office would partner with participating offices in launching new technology initiatives that would help identify the tools and resources that are important to today and tomorrow's REALTOR. This program has to date, experimented with paperless document management, automated online marketing tools and a state-of-the-art cloud-based marketing suite.

Overview of Sutton Group's Business

The business of Sutton Group and the SGRS Franchisees is primarily brokering the sale of residential housing or recreational properties. Sutton Group provides the SGRS Franchisees and their agents with training, referral opportunities, marketing and support services and brand strength.

Sutton Group's franchise fees are derived primarily from a diverse national network of independently owned and operated franchises operating under 119 SGRS Franchise Agreements. In addition, the Sutton Group network is geographically diverse, with significant market share in B.C. and Quebec and a strong presence in Ontario.

SGRS Franchise Agreements

The legal relationship between Sutton Group and an SGRS Franchisee is governed by an SGRS Franchise Agreement. The typical term for an SGRS Franchise Agreement is ten years. Sutton Group has generally been successful in renewing franchises and typically renews for successive ten-year terms.

Each franchise location or grouping thereof is subject to a separate SGRS Franchise Agreement. All SGRS Franchise Agreements come with an exclusive territory. On occasion, Sutton Group will sign a letter allowing an SGRS Franchisee to operate outside of its exclusive territory to test a new market or to help it get established; however, such letters are typically only for a duration of one year. The SGRS Franchisees have the right to use Sutton Group's franchise systems as well as certain of the SGRS Rights within a prescribed territory. SGRS Franchise Agreements specify comprehensive standards of practice governing the use of the SGRS Rights by SGRS Franchisees, conduct of the SGRS Franchisee and its agents and all other material operating matters.

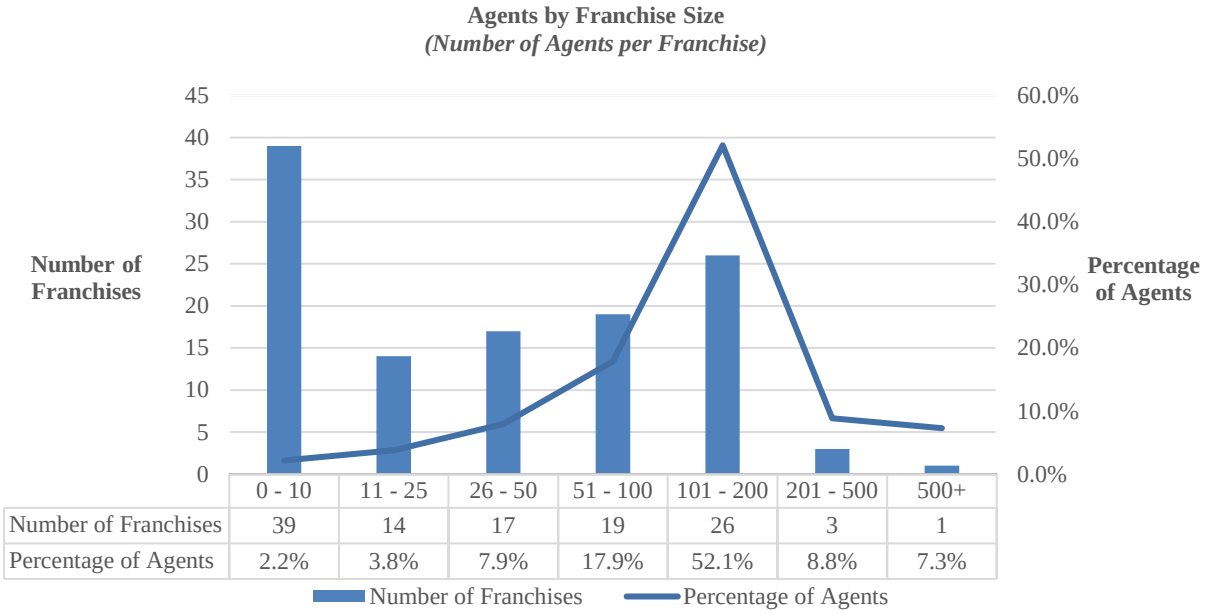
Pursuant to its terms, an SGRS Franchise Agreement may not be assigned by the SGRS Franchisee without the prior written consent of Sutton Group. Sutton Group has a right of first refusal with respect to any offer made to purchase the business of an SGRS Franchisee.

The standard terms of the SGRS Franchise Agreements provide that such agreements may be terminated on the occurrence of certain prescribed circumstances, including the bankruptcy of the SGRS Franchisee or default by the SGRS Franchisee of its obligations under its SGRS Franchise Agreement. Failure to meet minimum franchise fee performance levels may result in the termination of the franchise or termination of the right to renew the franchise for a successive term.

Sutton Group has two franchises which are significantly larger than Sutton Group's other franchises. The Quebec market is governed by a master SGRS Franchise Agreement covering approximately 1,400 agents. The

Quebec master SGRS Franchise Agreement was recently renewed for an additional 10-year term. The B.C. market is home to over 2,500 agents, of which over 1,800 agents are controlled by Sutton Group West Coast Realty. Sutton Group West Coast Realty has several independent and staggered SGRS Franchise Agreements that are currently undergoing independent renewals, each for 10-year terms.

Sutton Group franchises consist primarily of mid- to large-size franchises. Over 85% of Sutton Group's agents work with franchises that have more than 50 agents.



Agents and Sales Representatives

As of December 31, 2018, Sutton Group's franchise network consists of approximately 7,200 REALTORS®. The percentage of agents by province is presented below:

Percentage of agents by province
As at December 31, 2018

British Columbia	35.6%
Alberta	2.4%
Saskatchewan	0.3%
Manitoba	1.8%
Quebec	19.7%
Ontario	39.0%
Atlantic provinces	1.2%
	100.0%

The number of REALTORS® in Canada has been steadily increasing over the years from less than 80,000 in 2004 to over 134,000 in 2018 (source: Realtor.ca). The increase in the number of REALTORS® in Canada has in part been driven by increases in discount brokerage offerings, which have attracted new entrants to the industry resulting in a lower number of homes sold per REALTOR®.

Franchise Fees

Sutton Group generates approximately 99% of its revenue in the form of franchise fees which are structured as a fixed fee payable by SGRS Franchisees per REALTOR® per month. The remaining revenue is made up of other one-time or referral fees. Total revenue from franchise fees earned by Sutton Group for the years ended December 31, 2018 and 2017 was $8.2 million and $9.1 million, respectively, representing 98.9% and 99.1% of total revenues earned by Sutton Group in such years, respectively.

Locations and Branch Types

Sutton Group operates in most Canadian provinces through more than 200 locations as of December 31, 2018. Franchise locations are generally operated from leased premises, with the SGRS Franchisee as lessee. Sutton Group has control over franchised locations, by way of an approval process governing renewals and approval of locations, in order to maintain location quality. In urban areas, franchises are typically located in office/commercial developments, while in smaller municipalities the franchises are frequently located in a more retail-oriented core business district.

Technology

The following is a summary of some of Sutton Group's key technology used in its business and by SGRS Franchisees and their agents:

Website

The Sutton Group website, www.sutton.com, offers a variety of residential resale real estate–related information. In addition to offering listing, company, office and agent information, the website provides resources for buying, selling and owning real estate.

The Sutton Group Intranet Site (aka Sutton Group Homebase Dashboard)

The Sutton Group Intranet site ("**Homebase Dashboard**"), accessible only by authorized Sutton Group agents and staff, is a key vehicle through which Sutton Group delivers many of its services as well as integration with additional non-Intranet-based services. Homebase Dashboard was built as a central hub designed to link all internal and external tools and resources in one interface. Resources available on Homebase Dashboard are designed to help agents manage and increase their business and develop their skills. On Homebase Dashboard, agents can access information about Sutton Group news and events, suppliers and helpful documentation. Agents can also access the Sutton Group webmail system and franchise administrator user-management and reporting system. Agents can also access other Sutton web resources, such as Sutton Present, Sutton University and Sutton Brand and Resource Center through Homebase Dashboard.

Sutton Present

Sutton Present is a custom-built online presentation tool, where Sutton Group agents and brokers can create and view Sutton Group-branded listing and recruiting presentations.

Sutton University

Sutton University is an online learning centre where Sutton Group agents and brokers can complete online courses, modules and activities. Offices can create their own material and monitor their own office's Sutton University usage and statistics.

Sutton Brand and Resource Center

Sutton Brand and Resource Center is an advanced resource repository that allows agents and brokers to search, view, download and share Sutton Group-branded assets. Offices can upload office-specific content like office logos and forms for their own agents to access exclusively.

Shared Listings and DDF

Sutton Group is and has been a proponent for shared listings as it sees this as vital to being competitive online. CREA took the lead in developing a technology platform to enable shared listings. In July 2012, CREA introduced the Data Distribution Facility ("**DDF**") giving MLS® participants the tool they need to display each other's listings on their websites, which allows consumers to view all shared listings available at once regardless of what real estate company holds the listing.

In 2013, Sutton Group adopted CREA's DDF for its corporate website. Since the launch, the listing inventory has increased significantly, and with the additional unique visitors coming to the Sutton Group website, the number of leads for Sutton Group's agents has increased.

Competitive Position

Sutton Group is one of Canada's most recognized real estate brands and enjoys approximately 5.8% market share based on the number of REALTORS®. Sutton Group's management believes that Sutton Group's competitive advantages include: its Canadian heritage, innovative nature, low cost fixed fee franchise model and its entrepreneurial spirit.

Growth Strategy

Sutton Group is focused on building brand strength, creating a culture of collaboration, enhancing sustainability and growing through expansion. Key elements of this strategy include:

- identifying potential conversion or acquisition targets and working with existing franchises to bring the groups together;
- employing networking and training events to enhance platform collaboration and improve capabilities;
- expanding the range of products and services provided by Sutton Group's franchise systems and increasing the adoption by brokers and agents of these products and services; and
- providing consulting services to, and otherwise supporting, SGRS Franchisees in assessing various growth opportunities.

Sutton Group is also focused on maintaining franchisee relations and growing Sutton Group's presence in the Canadian market. Key elements of this strategy include:

- identifying key franchise prospects based on perceived reputation, business acumen and technology orientation; and
- responding to inquiries for franchise information and assessing candidates' qualifications.

Quality Control

In order to maintain the reputation, goodwill, customer service, appearance and methods of Sutton Group's franchise systems, SGRS Franchise Agreements require SGRS Franchisees to operate their franchise under the Sutton Group name in accordance with such methods, standard specifications and procedures as prescribed by Sutton Group. For further details see "*– Franchise Agreements*" above.

Potential franchisees are qualified through a review of their relevant experience, reputation and financial stability. Owners of franchises are typically required to direct their full time and attention to the establishment, development and operation of the business. Sutton Group requires SGRS Franchisees to operate from suitable premises that meet standards satisfactory to Sutton Group and that, unless otherwise permitted, are to be used strictly for the operation of the business.

Franchisees are sub-licensed to use certain of the SGRS Rights (including certain of the SGRS Marks and the franchise systems for the operation of their franchises) pursuant to their SGRS Franchise Agreements. In order to

retain the integrity of the SGRS Rights used by SGRS Franchisees in their businesses, all SGRS Franchisees are required to abide by certain requirements as set out in their respective SGRS Franchise Agreements. For further details see "– *Franchise Agreements*" above.

In the event that an SGRS Franchisee defaults on any commitments under its SGRS Franchise Agreement, Sutton Group may notify such franchisee in writing of the default and provide a reasonable period of time to cure the default. During this period, Sutton Group would work closely with the SGRS Franchisee to cure the default. In the event that the SGRS Franchisee fails or refuses to cure the default, Sutton Group has the right to terminate the SGRS Franchise Agreement and any other related agreements. Sutton Group renews its SGRS Franchise Agreements on an ongoing basis. Accordingly, at any point in time, Sutton Group may have several SGRS Franchise Agreements which are non-current and that it is actively working to renew.

Franchise Reporting

As per the standard terms of an SGRS Franchise Agreement, each SGRS Franchisee is required to report on a monthly basis key operating, personnel and financial statistics for the preceding month, including gross revenue, number and status of agents, agent roster, number of real estate transactions and fees payable. The integrity of franchisee reporting is maintained through ongoing reviews of key statistics, such as Sutton Group's review of the paying agent count and the periodic audit of the SGRS Franchisees' records.

Government Regulation

Local and Provincial Regulations

In each province, licensed agents are either self-regulated or regulated by the provincial government. All agents must successfully complete various licensing courses prior to applying for a real estate licence. The licence is applied for through a real estate brokerage firm. The real estate brokerage firm must be operated by a broker. No agent may receive a licence without first being registered with a broker. The licence allows the licensee to sell real estate anywhere within the province in which he or she is licensed and to collect referral fees, through the brokerage with which he or she is licensed, for business referred to real estate companies anywhere in the world.

Most licensed agents also belong to local real estate boards as well as to CREA and are required by the rules thereof to adhere to prescribed standards of professionalism and a code of ethics. Local real estate boards provide the MLS® to members, facilitate arbitration and ethical disputes among members and handle complaints from members of the public.

Provincial regulations also require that all agents be affiliated with licensed brokers in order to sell real estate. Brokers are licensed by provincial regulatory bodies and must periodically renew their registration. Brokers, among other things, are responsible for the ongoing supervision of agents and sales representatives and the management of trust funds.

Franchise Regulation

Sutton Group must comply with laws and regulations adopted in the provinces in which it and the SGRS Franchisees operate which regulate the offer and sale of franchises. These laws require, among other things, that Sutton Group provide prospective franchisees with a disclosure document containing certain prescribed information.

Employees

As is the case with the majority of real estate agents in Canada, agents in Sutton Group's franchise network typically practise as independent contractors. Under this system, the agents remit their own taxes to the Canada Revenue Agency, pay their own health insurance and deduct business expenses.

Sutton Group operates as a franchisor and as such has a lean management team led by an Interim CEO and Vice President of Operations, and National Director of Marketing. The leadership team is supported by general administrative staff.

Rick Taron – Interim CEO and Vice President of Operations

Rick Taron has been a licensed realtor since 1986. Mr. Taron owned a Realty Executives Franchise from 1994 – 1999 then merged with and retained ownership with Royal Lepage Wolstencroft from 1999 – 2005. Mr. Taron joined Sutton Group in August 2006 as a Director of Franchise Relations for the Western Region. In May 2013, became the National Director of Franchise Relations and Business Development and became Vice President of Operations in October 2015. In 2018, Mr. Taron was appointed as the Interim CEO of Sutton Group.

Jon Chung – National Director of Marketing

Jon Chung has spent over 10 years in marketing leadership roles, leading teams and managing projects related to all aspects of marketing and technology. He has spent the last seven years with Sutton Group developing marketing and technology initiatives to support its 7,200 agents across Canada.

Seasonality

The real estate industry is seasonal and typically has busy seasons in the fall and the spring and slower periods in the summer and winter coinciding with typical holiday seasons. The impact of seasonality on Sutton Group is limited since almost all of the franchise fees generated by Sutton Group are fixed, payable monthly and only fluctuate with the number of active agents.

Business of Mr. Lube

History

Founded in Edmonton, Alberta in 1976 by the Giese family, Mr. Lube is the quick lube market leader in Canada in terms of the size of its network of stores, range of services provided and brand recognition. Mr. Cliff Giese was a pioneer and opened the first quick lube store of its kind in Canada. In 1981, Mr. Lube, under the management of Mr. Giese and Mr. Ted Ticknor, first introduced its franchise program and by 1987 there were 45 stores in the network, located in British Columbia, Alberta, Ontario and Quebec.

In 1988, Imperial Oil acquired the business. During this period, Mr. Lube focused on improving convenience and store systems. In the late 1990's, Imperial Oil slowed down the pace of its investment when it determined that Mr. Lube was not one of its core businesses, and in 1999 elected to sell Mr. Lube back to the previous owners.

Upon reacquiring the business in 1999, the owners began to reinvest in and grow the Mr. Lube business. Mr. Lube increased the range of operational support services provided to existing franchisees and the franchise network systems were standardized. This reinvestment process laid the groundwork for Mr. Lube's strategy to grow the business further by adding stores, increasing market share and number of customer visits. In 2006, Mr. Lube attracted investment from the ownership group of Boston Pizza International and another investor with significant franchisor experience.

Starting in 2013, Mr. Lube began installing hoists in nearly every Flagship Location to capitalize on the tire servicing opportunity. This new core service offering has been a contributor to revenue growth in recent years.

Automotive Industry Overview

Automotive Maintenance

The Canadian light vehicle aftermarket encompasses both automotive repairs and maintenance services. Automotive repairs are performed by service providers after the occurrence of a mechanical failure. In contrast, maintenance services such as oil, fluid and tire changes are performed in order to extend the life of the vehicle and improve fuel economy.

Quick Lube Market Segment

The automotive aftermarket consists of a full range of automotive products and services. The market includes both do-it-yourself ("**DIY**") maintenance done by vehicle owners and family/friends, and do-it-for-me ("**DIFM**") maintenance.

The DIFM segment is comprised of quick lube stores, automotive dealerships, independent repair shops, mass merchants (big box retailers such as Canadian Tire and Walmart), and gas stations.

The quick lube segment of the DIFM market is distinguished by the following characteristics:

- ***Convenience*** – Quick lubes offer quick, appointment-free service via a drive through format. They are typically located near customers' homes, places of work and commuter routes.
- ***Focus on maintenance*** – Oil, lube and filter replacement has historically been the core service provided by quick lubes. Quick lubes do not perform vehicle repairs.
- ***Broad service selection*** – Quick lubes have expanded their range of maintenance services to typically include fuel system cleaning, transmission fluid changes, engine flushes, radiator fluid changes and wiper blade replacements.

Competition and Market Share

Mr. Lube faces numerous competitors in the quick lube market. Its key competitors include Jiffy Lube, Great Canadian, and Pennzoil. Mr. Lube is currently the largest player in Canada by unit count, with 177 locations from coast to coast.

Range of Services

Mr. Lube focuses on vehicle maintenance as opposed to vehicle repairs, and delivers convenient, warranty-approved services that are intended to extend the life of customers' vehicles. With the aid of a small, hand-held electronic reader, every service technician can access a vehicle's personalized service requirements based on its manufacturer's recommendations. As part of every service, Mr. Lube performs a complimentary courtesy check to ensure the vehicle is in good condition. In addition to oil change services, Mr. Lube provides a variety of automotive maintenance services including:

- air, cabin and fuel filters;
- transmission fluid change;
- coolant fluid change;
- engine flush;
- differential / transfer case fluid change;
- wiper blades;
- fuel system cleaning;
- batteries and head/tail lights;
- tire services and tire sales;
- serpentine belts and tensioners;
- undercoating; and
- spark plugs and tune ups

Electronic Owner's Manuals

Mr. Lube utilizes a point of sale system with an extensive electronic database that has approximately 22,200 owner's manuals, representing most vehicles going back to 1980.

This technology allows Mr. Lube technicians to access a vehicle's personalized service interval requirements based on its manufacturer's recommendations. By relying on the electronic owner's manual system, Mr. Lube technicians provide precise information to customers about recommended due dates and services for a vehicle's make, model, year and service history. The system includes a print-out of a customer's vehicle's

requirements and upcoming service needs which helps customers to understand future maintenance that will be required.

Store Formats

The Mr. Lube system includes two distinct store formats: (i) Flagship Locations and (ii) Walmart stores (i.e. Non-Flagship Locations).

Flagship Locations feature a drive through format whereby customers do not have to leave their vehicle while the services are being performed. Walmart stores feature a store-in-store format, allowing consumers to get their vehicle serviced while they shop in and around Walmart locations. None of the Walmart stores are currently included in the ML Royalty Pool.

System Sales Trends

System Sales

Mr. Lube system sales demonstrate both the expansion of the number of Mr. Lube Locations as well as the growth of same store sales. Key factors contributing to the growth include:

- ongoing strengthening of the brand;
- successful marketing programs and campaigns;
- growth in demand for higher priced premium and synthetic oils;
- increases in the prices charged for oil, lube and filter replacement; and
- continued expansion of the range of services provided at the Mr. Lube Locations.

Flagship Location Count

Mr. Lube currently has 125 Flagship Locations across 9 Canadian provinces. These Flagship Locations are all franchised locations. Mr. Lube has steadily grown the net Flagship Locations count from 2006 to 2018, growing from 89 Flagship Locations to 125 Flagship Locations over such period.

The following table summarizes the number of Mr. Lube Locations in the ML Royalty Pool by geographic location.

Mr. Lube Flagship Locations
As at December 31, 2018

British Columbia	23
Alberta	22
Saskatchewan	4
Manitoba	5
Quebec	2
Ontario	56
Atlantic provinces	6
	118

Key Performance Indicators

Store Visits

Growth in visits can be driven through both the opening of new stores as well as increasing same store visits. Mr. Lube has successfully employed the strategy of offering value added features and amenities to the delivery of automotive maintenance services in order to increase system sales. These features and amenities include the addition of drive through bays, readily available service technicians, highly systemized procedures, convenient

locations and a comfortable retail environment. Mr. Lube plans to continue strategies to grow same store sales by further enhancing its features and amenities.

Average Ticket Per Customer

Growth in average ticket per customer can be driven through the expansion of service offerings and the migration to higher priced synthetic products.

Pricing Strategy

Oil package pricing is driven by a number of factors, including market competition, labour costs and upstream oil supply pricing. Mr. Lube conducts seasonal pricing reviews for each of its operating markets by checking a selection of key competitors' oil packages and key service prices and comparing those to its own prices.

Centralized Purchasing

Almost everything an ML Franchisee needs to operate its business is available from Mr. Lube's approved vendors. ML Franchisees are required to purchase most products from Mr. Lube approved vendors.

Mr. Lube enjoys purchasing power with its key suppliers due to large volumes and is typically able to negotiate favourable pricing, payment terms and minimum order quantities for ML Franchisees. Mr. Lube's arrangements with its suppliers allow ML Franchisees to order and receive supplies directly from approved vendors. Mr. Lube does not warehouse and distribute products to ML Franchisees.

Suppliers

Overview

Mr. Lube has long-term relationships with suppliers of its key products and services for ML Franchisees. ML Franchisees benefit from advantageous pricing arrangements with these suppliers and suppliers of other products and services.

Supplier Rebates

Mr. Lube receives volume rebates from all of its key suppliers. As system sales increase, management anticipates that supplier rebates will continue to grow. There is also an opportunity to further grow rebates through the addition of new suppliers.

Training and Industry Certification

Mr. Lube's Certified Training Program is designed to provide store employees with a solid knowledge base and the chance to grow within the system. This provides store employees the opportunity to practice concepts and skills taught, and to test their level of proficiency. Store employees are provided with learning materials and workbooks and attend training workshops that enable them to develop their technical skills and business competencies. All store employees are assigned a mentor and get practical hands-on training on key tasks.

Franchise Support Services

Mr. Lube's centralized monitoring, operational controls and training ensure that ML Franchisees deliver consistent, high quality service to all of their customers.

Franchise Information

Overview

The Mr. Lube flagship business currently consists of 125 Flagship Locations operated by 33 ML Franchisees. Mr. Lube maintains strong relationships with ML Franchisees through high levels of support, ongoing training and development programs, national conferences and regional meetings. Mr. Lube has successfully

increased the number of ML Franchisees that operate multiple Mr. Lube Locations over the past decade, with 92% of Flagship Locations now operated by multi-store operators. ML Franchisees have extended tenures with Mr. Lube, with 27 out of 33 operators having ten or more years of experience and operating 94% of the total Flagship Locations.

Mr. Lube's focus on providing support to help maximize ML Franchisee profitability has resulted in a stable and growth-oriented franchise network. This focus is a key differentiator of Mr. Lube in the market place.

Franchise Agreement

The relationship between Mr. Lube and an ML Franchisees is governed by an ML Franchise Agreement for each individual Mr. Lube Location. The ML Franchise Agreement grants the right to use certain of the ML Rights in association with the Mr. Lube business system at the Mr. Lube Location and outlines comprehensive operational standards. ML Franchise Agreements typically require the ML Franchisee to pay an initial franchise fee, an ongoing royalty fee based on a percentage of gross sales and require the ML Franchisee to make certain minimum expenditures on advertising and marketing based on a percentage of gross sales.

Store Economics

Mr. Lube has developed attractive store level economics through its focus on expanding its service offering, implementing operational improvements, and making investments that drive growth (e.g. hoists for tire services). Mr. Lube's focus on ML Franchisee profitability, collaboration, and sharing best practices has resulted in an experienced, loyal and successful franchisee network.

Franchisee Operations and Reporting

To maintain high standards of quality of services, customer service, and appearance of the Mr. Lube franchise network, ML Franchise Agreements require the ML Franchisee to operate in accordance with the methods, standards, specifications and procedures Mr. Lube prescribes.

ML Franchise Agreements provide the ML Franchisees with the right to operate a Mr. Lube Location using certain of the ML Rights including Mr. Lube's proprietary systems, trademarks, store designs and logos. Only approved services and products may be sold in the Mr. Lube Location.

In the event that an ML Franchisee defaults on any obligations, written notice of default is given by Mr. Lube and a reasonable period of time is given to cure the default. Should the ML Franchisee fail or refuse to cure the default, written notice of termination may be given to such franchisee. All ML Franchise Agreements and related agreements thereafter may be terminated. Mr. Lube may take possession of the Mr. Lube Location, rectify the defaults in the operation and commence the process of refranchising the Mr. Lube Location.

Site Selection and New Store Growth

Mr. Lube management believes there are opportunities for continued growth in new and under-represented markets in Canada. Mr. Lube evaluates sites for new store development on an ongoing basis. Once a site has been selected, the timeline to the opening of a new store is approximately 18 months.

Mr. Lube has the infrastructure to facilitate growth with its own in-house store development departments supplemented by the outsourcing of project management and design functions. Mr. Lube's centralized systems have the capacity to support additional system sales without substantial capital investment.

Mr. Lube intends to continue to primarily utilize strong regional ML Franchisees to own and operate new Mr. Lube Locations, subject to certain conditions being met. Demand from existing ML Franchisees for new Mr. Lube Locations has been strong historically and this continues to be the case. This model of growth rewards strong operators, facilitates revenue growth and is intended to result in operating efficiencies both at the franchisee and franchisor level.

Growth may also be accomplished through strategic acquisitions of competing quick lube businesses or other complementary automotive maintenance businesses.

Franchise Regulation

Mr. Lube is required to comply with franchise laws and regulations adopted in the provinces in which the Mr. Lube Locations are located. These laws require, among other things, that Mr. Lube provide prospective franchisees with a disclosure document containing certain prescribed information.

Seasonality

The ML Business experiences relatively steady sales levels throughout the year. Tire season, however, tends to drive increased traffic in the Spring and Fall as customers are looking to install or remove winter tires. Legislation in Quebec and other areas mandating winter tires help boost tire business in these seasons.

Management and Employees

Mr. Lube's success has been largely due to its ability to attract and retain key management. The current leadership team has over 80 years of combined experience with Mr. Lube. There are currently 38 full time staff members and one part time staff member. Mr. Lube has strong employee retention, supported by its average tenure of over 13 years across all departments.

Leadership Team

Stuart Suls - President & CEO

Stuart has over 25 years of international experience in senior leadership roles for Fortune 500 retail, franchising, manufacturing, food service and transportation companies, including Ryder Truck Rental, Arby's Inc. and General Mills. Stuart was previously President of SE Independent Delivery Services Inc., North America's largest furniture distribution company. Stuart is a Certified Public Accountant and holds an MBA from Duke University and an Honours Bachelor of Arts in Economics from Western Maryland College.

Pamela Lee - Chief Financial Officer

Pamela is a Chartered Accountant with over 20 years of finance and planning experience. She has previously held roles at Mr. Lube as both VP Finance and as Senior Director, Strategy & Planning. Pamela came to Mr. Lube from Bell Canada where she was Director of Performance Management. Her experience spans both public and private enterprises at companies such as Bell Canada, 360networks Inc. and PricewaterhouseCoopers. Pamela holds a Bachelor of Commerce degree from the University of British Columbia.

Other Executives

Mr. Lube's leadership team also includes: Bryan Elwin (VP Finance), Felicia Chen (General Counsel), David Waterfall (VP Marketing) and Bob Anderson (VP Operations).

AIR MILES® Reward Program

Launched in Canada in 1992, the AIR MILES® Reward Program is Canada's largest coalition loyalty program with over 200 brand name sponsors. The AIR MILES® Reward Program is operated in Canada by LoyaltyOne.

The AIR MILES® Reward Program is a full service outsourced coalition loyalty program for LoyaltyOne's sponsors, who pay LoyaltyOne a fee per AIR MILES® reward mile issued, in return for which LoyaltyOne provides all marketing, customer service, rewards and redemption management. LoyaltyOne grants certain participating sponsors exclusivity in their market category, enabling them to realize incremental sales and increase market share as a result of their participation in the AIR MILES® Reward Program coalition.

The AIR MILES® Reward Program enables consumers, referred to as collectors, to earn AIR MILES® reward miles as they shop across a broad range of retailers and other sponsors participating in the AIR MILES® Reward Program. These AIR MILES® reward miles can be redeemed by LoyaltyOne's collectors for travel or other rewards. Through LoyaltyOne's AIR MILES® Cash program option, collectors can also instantly redeem their AIR

MILES® reward miles collected in the AIR MILES® Cash program option toward in-store purchases at participating sponsors. Approximately two-thirds of Canadian households actively participate in the AIR MILES® Reward Program, and it has been named a "most influential" Canadian brand in Canada's Ipsos Influence Index.

The three primary parties involved in LoyaltyOne's AIR MILES® Reward Program are: sponsors, collectors and suppliers, each of which is described below.

Sponsors. Approximately 200 brand name sponsors participate in the AIR MILES® Reward Program, including Shell Canada Products, Jean Coutu, RONA, Amex Bank of Canada, Sobeys Inc. and Bank of Montreal.

Collectors. Collectors earn AIR MILES® reward miles at thousands of retail and service locations, typically including any online presence the sponsor may have. Collectors can also earn AIR MILES® reward miles at the many locations where collectors can use certain credit cards issued by Bank of Montreal and Amex Bank of Canada. This enables collectors to rapidly accumulate AIR MILES® reward miles across a significant portion of their everyday spend. The AIR MILES® Reward Program offers a reward structure that provides a quick, easy and free way for collectors to earn a broad selection of travel, entertainment and other lifestyle rewards through their day-to-day shopping at participating sponsors.

Suppliers. LoyaltyOne enters into agreements with airlines, manufacturers of consumer electronics and other providers to supply rewards for the AIR MILES® Reward Program. The broad range of rewards that can be redeemed is one of the reasons the AIR MILES® Reward Program remains popular with collectors. Over 400 suppliers use the AIR MILES® Reward Program as an additional distribution channel for their products. Suppliers include well-recognized companies in diverse industries, including travel, hospitality, electronics and entertainment.

Unlike Sutton and Mr. Lube, LoyaltyOne was not required to provide an undertaking to the securities commissions and securities regulatory authorities in Canada to file financial statements, material change reports or provide detailed disclosure with respect to its business for inclusion in DIV's AIF. Accordingly, DIV has limited visibility into the operations of LoyaltyOne (see "*Risk Factors – Risks Related to the AIR MILES® Reward Program*").

The foregoing summary of the AIR MILES® Reward Program is based on public disclosure made by LoyaltyOne's parent Company ADS, and has not been independently verified by DIV.

DESCRIPTION OF SUBSIDIARIES

Description of SGRS LP

The following is a summary of certain material terms of the SGRS LP Agreement and is subject to, and qualified in its entirety by, the full text of the SGRS LP Agreement, a copy of which is available on SEDAR at www.sedar.com.

General

SGRS LP is a limited partnership that was initially formed under the laws of British Columbia for the purpose of acquiring the SGRS Rights pursuant to the Sutton Group Acquisition Agreement. The business purpose of SGRS LP is the ownership of the SGRS Rights, the taking of actions consistent with the SGRS Licence and Royalty Agreement to exploit, to the fullest extent possible, the use of the SGRS Rights by Sutton Group, the collection of the SGRS Royalty Payment payable by Sutton Group to SGRS LP under the SGRS Licence and Royalty Agreement, and any and all activities incidental to the foregoing. SGRS LP is governed by the SGRS LP Agreement.

Partners

As at the date of this AIF, SGRS GP is the general partner of SGRS LP, the Corporation is a limited partner of SGRS LP holding 8,834,702 SGRS Ordinary LP Units (representing 100% of the issued and outstanding SGRS Ordinary LP Units) and Sutton Group is a limited partner of SGRS LP holding 99,544,608 SGRS Class A LP Units, 100,000,000 SGRS Class B LP Units, 100,000,000 SGRS Class C LP Units, 100,000,000 SGRS Class D LP Units

and 100,000,000 SGRS Class E LP Units (representing 100% of the issued and outstanding SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units, respectively).

The ability of Sutton Group to exchange its SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units for Shares is described under "*– SGRS Exchange Agreement*" and under "*– Royalty Increases and Exchange Limits*" below. Except pursuant to the SGRS Exchange Agreement or the SGRS Governance Agreement, no additional securities of SGRS LP may be issued to any person without the consent of all partners.

Subject to the provisions of the *Partnership Act* (British Columbia), the liability of a limited partner for the indebtedness, liabilities and obligations of SGRS LP will be limited to the amount of property such limited partner contributed or agreed to contribute to SGRS LP. SGRS GP, as general partner, has unlimited liability for the indebtedness, liabilities and obligations of SGRS LP unless the holder of such obligation otherwise agrees.

Royalty Increases and Exchange Limits

Automatic Annual Increase to the SGRS Royalty Rate

Pursuant to the terms of the SGRS LP Agreement, the SGRS Royalty Rate will be automatically increased annually (the "**Annual Royalty Rate Increase**") at a fixed rate of 2.0% on July 1st of each year (each an "**SGRS Adjustment Date**"). No additional consideration will be payable from the Corporation or SGRS LP to Sutton Group for any Annual Royalty Rate Increase.

Annual Roll-in of Additional Agents & Corresponding Increase to the SGRS Class A Exchange Limit

Subject to certain performance criteria being met, Sutton Group has the ability each year to increase the amount of annual royalty payable to SGRS LP by increasing the Royalty Pool Agent Count. However, the Royalty Pool Agent Count will not be decreased on any SGRS Adjustment Date. In exchange for any increase in the Royalty Pool Agent Count, the SGRS Class A Exchange Limit will be increased, giving Sutton Group the right to exchange SGRS Class A LP Units for Shares based on a formula which is intended to ensure that the increase in the Royalty Pool Agent Count is accretive to Shareholders.

Provided that Sutton Group does not waive its right to the increase the Royalty Pool Agent Count prior to the applicable SGRS Adjustment Date, the Royalty Pool Agent Count will be increased on each SGRS Adjustment Date by an amount up to the number of Eligible Net New Agents (as defined in the SGRS LP Agreement), which number is not to exceed the lesser of:

1. the number of "**Net New Qualified Agents**", which is equal to the difference of: (X) the "Qualified Agent Count" (as defined in the SGRS LP Agreement) on December 31st of the immediately preceding year; and (Y) the Royalty Pool Agent Count on the day immediately preceding such SGRS Adjustment Date, and

2. the "**Maximum Number of Additional Agents**", which is determined by taking the difference of 80% of SGRS Normalized EBITDA for the immediately preceding financial year and the annual management fee payable by Sutton Group to the Corporation for such year, divided by 12 times the SGRS Royalty Rate in effect on such SGRS Adjustment Date (after taking into account the Annual Royalty Rate Increase for such year and any SGRS Incremental Royalty Rate Increase that took effect on such SGRS Adjustment Date), less the Royalty Pool Agent Count on the date immediately preceding such SGRS Adjustment Date.

The inclusion of the concept of "Eligible Net New Agents" is intended to ensure that Sutton Group may only increase the Royalty Pool Agent Count in exchange for an increased ownership interest in the Corporation if Sutton Group is generating sufficient SGRS Normalized EBITDA to satisfy Sutton Group's obligations under the SGRS Licence and Royalty Agreement and the SGRS Management Agreement on a go-forward basis.

On each SGRS Adjustment Date on which the Royalty Pool Agent Count is increased, the number of SGRS Class A LP Units that may be exchanged for Shares on such SGRS Adjustment Date (the "**SGRS Class A Exchange Limit**") is calculated to reflect the increase in the SGRS Royalty Payments to be made by Sutton Group

as a result of the increase in the Royalty Pool Agent Count resulting from the addition of Additional Agents (as defined in the SGRS LP Agreement) to the Royalty Pool Agent Count.

The basis for determining the increase in the SGRS Class A Exchange Limit is the Net New Agent Amount (as defined in the SGRS LP Agreement). The Net New Agent Amount for Additional Agents added to the Royalty Pool Agent Count on an SGRS Adjustment Date is equal to 92.5% of the amount obtained by dividing (a) 12 times the SGRS Royalty Rate in effect on such SGRS Adjustment Date (after taking into account any Annual Royalty Rate Increase for such year and any SGRS Incremental Royalty Rate Increase (as defined below) that took effect on such SGRS Adjustment Date) (after adjustment for taxes) multiplied by the number of Additional Agents to be added to the Royalty Pool Agent Count on such SGRS Adjustment Date, by (b) the pro forma annual yield paid on a Share, determined by dividing 12 times the aggregate amount of dividends payable on a Share in respect of the month of May immediately prior to such SGRS Adjustment Date by the Current Market Price of a Share as of the May 31st immediately prior to such SGRS Adjustment Date. The discount rate used to calculate the Net New Agent Amount is intended to ensure that the addition of Additional Agents to the Royalty Pool Agent Count in exchange for Shares is accretive to Shareholders.

The aggregate increase in the SGRS Class A Exchange Limit is determined by dividing the Net New Agent Amount by the Current Market Price of a Share as of the May 31st immediately prior to the applicable SGRS Adjustment Date.

If the SGRS Class A Exchange Limit is increased on an SGRS Adjustment Date to reflect the addition of Additional Agents to the Royalty Pool Agent Count, Sutton Group will have the right pursuant to the SGRS Exchange Agreement to exchange up to that number of SGRS Class A LP Units which is equal to the SGRS Class A Exchange Limit. If Sutton Group does not exercise such right, the Corporation may elect pursuant to the SGRS Exchange Agreement to cause Sutton Group to exchange that number of SGRS Class A LP Units which is equal to the SGRS Class A Exchange Limit. In each case, the Corporation will have the right to determine whether such SGRS Class A LP Units will be exchanged for Shares (in which case Sutton Group will receive one Share for each SGRS Class A LP Unit so exchanged) or for cash (in which case Sutton Group will receive the Current Market Price of a Share for each SGRS Class A LP Unit so exchanged). See "*– SGRS Exchange Agreement*".

Incremental Royalty Increases & Corresponding Increases to the SGRS Class B, C, D and E Exchange Limits

Subject to certain performance criteria being met, Sutton Group has the ability to increase the SGRS Royalty Rate in 10% increments four times during the term of the SGRS Licence and Royalty Agreement (each an "**SGRS Incremental Royalty Rate Increase**"), in return for which Sutton Group will be entitled to exchange SGRS Class B LP Units (in respect of the first SGRS Incremental Royalty Rate Increase), SGRS Class C LP Units (in respect of the second SGRS Incremental Royalty Rate Increase) and SGRS Class D LP Units (in respect of the third SGRS Incremental Royalty Rate Increase) SGRS Class E LP Units (in respect of the fourth SGRS Incremental Royalty Rate Increase) for Shares based on a formula which is intended to ensure that the issuance of the Shares is accretive to the Shareholders, as described below. Each SGRS Incremental Royalty Rate Increase must be separated by at least two years.

Subject to the following criteria being met (the "**SGRS Incremental Royalty Condition**") and Sutton Group not waiving an SGRS Incremental Royalty Rate Increase, the SGRS Royalty Rate will be increased by 10% on an SGRS Adjustment Date (up to a maximum of four times during the term of the SGRS Licence and Royalty Agreement) if:

(a) 80% of the average SGRS Normalized EBITDA of Sutton Group for each SGRS Reporting Period in the applicable SGRS Incremental Royalty Determination Period (as defined in the SGRS LP Agreement) immediately preceding such SGRS Adjustment;

is equal to or greater than

(b) the sum of (i) the product of (A) the Royalty Pool Agent Count on the last day of such SGRS Incremental Royalty Determination Period and (B) 12 times 110% of the SGRS Royalty Rate in effect on such SGRS Adjustment Date (after taking into account any Annual Royalty Rate Increase that took effect on such SGRS Adjustment Date but prior to taking into account any

SGRS Incremental Royalty Rate Increase or any increase with respect to Additional Agents that took effect on such SGRS Adjustment Date) and (ii) the annual management fee payable by Sutton Group to the Corporation on such SGRS Adjustment Date pursuant to the SGRS Management Agreement.

The inclusion of the SGRS Incremental Royalty Condition is intended to ensure that Sutton Group may only increase the Royalty Rate in 10% increments in exchange for an increased ownership interest in the Corporation if Sutton Group is generating sufficient SGRS Normalized EBITDA to satisfy Sutton Group's royalty obligations under the SGRS Licence and Royalty Agreement and the SGRS Management Agreement on a go-forward basis.

On the SGRS Adjustment Date on which the first, second, third and fourth SGRS Incremental Royalty Rate Increase occurs, the number of SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units, respectively, that Sutton Group may exchange for Shares on such SGRS Adjustment Date (the "**SGRS Class B Exchange Limit**", "**SGRS Class C Exchange Limit**", "**SGRS Class D Exchange Limit**" and "**SGRS Class E Exchange Limit**", respectively) will be calculated to reflect the increase in the SGRS Royalty Payments to be made to SGRS LP by Sutton Group as a result of the applicable SGRS Incremental Royalty Rate Increase.

The basis for determining the increase in each of the SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit and SGRS Class E Exchange Limit on the applicable SGRS Adjustment Date is the SGRS Incremental Royalty Amount (as defined in the SGRS LP Agreement). The SGRS Incremental Royalty Amount for any SGRS Incremental Royalty Rate Increase is equal to 87.5% of the amount obtained by dividing (a) 12 times the SGRS Royalty Rate in effect on such SGRS Adjustment Date (after taking into account any Annual Royalty Rate Increase for such year but prior to taking into account the SGRS Incremental Royalty Rate Increase that took effect on such SGRS Adjustment Date) (after adjustment for taxes), multiplied by 10% and the Royalty Pool Agent Count on such SGRS Adjustment Date, by (b) the pro forma annual yield paid on a Share, determined by dividing 12 times the aggregate amount of dividends payable on a Share in respect of the month of May immediately prior to such SGRS Adjustment Date by the Current Market Price of a Share as of the May 31st immediately prior to such SGRS Adjustment Date. The discount rate used to calculate the SGRS Incremental Royalty Amount is intended to ensure that each SGRS Incremental Royalty Rate Increase completed in exchange for Shares is accretive to Shareholders.

On an SGRS Adjustment Date on which an SGRS Incremental Royalty Rate Increase occurs, the aggregate increase in the SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit, as applicable, is determined by dividing the SGRS Incremental Royalty Amount by the Current Market Price of a Share as of the May 31st immediately prior to the applicable such SGRS Adjustment Date.

If the SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit is increased on an SGRS Adjustment Date to reflect the increased SGRS Royalty Payments to be made by Sutton Group as a result of an SGRS Incremental Royalty Rate Increase, Sutton Group will have the right pursuant to the SGRS Exchange Agreement to exchange up to that number of SGRS Exchangeable Units of the applicable class which is equal to the SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit, as applicable. If Sutton Group does not exercise such right, the Corporation may elect pursuant to the SGRS Exchange Agreement to cause Sutton Group to exchange each such SGRS Exchangeable Unit. In each case, the Corporation will have the right to determine whether such SGRS Exchangeable Units will be exchanged for Shares (in which case Sutton Group will receive one Share for each SGRS Exchangeable Unit so exchanged) or for cash (in which case Sutton Group will receive the Current Market Price of a Share for each SGRS Exchangeable Unit so exchanged).

Immediately following any aforementioned exchange of SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units or SGRS Class C LP Units for Shares or cash (i) the applicable exchange limit will be automatically reduced by the number of applicable units of SGRS LP so exchanged, and (ii) the remaining units held by Sutton Group of the applicable class of SGRS Exchangeable Units so exchanged shall, pursuant to the terms of the SGRS Governance Agreement, be surrendered to SGRS LP for the aggregate purchase price of $1.00. See "*Governance Agreements – SGRS Governance Agreement*" below.

Distributions

SGRS LP distributes its available cash to its partners on a monthly basis. Available cash, at the end of a month, means the amount, if any, by which SGRS GP determines the cash and cash equivalents of SGRS LP at such time exceed the aggregate of all amounts set aside as reserves at such time. The amount set aside as reserves is the amount that SGRS LP determines is necessary or desirable to withhold from any distribution having regard to the current and anticipated cash requirements of SGRS LP, including such reserves as are necessary for the payment of operating expenses, payments in respect of any financing or any other commitments and obligations of SGRS LP. Distributions in respect of a month are required to be made not later than the third business day immediately prior to the end of the immediately following month.

Available cash is distributed to partners in the following order of priority:

(a) first, to the general partner of SGRS LP, the sum of $5.00; and

(b) thereafter, to the holders of SGRS Ordinary LP Units, SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units *pro rata* (i) in the case of the SGRS Ordinary LP Units and in accordance with the aggregate number of SGRS Ordinary LP Units issued and outstanding on the applicable record date, and (ii) in the case of the SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units, in accordance with that number of SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units which is equal to the SGRS Class A Exchange Limit, SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit and SGRS Class E Exchange Limit, respectively, on the applicable record date.

Sutton Group is not expected to receive any distributions of available cash pursuant to clause (b) above because it is expected that a corresponding number of SGRS Class A LP Units, SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units and SGRS Class E LP Units will be exchanged for Shares on any date on which the SGRS Class A Exchange Limit, SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit is increased. Accordingly, all available cash distributed pursuant to clause (b) above is expected to be distributed to the Corporation, as the sole holder of the SGRS Ordinary LP Units.

SGRS GP may, in addition to the distributions referred to in clauses (a) and (b) above, distribute available cash to holders of SGRS Ordinary LP Units and SGRS Exchangeable Units *pro rata* on the same basis as set forth in clause (b) above at any other time. Notwithstanding the foregoing, SGRS GP is not permitted to make any such distribution if and to the extent such distribution would be contrary to any provision of any agreement to which SGRS LP is a party or by which SGRS LP is bound or to any applicable law.

Allocation of Net Income and Losses

The income or loss of SGRS LP for accounting purposes for each fiscal year, and the income or loss of SGRS LP as determined pursuant to the Tax Act for a particular fiscal year, will be allocated to the holders of SGRS Partnership Units in proportion to the available cash of SGRS LP distributed to such holders in respect of such fiscal year in accordance with their distribution entitlements. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by SGRS LP to that partner. In any fiscal year in which no cash is distributed to the partners in respect of their partnership units, income or loss will be allocated to limited partners in accordance with their distribution entitlements.

Functions and Powers of General Partner

SGRS GP has the full power and authority to administer, manage, control and operate the business of SGRS LP, including the power and authority to do any act, take any proceeding, make any decision and execute and deliver any agreement, instrument, deed or other document necessary for or incidental to carrying out the business of SGRS LP. SGRS GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of SGRS LP and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The authority of SGRS GP is limited in certain respects under the SGRS LP Agreement. SGRS GP is prohibited, without the prior approval of the other partners by way of a special resolution thereof, from dissolving SGRS LP or selling, exchanging or otherwise disposing of all or substantially all of the assets of SGRS LP (other than in conjunction with an internal reorganization).

Transfer of SGRS Partnership Units

Except as provided in the SGRS LP Agreement, the SGRS Governance Agreement and the SGRS Exchange Agreement, the SGRS Partnership Units may not be transferred or assigned to any person. No assignee of SGRS Partnership Units is entitled to be admitted to SGRS LP as a partner pursuant to an assignment thereof, except with the written consent of SGRS GP on the terms and conditions of such consent and unless the assignee has delivered to SGRS GP an assignment, power of attorney and such other instruments and documents as may be required by SGRS GP in appropriate form completed and executed in a manner acceptable to SGRS GP and upon the payment of an administration fee, if any, required by SGRS GP. A transferee of an SGRS Partnership Unit will not become a partner or be admitted to SGRS LP and will not be subject to the obligations and entitled to the rights of the transferor under the SGRS LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the register of partners of SGRS LP.

Reimbursement of General Partner

SGRS GP is reimbursed by SGRS LP for all out-of-pocket costs, outlays, disbursements and expenditures actually paid or incurred by SGRS GP in the performance of its duties under the SGRS LP Agreement (including costs directly incurred for the benefit of SGRS LP), but is not entitled to any fee for the performance of such duties.

Limited Liability

Limited partners may lose their limited liability in certain circumstances. SGRS LP operates in a manner so as to ensure, to the greatest extent possible, the limited liability of its limited partners. SGRS GP will indemnify and hold harmless each limited partner from any costs, damages, liabilities or expenses suffered or incurred by such limited partner because the liability of such limited partner is not limited in the manner provided in the SGRS LP Agreement unless the liability of such limited partner is not so limited as a result of, or arising out of, any act or omission of such limited partner. However, since SGRS GP has no significant assets or financial resources, the indemnity from SGRS GP may have nominal value.

Withdrawal or Removal of General Partner

SGRS GP is permitted to resign as general partner on not less than 180 days' prior written notice to the partners, provided that SGRS GP will not resign if the effect would be to dissolve SGRS LP.

SGRS GP will be deemed to resign as general partner of SGRS LP if the shareholders or directors of SGRS GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of SGRS GP, or SGRS GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that such resignation will not be effective until the admission of a successor general partner is approved by special resolution.

SGRS GP may be removed as general partner, without its consent, by a special resolution admitting a successor general partner as a replacement to SGRS GP.

Amendments to the SGRS LP Agreement

The SGRS LP Agreement may only be amended with the written approval of each of the partners of SGRS LP.

SGRS Exchange Agreement

The following is a summary of certain material terms of the SGRS Exchange Agreement and is subject to, and qualified in its entirety by, the full text of the SGRS Exchange Agreement, a copy of which is available on SEDAR at www.sedar.com.

Under the SGRS Exchange Agreement, on each SGRS Adjustment Date on which the SGRS Class A Exchange Limit, SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit is increased, Sutton Group has the right to exchange that number of SGRS Exchangeable Units of the applicable class equal to the SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit, as the case may be, for a corresponding number of Shares by delivering a notice in writing to the Corporation at least ten business days in advance of such SGRS Adjustment Date exercising its exchange right. If Sutton Group does not exercise its exchange right as set out above, the Corporation shall have the right to exchange that number of SGRS Exchangeable Units of the applicable class equal to the SGRS Class A Exchange Limit, SGRS Class B Exchange Limit, SGRS Class C Exchange Limit, SGRS Class D Exchange Limit or SGRS Class E Exchange Limit, following such increase for a corresponding number of Shares by delivering a notice in writing to Sutton Group at least five business days in advance of such SGRS Adjustment Date exercising its exchange right.

Notwithstanding the foregoing, the Corporation may, in lieu of issuing Shares in exchange for SGRS Exchangeable Units, elect to pay cash to Sutton Group for such SGRS Exchangeable Units, in which case the purchase price for each such SGRS Exchangeable Unit shall be equal the Current Market Price of a Share on the applicable SGRS Adjustment Date.

Immediately following any aforementioned exchange of SGRS Exchangeable Units for Shares or cash (i) the applicable exchange limit will be automatically reduced by the number of applicable units of SGRS LP so exchanged, and (ii) in the case of SGRS Class B LP Units, SGRS Class C LP Units, SGRS Class D LP Units or SGRS Class E LP Units exchanged in connection with an SGRS Incremental Royalty Increase, the remaining units held by Sutton Group of the applicable class exchanged shall, pursuant to the terms of the SGRS Governance Agreement, be surrendered to SGRS LP for the aggregate purchase price of $1.00. See "*Governance Agreements – SGRS Governance Agreement*" below.

The SGRS Exchange Agreement includes protective provisions that prevent the Corporation from taking certain actions, including subdividing, consolidating or reclassifying the Shares or completing a reorganization, consolidation, amalgamation, merger or other form of business combination of the Corporation with or into any other entity, unless appropriate measures are taken to preserve the rights of the holders of SGRS Exchangeable Units.

Sutton Group and the Corporation will agree to jointly make and file an election under subsection 85(1) of the Tax Act, within the time prescribed for doing so, in respect of the transfer of any of the SGRS Exchangeable Units to the Corporation in exchange for Shares under the SGRS Exchange Agreement.

Description of ML LP

The following is a summary of certain material terms of the ML LP Agreement and is subject to, and qualified in its entirety by, the full text of the ML LP Agreement, a copy of which is available on SEDAR at www.sedar.com.

General

ML LP is a limited partnership that was initially formed under the laws of British Columbia for the purpose of acquiring the ML Rights pursuant to the ML Acquisition Agreement. The business purpose of ML LP is the ownership of the ML Rights, the taking of actions consistent with the ML Licence and Royalty Agreement to exploit, to the fullest extent possible, the use of the ML Rights by Mr. Lube, the collection of the ML Royalty Payment payable to ML LP under the ML Licence and Royalty Agreement, and any and all activities incidental to the foregoing. ML LP is governed by the ML LP Agreement.

Partners

As at the date of this AIF, ML GP is the general partner of ML LP, DIV is a limited partner holding 41,801,662 ML Ordinary LP Units (representing 100% of the issued and outstanding ML Ordinary LP Units), and Mr. Lube is a limited partner of ML LP holding 99,719,017 ML Class B LP Units, 100,000,000 ML Class D LP Units, 100,000,000 ML Class E LP Units and 100,000,000 ML Class F LP Units (representing 100% of the issued

and outstanding ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units, respectively).

The ability of Mr. Lube to exchange its ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units for Shares is described under "*– ML Exchange Agreement*" and under "*– Royalty Increases and Exchange Limits*" below. Except pursuant to the ML Exchange Agreement or the ML Governance Agreement, no additional securities of ML LP may be issued to any person without the consent of all partners.

Subject to the provisions of the *Partnership Act* (British Columbia), the liability of a limited partner for the indebtedness, liabilities and obligations of ML LP will be limited to the amount of property such limited partner contributed or agreed to contribute to ML LP. ML GP, as general partner, has unlimited liability for the indebtedness, liabilities and obligations of ML LP unless the holder of such obligation otherwise agrees.

Royalty Increases and Exchange Limits

ML Class B Exchange Limit

The number of ML Class B LP Units that may be exchanged for Shares or cash on an ML Adjustment Date (the "**ML Class B Exchange Limit**") is calculated on annual basis to reflect increases in the ML Royalty Payment as the result of the addition of Mr. Lube Locations to the ML Royalty Pool (net of decreases in the ML Royalty Payment as a result of the removal of any Permanently Closed Mr. Lube Locations from the ML Royalty Pool). The addition of new Mr. Lube Locations to the ML Royalty Pool on an ML Adjustment Date depends on the ML Royalty Pool Increase Condition being satisfied on such ML Adjustment Date and whether Mr. Lube makes a Deferral Election. See "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closure*".

The basis for determining the increase in the ML Class B Exchange Limit is the Determined Amount for the Mr. Lube Locations added to the ML Royalty Pool on an ML Adjustment Date. The Determined Amount on an ML Adjustment Date is (i) for any Eligible Locations which were open for business on or before June 30, 2019 that are being added to the ML Royalty Pool on the ML Adjustment Date for such ML Reporting Period, 80% and (ii) for all other Eligible Locations added to the ML Royalty Pool on such ML Adjustment Date, 92.5% of the amount obtained by dividing (a) the royalty attributable to such Mr. Lube Locations during first ML Reporting Period that they are included in the ML Royalty Pool (after adjustment for taxes and decreases in the ML Royalty Payment as a result of the removal of any Permanently Closed Mr. Lube Locations from the ML Royalty Pool) by (b) the pro forma annual yield paid on a Share (determined by dividing twelve times the monthly dividend payable on a Share in respect of the month of March in such ML Reporting Period by the Current Market Price of a Share as of March 31 of such ML Reporting Period). The increase in the Class B Exchange Limit on an ML Adjustment Date is determined by dividing the Determined Amount by the Current Market Price of a Share on such date. The discount rate used to calculate the Determined Amount is intended to ensure that the addition of Mr. Lube Locations to the ML Royalty Pool in exchange for such Shares is accretive to the Corporation.

The increase in the ML Class B Exchange Limit in respect of Mr. Lube Locations added to the ML Royalty Pool occurs in two stages. On the ML Adjustment Date on which such Mr. Lube Locations are added to the ML Royalty Pool, an initial increase in the ML Class B Exchange Limit is calculated with reference to 80% of the forecasted ML Gross Sales of such Mr. Lube Locations for the ML Reporting Period in which they are added to the ML Royalty Pool. On the next ML Adjustment Date, the ML Class B Exchange Limit is further adjusted to reflect the amount by which the actual ML Gross Sales of such Mr. Lube Locations are greater or less than 80% of forecasted Gross Sales for such period.

If actual ML Gross Sales of such Mr. Lube Locations during the first year they are included in the ML Royalty Pool are greater than 80% of forecasted ML Gross Sales for such period, Mr. Lube is also entitled to receive a distribution (the "**ML Class B Distribution Adjustment**") to make Mr. Lube whole for the additional dividends that would have been payable to it during the year in respect of the Shares issuable in exchange for ML Class B LP Units had the initial increase in the ML Class B Exchange Limit been calculated on the basis of actual ML Gross Sales rather than 80% of forecasted ML Gross Sales. If actual ML Gross Sales of such Mr. Lube Locations during the year are less than 80% of forecasted ML Gross Sales for such period, Mr. Lube is required to pay to ML LP an amount equal to the excess dividends paid to Mr. Lube during the year in respect of the Shares issued in exchange

for ML Class B LP Units, as a result of the fact that actual ML Gross Sales did not support the initial increase in the ML Class B Exchange Limit.

If the ML Class B Exchange Limit is increased to reflect the addition of Mr. Lube Locations to the ML Royalty Pool on an ML Adjustment Date, that number of ML Class B LP Units which is equal to the ML Class B Exchange Limit may be exchanged for Shares or cash pursuant to the ML Exchange Agreement (see "*– ML Exchange Agreement*") and, provided an exchange for Shares or cash occurs on the applicable ML Adjustment Date, the Class B Exchange Limit is automatically reduced to zero.

Incremental Royalty Increases & Corresponding Increases to the ML Class C, D, E and F Exchange Limits

Subject to certain performance criteria being met, the ML Royalty Rate will be increased in 0.5% increments four times during the term of the ML Licence and Royalty Agreement (each an "**ML Incremental Royalty Rate Increase**") in return for which Mr. Lube will be entitled to exchange ML Class C LP Units (in respect of the first ML Incremental Royalty Rate Increase, which was completed on May 1, 2018), ML Class D LP Units (in respect of the second ML Incremental Royalty Rate Increase), ML Class E LP Units (in respect of the third ML Incremental Royalty Rate Increase) and ML Class F LP Units (in respect of the fourth ML Incremental Royalty Rate Increase) for Shares based on a formula which is intended to be accretive to the Shareholders, as described below. The ML Royalty Rate on Tire Sales will not be adjusted for any ML Incremental Royalty Rate Increase.

As at the date of this AIF, the ML Royalty Rate is: (i) 7.45% for ML System Sales related to non-Tire Sales; (ii) 2.50% for ML System Sales related to Tire Sales at Flagship Locations; and (iii) 1.25% for ML System Sales related to Tire Sales at Non-Flagship Locations. The increase in the Mr. Lube Royalty Rate from 6.95% to 7.45% on non-Tire Sales on May 1, 2018 represents the first ML Incremental Royalty Rate Increase. As a result of this ML Incremental Royalty Rate Increase, 2,812,901 ML Class C LP Units were exchanged by Mr. Lube in exchange for a cash payment of $9.2 million and the remaining 97,187,099 ML Class C LP Units were surrendered for cancellation by Mr. Lube in return for a payment of $1.00. See "*General Development of the Business – Mr. Lube Royalty Rate Increase and Net Addition to the Mr. Lube Royalty Pool*".

On any ML Adjustment Date, provided that all Flagship Locations which are Eligible Locations on such ML Adjustment Date have been added to the ML Royalty Pool, the ML Royalty Rate will be increased by 0.5% (up to a maximum of four times during the term of the ML Licence and Royalty Agreement) if ML Normalized EBITDA for the most recently completed ML Reporting Period is equal to or greater than 112.5% of the sum of (i) the product of (A) total ML System Sales for the most recently completed ML Reporting Period multiplied by (B) the ML Royalty Rate on the last day of the most recently completed ML Reporting Period plus the amount of such proposed ML Incremental Royalty Rate Increase and (ii) the annual management fee payable by Mr. Lube to the Corporation on such ML Adjustment Date pursuant to the ML Management Agreement (the "**ML Incremental Royalty Condition**").

Notwithstanding the foregoing, Mr. Lube may, by written notice to ML GP on or before the March 31st immediately preceding the applicable ML Adjustment Date, make an election to defer each ML Incremental Royalty Rate Increase until the next ML Adjustment Date in respect of which the ML Incremental Royalty Condition is satisfied on up to five separate occasions. After Mr. Lube has deferred a given ML Incremental Royalty Rate Increase for the fifth and final time, Mr. Lube may, by written notice to ML GP by the March 31st immediately preceding such ML Adjustment Date, make an election to further defer the applicable ML Incremental Royalty Rate Increase until the next ML Adjustment Date in respect of which the applicable ML Incremental Royalty Condition is satisfied if the aggregate monthly dividend payable by the Corporation on a Share has decreased by more than 20% in the twelve month period ending on the March 31st immediately preceding such ML Adjustment Date.

The inclusion of the ML Incremental Royalty Condition is intended to ensure that Mr. Lube may only increase the ML Royalty Rate in 0.5% increments in exchange for additional consideration from the Corporation if Mr. Lube is generating sufficient ML Normalized EBITDA to satisfy Mr. Lube's royalty obligations under the ML Licence and Royalty Agreement and the ML Management Agreement on a go-forward basis.

On the ML Adjustment Date on which the second, third and fourth ML Incremental Royalty Rate Increase occurs, the number of ML Class D LP Units, ML Class E LP Units or ML Class F LP Units, respectively, that Mr. Lube may exchange for Shares on such ML Adjustment Date (the "**ML Class D Exchange Limit**", "**ML Class E**

Exchange Limit" and "**ML Class F Exchange Limit**", respectively) will be calculated to reflect the incremental increase in the ML Royalty Payment to be paid by Mr. Lube as a result of the respective ML Incremental Royalty Rate Increase.

The basis for determining the increase in each of the ML Class D Exchange Limit, ML Class E Exchange Limit and ML Class F Exchange Limit on the applicable ML Adjustment Date is the ML Incremental Royalty Amount (as defined in the ML LP Agreement). The ML Incremental Royalty Amount for any ML Incremental Royalty Rate Increase is equal to the amount obtained by dividing (a) 87.5% of (i) 0.5% multiplied by (ii) the total ML System Sales for the then-current ML Reporting Period plus 90% of the forecast ML System Sales for the then-current ML Reporting Period, (after adjustment for taxes) by (b) the pro forma annual yield paid on a Share (determined by dividing twelve times the monthly dividend payable on a Share in respect of the month of March in such ML Reporting Period by the Current Market Price of a Share as of March 31 of such ML Reporting Period).

On an ML Adjustment Date on which an ML Incremental Royalty Rate Increase occurs, the increase in the ML Class D Exchange Limit, ML Class E Exchange Limit and ML Class F Exchange Limit, as applicable, is determined by dividing the ML Incremental Royalty Amount by the Current Market Price of a Share on such ML Adjustment Date.

If the ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit is increased on an ML Adjustment Date to reflect the increased ML Royalty Payments to be made by Mr. Lube as a result of the applicable ML Incremental Royalty Rate Increase, Mr. Lube will exchange up to that number of ML Exchangeable Units of the applicable class which is equal to the ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit, as applicable, for an equivalent number of Shares pursuant to the ML Exchange Agreement. Notwithstanding the foregoing, the Corporation may elect, in lieu of issuing Shares to Mr. Lube, to pay cash to Mr. Lube for such ML Exchangeable Units, in which case the purchase price for each such ML Exchangeable Unit shall be equal the Current Market Price of a Share on the applicable ML Adjustment Date. See "*– ML Exchange Agreement*".

Immediately following any aforementioned exchange of ML Class D LP Units, ML Class E LP Units or ML Class F LP Units for Shares or cash (i) the applicable exchange limit will be automatically reduced by the number of applicable units of ML LP so exchanged, and (ii) the remaining units held by Mr. Lube of the applicable class of ML Exchangeable Units so exchanged shall, pursuant to the terms of the ML Governance Agreement, be surrendered to ML LP for the aggregate purchase price of $1.00. See "*Governance Agreements – ML Governance Agreement*" below.

Distributions

ML LP distributes its available cash to its partners on a monthly basis. Available cash, at the end of a month, means the amount, if any, by which ML GP determines the cash and cash equivalents of ML LP at such time exceed the aggregate of all amounts set aside as reserves at such time. The amount set aside as reserves is the amount that ML LP determines is necessary or desirable to withhold from any distribution having regard to the current and anticipated cash requirements of ML LP, including such reserves as are necessary for the payment of operating expenses, payments in respect of any financing or any other commitments and obligations of ML LP and payment of the ML Class B Distribution Adjustment. Distributions in respect of a month are required to be made not later than the third business day immediately prior to the end of the immediately following month

Available cash is distributed to partners in the following order of priority:

(a) first, to the general partner of ML LP, the sum of $5.00; and

(b) thereafter, all remaining available cash, if any, to the holders of ML Ordinary LP Units, ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units *pro rata* (i) in the case of the ML Ordinary LP Units and ML Class A LP Units, in accordance with the aggregate number of ML Ordinary LP Units and ML Class A LP Units issued and outstanding on the applicable record date, and (ii) in the case of the ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units, in accordance with that number of ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units which is equal to the

ML Class B Exchange Limit, ML Class D Exchange Limit, ML Class E Exchange Limit and ML Class F Exchange Limit, respectively, on the applicable record date.

Mr. Lube is not expected to receive any distributions of available cash pursuant to clause (b) above, because it is expected that all ML Class B LP Units, ML Class D LP Units, ML Class E LP Units and ML Class F LP Units will be exchanged for Shares or cash on any date on which the ML Class B Exchange Limit, ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit is increased. In addition, there are no ML Class A LP Units or ML Class C LP Units issued or outstanding. Accordingly, all available cash distributed pursuant to clause (b) above is expected to be distributed to the Corporation, as the sole holder of the ML Ordinary LP Units.

If Mr. Lube is entitled to receive an ML Class B Distribution Adjustment as described under the heading "*– Royalty Increases and Exchange Limits – ML Class B Exchange Limit*" above, such amount is required to be distributed to Mr. Lube, in priority to the distributions referred to in clauses (a) and (b) above, as soon as practicable after the applicable ML Adjustment Date.

ML GP may, in addition to the distributions referred to in clauses (a) and (b) above, distribute available cash to holders of ML Ordinary LP Units and ML Exchangeable Units *pro rata* on the same basis as set forth in clause (b) above, at any other time. Notwithstanding the foregoing, ML GP is not permitted to make any such distribution if and to the extent such distribution would be contrary to any provision of any agreement to which ML LP is a party or by which ML LP is bound or to any applicable law.

Allocation of Net Income and Losses

The income or loss of ML LP for accounting purposes for each fiscal year, and the income or loss of ML LP as determined pursuant to the Tax Act for a particular fiscal year, will be allocated to the holders of ML Partnership Units in proportion to the available cash of ML LP distributed to such holders in respect of such fiscal year in accordance with their distribution entitlements. The amount of income allocated to a partner may exceed or be less than the amount of cash distributed by ML LP to that partner. In any fiscal year in which no cash is distributed to the partners in respect of their ML Partnership Units, income or loss will be allocated to limited partners in accordance with their distribution entitlements.

Functions and Powers of General Partner

ML GP has the full power and authority to administer, manage, control and operate the business of ML LP, including the power and authority to do any act, take any proceeding, make any decision and execute and deliver any agreement, instrument, deed or other document necessary for or incidental to carrying out the business of ML LP. ML GP is required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of ML LP and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

The authority of ML GP is limited in certain respects under the ML LP Agreement. ML GP is prohibited, without the prior approval of the other partners by way of a special resolution thereof, from dissolving ML LP or selling, exchanging or otherwise disposing of all or substantially all of the assets of ML LP (otherwise than in conjunction with an internal reorganization).

Transfer of ML Partnership Units

Except as provided in the ML LP Agreement, the ML Governance Agreement and the ML Exchange Agreement, ML Partnership Units may not be transferred or assigned to any person. No assignee of ML Partnership Units is entitled to be admitted to ML LP as a partner pursuant to an assignment thereof, except with the written consent of ML GP on the terms and conditions of such consent and unless the assignee has delivered to ML GP an assignment, power of attorney and such other instruments and documents as may be required by ML GP in appropriate form completed and executed in a manner acceptable to ML GP and upon the payment of an administration fee, if any, required by ML GP. A transferee of an ML Partnership Unit will not become a partner or be admitted to ML LP and will not be subject to the obligations and entitled to the rights of the transferor under the

ML LP Agreement until the foregoing conditions are satisfied and such transferee is recorded on the register of partners of ML LP.

Reimbursement of General Partner

ML GP is reimbursed by ML LP for all out-of-pocket costs, outlays, disbursements and expenditures actually paid or incurred by ML GP in the performance of its duties under the ML LP Agreement (including costs directly incurred for the benefit of ML LP), but is not entitled to any fee for the performance of such duties.

Limited Liability

Limited partners may lose their limited liability in certain circumstances. ML LP operates in a manner so as to ensure, to the greatest extent possible, the limited liability of its limited partners. ML GP will indemnify and hold harmless each limited partner from any costs, damages, liabilities or expenses suffered or incurred by such limited partner because the liability of such limited partner is not limited in the manner provided in the ML LP Agreement unless the liability of such limited partner is not so limited as a result of, or arising out of, any act or omission of such limited partner. However, since ML GP has no significant assets or financial resources, the indemnity from ML GP may have nominal value.

Withdrawal or Removal of General Partner

ML GP is permitted to resign as general partner on not less than 180 days' prior written notice to the partners, provided that ML GP will not resign if the effect would be to dissolve ML LP.

ML GP will be deemed to resign as general partner of ML LP if the shareholders or directors of ML GP pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding up of ML GP, or ML GP commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that such resignation will not be effective until the admission of a successor general partner is approved by partnership special resolution.

ML GP may be removed as general partner, without its consent, by a partnership special resolution admitting a successor general partner as a replacement to ML GP.

Amendments to the ML LP Agreement

The ML LP Agreement may only be amended with the written approval of each of the partners of ML LP.

ML Exchange Agreement

The following is a summary of certain material terms of the ML Exchange Agreement and is subject to, and qualified in its entirety by, the full text of the ML Exchange Agreement, a copy of which is available on SEDAR at www.sedar.com.

Under the ML Exchange Agreement, on each ML Adjustment Date on which the ML Class B Exchange Limit, ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit is increased, Mr. Lube has the right to exchange that number of ML Exchangeable Units of the applicable class equal to the ML Class B Exchange Limit, ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit, as the case may be, for a corresponding number of Shares by delivering a notice in writing to the Corporation at least ten business days in advance of such ML Adjustment Date exercising its exchange right. If Mr. Lube does not exercise its exchange right as set out above, the Corporation shall have the right to exchange that number of ML Exchangeable Units of the applicable class equal to the ML Class B Exchange Limit, ML Class D Exchange Limit, ML Class E Exchange Limit or ML Class F Exchange Limit, as the case may be, for a corresponding number of Shares by delivering a notice in writing to Mr. Lube at least five business days in advance of such ML Adjustment Date exercising its exchange right.

Notwithstanding the foregoing, the Corporation may, in lieu of issuing Shares in exchange for ML Exchangeable Units, elect to pay cash to Mr. Lube for such ML Exchangeable Units, in which case the purchase price for each such ML Exchangeable Unit shall be equal the Current Market Price of a Share on the applicable ML Adjustment Date.

Immediately following any aforementioned exchange of ML Exchangeable Units for Shares or cash (i) the applicable exchange limit will be automatically reduced by the number of applicable ML Exchangeable Units so exchanged, and (ii) in the case of ML Class D LP Units, ML Class E LP Units or ML Class F LP Units exchanged in connection with an ML Incremental Royalty Rate Increase, the remaining units held by Mr. Lube of the applicable class exchanged shall, pursuant to the terms of the ML Governance Agreement, be surrendered to ML LP for the aggregate purchase price of $1.00. See "*Governance Agreements – ML Governance Agreement*" below.

The ML Exchange Agreement includes protective provisions that prevent the Corporation from taking certain actions, including subdividing, consolidating or reclassifying the Shares or completing a reorganization, consolidation, amalgamation, merger or other form of business combination of the Corporation with or into any other entity, unless appropriate measures are taken to preserve the rights of the holders of the ML Exchangeable Units.

Mr. Lube and the Corporation will agree to jointly make and file an election under subsection 85(1) of the Tax Act, within the time prescribed for doing so, in respect of the transfer of any ML Exchangeable Units to the Corporation in exchange for Shares under the ML Exchange Agreement.

Description of AM LP

General

AM LP is a limited partnership that was initially formed under the laws of British Columbia for the purpose of acquiring the AIR MILES® Rights pursuant to the AIR MILES® APA. The business purpose of AM LP is the ownership of the AIR MILES® Rights, the taking of actions consistent with the AIR MILES® Licences to exploit, to the fullest extent possible, the use of the AIR MILES® Rights by LoyaltyOne, the collection of the AIR MILES® Royalty payable to AM LP under the AIR MILES® Licences, and any and all activities incidental to the foregoing. AM LP is governed by the AM LP Agreement.

Partners

As at the date of this AIF, AM GP, a wholly-owned subsidiary of DIV, is the general partner of AM LP and DIV is the sole limited partner of AM LP holding 36,350,000 AM LP Units (representing 100% of the issued and outstanding AM LP Units). Accordingly, AM LP is a wholly-owned subsidiary of DIV.

LICENCE AND ROYALTY AGREEMENTS

SGRS Licence and Royalty

The following is a summary of certain material terms of the SGRS Licence and Royalty Agreement and is subject to, and qualified in its entirety by, the full text of the SGRS Licence and Royalty Agreement, a copy of which is available on SEDAR at www.sedar.com.

The SGRS Rights

Upon closing of the Sutton Group Acquisition, the SGRS Rights were transferred by Sutton Group to SGRS LP free and clear of all liens or encumbrances. The SGRS Rights include all registered and unregistered trade marks (including, without limitation, service marks, logos, brand names, trade dress and pending applications for registration) and all certification marks used in the SGRS Business and all intellectual property pertaining to or used in connection with the SGRS Business (including, without limitation, trade secrets, patented technology, domain names, know-how and show-how and uniform standards, methods, procedures and specifications regarding the establishment and operation of Sutton Group Franchises).

Licence

Pursuant to the SGRS Licence and Royalty Agreement, SGRS LP granted to Sutton Group the exclusive right and licence to use the SGRS Rights for a 99-year term ending on December 31, 2114. Among other things, this licence permits Sutton Group to use the SGRS Rights to carry on the SGRS Business. Sutton Group is permitted to

sub-licence certain of its rights under the SGRS Licence and Royalty Agreement to its subsidiaries and SGRS Franchisees.

SGRS Royalty Payment

Under the SGRS Licence and Royalty Agreement, Sutton Group is required to pay SGRS LP, for each Royalty Payment Period, a monthly royalty (the "**SGRS Royalty Payment**") equal to the product of the Royalty Pool Agent Count and the SGRS Royalty Rate in effect on the first day of such period.

As at the date hereof, the Royalty Pool Agent Count is 5,400 and the SGRS Royalty Rate is $59.693 per agent per month resulting in an annual royalty payment of approximately $3.8 million. The SGRS Royalty Payment for each Royalty Payment Period is payable on the 15th day following the end of such period.

Adjustments to the Royalty

The SGRS Royalty Rate and Royalty Pool Agent Count are subject to adjustment pursuant to the terms of the SGRS LP Agreement. For further details see "*Description of Subsidiaries – Description of SGRS LP – Royalty Increases and Exchange Limits*".

Financial Reporting

Sutton Group is required to provide SGRS LP:

(a) as soon as available and, in any event within 40 days after the end of each quarterly accounting period of Sutton Group, a reviewed consolidated balance sheet, cash flow statement and statement of earnings of Sutton Group prepared in accordance with IFRS for such quarter; and

(b) as soon as available and, in any event within 80 days after the end of each fiscal year of Sutton Group, a copy of the audited annual consolidated financial statements of Sutton Group prepared in accordance with IFRS.

Operating Covenants

Pursuant to the SGRS Licence and Royalty Agreement, Sutton Group has agreed, to among other things:

(a) operate and conduct the SGRS Business in at least the manner and to at least the standards that its business was conducted and operated at the time the SGRS Licence and Royalty Agreement was entered into;

(b) manage and supervise the management of the SGRS Franchisees and other sub-licencees (including subsidiaries) in the manner of a competent and qualified manager of real estate brokerages;

(c) preserve and protect the business of Sutton Group and all goodwill associated therewith;

(d) monitor on behalf of SGRS LP and Sutton Group the compliance of SGRS Franchisees and all other sub-licensees (if any) with the trademark and character and quality standards set under the SGRS Franchise Agreements, or such other applicable agreements, including without limitation, those terms and conditions relating to the use, display, control and protection of the SGRS Rights and the compliance with the SGRS Mark Standards (as defined in the SGRS Licence and Royalty Agreement), and Sutton Group shall notify SGRS LP of any material breach of same and advise SGRS LP of the course of action Sutton Group will take in enforcing such obligations or terms;

(e) enforce the observance and performance of SGRS Franchise Agreements by SGRS Franchisees and sub-licences by sub-licencees in a manner that is consistent with good and prudent business practices; and

(f) obtain all permits, licences and approvals necessary for Sutton Group to carry on the SGRS Business, comply with all laws applicable to the carrying on of the SGRS Business, and remain in good standing in each jurisdiction where the character of its properties or the nature of its activities makes such qualification necessary.

Security for the SGRS Royalty Payment

Payment of the SGRS Royalty Payment is secured by a general security interest in all present and after acquired property of Sutton Group, including all amounts payable to Sutton Group by SGRS Franchisees under the SGRS Franchise Agreements and under any sub-licences of the SGRS Rights pursuant to the terms of the SGRS GSA.

Certain Remedies

In the event of a material breach by Sutton Group under the SGRS Licence and Royalty Agreement, SGRS LP may terminate the SGRS Licence and Royalty Agreement and, whether or not SGRS LP terminates the SGRS Licence and Royalty Agreement, Sutton Group is required to immediately pay to SGRS LP, as a prepayment, an amount equal to the SGRS Royalty Payments payable by Sutton Group to SGRS LP for the 12 most recently completed calendar months immediately preceding the date on which SGRS LP declared a material breach to occur.

In the event of a default by Sutton Group under the SGRS Licence and Royalty Agreement, or the SGRS GSA, including the failure to pay the SGRS Royalty Payment when due, SGRS LP is entitled to a number of remedies, both at law and under such agreements. The principal remedies are as follows:

(a) SGRS LP could commence legal proceedings against Sutton Group to collect the amount of the SGRS Royalty Payments and other amounts then due;

(b) SGRS LP could give notice to the SGRS Franchisees of the assignment to SGRS LP of all amounts otherwise payable to Sutton Group under the SGRS Franchise Agreements and require such SGRS Franchisees to pay these amounts directly to SGRS LP;

(c) SGRS LP could terminate the SGRS Licence and Royalty Agreement; and

(d) SGRS LP could appoint, by instrument, a receiver to take possession of the assets of Sutton Group over which SGRS LP has a security interest and carry on the business of Sutton Group until the payments, or other arrangements satisfactory to SGRS LP, were made. The receiver could, if the payments were not made, sell the assets of Sutton Group over which SGRS LP has a security interest.

In an event of bankruptcy or insolvency with respect to Sutton Group, SGRS LP may terminate the SGRS Licence and Royalty Agreement and, whether or not SGRS LP terminates the SGRS Licence and Royalty Agreement, Sutton Group will immediately pay to SGRS LP, as a prepayment of all SGRS Royalty Payments, the net present value of the SGRS Royalty Payment payable to the end of the term of the SGRS Licence and Royalty Agreement (using a discount rate equal to the yield to maturity of long term obligations of the Government of Canada) net of the present value of amounts that SGRS LP could reasonably earn pursuant to alternative licensing arrangements available to SGRS LP, acting reasonably, if the licence was terminated and the SGRS Rights licenced to a third party.

The foregoing is only a summary of the remedies available to SGRS LP in the event of a default by Sutton Group under the SGRS Licence and Royalty Agreement and the SGRS GSA and is subject to, and qualified in its entirety by, the full text of the SGRS Licence and Royalty Agreement, a copy of which is available on SEDAR at www.sedar.com, and the SGRS GSA, substantially the form of which is attached as Exhibit 5 to the Sutton Group Acquisition Agreement, a copy of which is also available on SEDAR at www.sedar.com.

ML Licence and Royalty

The following is a summary of certain material terms of the ML Licence and Royalty Agreement, as amended by the ML LRA Amendment, and is subject to, and qualified in its entirety by, the full text of the ML Licence and Royalty Agreement as amended by the ML LRA Amendment, a copy of which agreements are available on SEDAR at www.sedar.com.

The ML Rights

Upon closing of the ML Acquisition, the ML Rights were transferred by Mr. Lube to ML LP free and clear of all liens or encumbrances (other than permitted encumbrances). The ML Rights include all registered and unregistered trade marks (including service marks, logos, brand names, certification marks, trade names, trade dress and applications for registration) and all works protected by copyright, in each case, that are owned by Mr. Lube and used in the ML Business.

Licence

Pursuant to the ML Licence and Royalty Agreement, ML LP granted to Mr. Lube the exclusive right and licence throughout Canada to use the ML Rights for a 99-year term ending on August 19, 2114. Among other things, this licence permits Mr. Lube us the ML Rights to carry on the ML Business. Mr. Lube is permitted to sub-licence certain of its rights under the ML Licence and Royalty Agreement to its subsidiaries and the ML Franchisees.

ML Royalty Payment

Pursuant to the ML Licence and Royalty Agreement, Mr. Lube is required to pay ML LP, for each Royalty Payment Period, a monthly royalty payment the "**ML Royalty Payment**") equal to the product of the applicable ML Royalty Rate in effect on the first day of such period multiplied by ML System Sales (with certain adjustments for that portion of the ML Systems Sales comprised of Tire Sales – see "*General Development of the Business – Amendment of ML License and Royalty Agreement*").

As at December 31, 2018, there were 118 Mr. Lube Locations in the ML Royalty Pool. The ML Royalty Payment for each Royalty Payment Period is payable on the 21st day following the end of such period.

In the event that any Mr. Lube Locations included in the ML Royalty Pool are permanently closed during a Royalty Payment Period, the ML Royalty Payment for such period will include certain "make-whole" payments to compensate ML LP for any decrease in ML System Sales resulting from such closure. See "*– Mr. Lube Location Openings and Closures – Permanent Closures*".

Adjustments to the Royalty Rate

The ML Royalty Rate will be subject to adjustment pursuant to the terms of the ML LP Agreement. For further details, see "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*" below.

Financial Reporting

Each time an ML Royalty Payment is made, Mr. Lube is required to provide ML LP with a statement setting out the amount of ML System Sales for the applicable Royalty Payment Period and the basis on which the ML Royalty Payment was calculated. In addition, Mr. Lube is required to provide to ML LP:

(a) on or before February 28 of each year, an audited report of the aggregate ML Royalty Payments and ML System Sales for the prior year;

(b) within 30 days after the end of each quarter, an unaudited consolidated balance sheet, cash flow statement and statement of earnings of Mr. Lube and an unaudited report of the aggregate ML Royalty Payments and ML System Sales for such quarter; and

(c) within 60 days after the end of each year, a copy of the audited annual consolidated financial statements of Mr. Lube.

Mr. Lube Location Openings and Closures

Addition of New Mr. Lube Locations to the ML Royalty Pool

On May 1st of each year (the "**ML Adjustment Date**"), Mr. Lube shall add Eligible Locations to the ML Royalty Pool, provided that (A) ML Normalized EBITDA for the most recently completed ML Reporting Period less the aggregate management fee payable by Mr. Lube to the Corporation during the then-current ML Reporting Period is greater than (B) 110% of the aggregate ML Royalty Payment payable by Mr. Lube to ML LP during the then-current ML Reporting Period, without taking into account any ML Incremental Royalty Rate Increase on such ML Adjustment Date, as forecast by Mr. Lube on the basis of assumptions acceptable to ML GP acting reasonably (it being understood that, for the purpose of such calculation, the portion of the aggregate ML Royalty Payment payable in respect of Mr. Lube Locations included in the ML Royalty Pool immediately prior to such ML Adjustment Date will be calculated with reference to total ML System Sales for the most recently completed ML Reporting Period) (the "**ML Royalty Pool Increase Condition**"). The inclusion of the ML Royalty Pool Increase Condition is intended to ensure that Mr. Lube may only add Eligible Locations to the ML Royalty Pool in exchange for additional consideration from the Corporation if Mr. Lube is generating sufficient EBITDA to satisfy Mr. Lube's royalty obligations under the ML Licence and Royalty Agreement and the ML Management Agreement on a go-forward basis.

See "*Description of Subsidiaries – Description of ML LP – Royalty Increases and Exchange Limits*" for information on the exchange of ML Class B LP Units for Shares as a result of the addition of Eligible Locations to the Royalty Pool.

Deferral Election

Notwithstanding if the ML Royalty Pool Increase Condition for an ML Adjustment Date is met, Mr. Lube may, by written notice to ML GP on or before the March 31st immediately preceding such ML Adjustment Date, make an election (a "**Deferral Election**") not to add an Eligible Location to the ML Royalty Pool on such ML Adjustment Date if: (1) the aggregate monthly dividend payable by the Corporation on a Share has decreased by more than 20% in the twelve month period ending on the March 31st immediately preceding such ML Adjustment Date; or (2) such Eligible Location (a) is a Non-Flagship Location or (b) had been open for less than 18 consecutive months as of the first day of the then-current ML Reporting Period. In the event that some but not all of the Eligible Locations may be added to the ML Royalty Pool on an ML Adjustment Date due to the ML Royalty Pool Increase Condition, those Eligible Locations in respect of which Mr. Lube has not made a Deferral Election will be added to the ML Royalty Pool only to the extent such Eligible Locations can be added to the ML Royalty Pool without breaching the ML Royalty Pool Increase Condition (with Eligible Locations having higher ML Gross Sales in the most recently completed ML Reporting Period being added to the ML Royalty Pool in priority to Eligible Locations having lower ML Gross Sales in the most recently completed ML Reporting Period).

Permanent Closures

In the event that any Mr. Lube Locations included in the ML Royalty Pool are permanently closed (each, a "**Permanently Closed Mr. Lube Location**"), such Mr. Lube Locations are removed from the ML Royalty Pool on the next ML Adjustment Date and, both before and after such removal, the ML Royalty Payment includes certain make-whole payments in order to compensate ML LP for any decrease in ML System Sales resulting from such closure.

- *Make-Whole Payment* – Any ML Royalty Payment payable in respect of a Royalty Payment Period ending before the ML Adjustment Date on which a Permanently Closed Mr. Lube Location is removed from the ML Royalty Pool includes a make-whole payment (a "**ML Make-Whole Payment**") equal to the amount of the royalty that would otherwise have been payable to Mr. Lube if the Permanently Closed Mr. Lube Location had not been permanently closed during such period. The amount of the ML Make-Whole Payment in respect of a Permanently Closed Mr. Lube Location is based upon "**ML Lost System Sales**", being (i) for a Mr. Lube Location that was included in the ML Royalty Pool for at least 12 months before it was permanently closed, ML Gross Sales for such Mr. Lube Location during the 12 month period immediately following the date such Mr. Lube Location was first included in the ML Royalty Pool, and (ii) for a Mr. Lube

Location that was included in the ML Royalty Pool for less than 12 months before it was permanently closed, the ML Gross Sales for such Mr. Lube Location for the 12 months ending on the last day of the month immediately preceding the month in which such Mr. Lube Location was permanently closed.

- *Make-Whole Carryover Payment* – After any Permanently Closed Mr. Lube Locations are removed from the ML Royalty Pool on an ML Adjustment Date, the ML Royalty Payment continues to include a make-whole payment (the "**ML Make-Whole Carryover Payment**") in the event that the ML Lost System Sales attributable to Permanently Closed Mr. Lube Locations removed from the ML Royalty Pool exceed the forecast ML System Sales of any Mr. Lube Locations added to the ML Royalty Pool on such date. The amount of the ML Make-Whole Carryover Payment is adjusted on a rolling basis on each ML Adjustment Date to reflect the addition and removal of Mr. Lube Locations to and from the ML Royalty Pool during the term of the ML Licence and Royalty Agreement.

Operating Covenants

Pursuant to the ML Licence and Royalty Agreement, Mr. Lube has agreed, to among other things:

(a) operate and conduct the ML Business with the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances, including overseeing the ML Franchisees and other sub-licensees (including subsidiaries) in the manner of a competent and qualified franchisor;

(b) preserve and protect the business of Mr. Lube and all goodwill associated therewith;

(c) monitor on behalf of ML LP and Mr. Lube the compliance of ML Franchisees and all other sub-licensees (if any) with the trademark and character and quality standards set under the ML Franchise Agreements, or such other applicable agreements, including without limitation, those terms and conditions relating to the use, display, control and protection of the ML and the compliance with the ML Mark Standards (as defined in the ML Licence and Royalty Agreement), and Mr. Lube shall notify ML LP of any material breach of same and advise ML LP of the course of action Mr. Lube will take in enforcing such obligations or terms;

(d) enforce the observance and performance of ML Franchise Agreements by ML Franchisees and sub-licences by sub-licencees in a manner that is consistent with good and prudent business practices; and

(e) obtain all permits, licences and approvals necessary for Mr. Lube to carry on the ML Business, comply with all laws applicable to the carrying on of the ML Business, and remain in good standing in each jurisdiction in Canada where the character of its properties or the nature of its activities makes such qualification necessary.

Security for the ML Royalty Payment

The ML Royalty Payment is secured by a general security interest in all present and after acquired property of Mr. Lube, including all amounts payable to Mr. Lube by ML Franchisees under the ML Franchise Agreements and under any sub-licences of the ML Rights pursuant to the terms of the ML GSA.

Certain Remedies

In the event of a material breach by Mr. Lube under the ML Licence and Royalty Agreement, ML LP may terminate the ML Licence and Royalty Agreement and, whether or not ML LP terminates the ML Licence and Royalty Agreement, Mr. Lube is required to immediately pay to ML LP, as a prepayment, an amount equal to the ML Royalty Payment for the 12 most recently completed calendar months immediately preceding the date on which ML LP declared a material breach to occur.

In the event of a default by Mr. Lube under the ML Licence and Royalty Agreement, or the ML GSA, including the failure to pay the ML Royalty Payment when due, ML LP is entitled to a number of remedies, both at law and under such agreements. The principal remedies are as follows:

(a) ML LP could commence legal proceedings against Mr. Lube to collect the amount of the ML Royalty Payments and other amounts then due;

(b) ML LP could give notice to the ML Franchisees of the assignment to ML LP of all amounts otherwise payable to Mr. Lube under the ML Franchise Agreements and require such ML Franchisees to pay these amounts directly to ML LP;

(c) ML LP could terminate the ML Licence and Royalty Agreement; and

(d) ML LP could appoint, by instrument, a receiver to take possession of the assets of Mr. Lube over which ML LP has a security interest and carry on the ML Business until the payments, or other arrangements satisfactory to ML LP, were made. The receiver could, if the payments were not made, sell the assets of Mr. Lube over which ML LP has a security interest.

In the event of bankruptcy or insolvency of Mr. Lube, ML LP may terminate the ML Licence and Royalty Agreement and, whether or not ML LP terminates the ML Licence and Royalty Agreement, Mr. Lube will immediately pay to ML LP, as a prepayment of all ML Royalty Payments, the net present value of the ML Royalty Payment payable to the end of the term of the ML Licence and Royalty Agreement (using a discount rate equal to the yield to maturity of long term obligations of the Government of Canada) net of the present value of amounts that ML LP could reasonably earn pursuant to alternative licensing arrangements available to ML LP, acting reasonably, if the licence was terminated and the ML Rights licenced to a third party.

The foregoing is only a summary of the remedies available to ML LP in the event of a default by Mr. Lube under the ML Licence and Royalty Agreement and the ML GSA and is subject to, and qualified in its entirety by, the full text of the ML Licence and Royalty Agreement a copy of which is available on SEDAR at www.sedar.com and the ML GSA, substantially the form of which is attached as Exhibit 5 to the ML Acquisition Agreement, a copy of which is also available on SEDAR at www.sedar.com.

AIR MILES® Licences

The following is a summary of certain material terms of the AIR MILES® Licences and is subject to, and qualified in its entirety by, the full text of the AIR MILES® Licences, a copy of each of which is available on SEDAR at www.sedar.com.

The AIR MILES® Rights

Upon closing of the AIR MILES® Acquisition, the AIR MILES® Rights were transferred by Aimia and the Seller to AM LP free and clear of all liens or encumbrances (other than permitted encumbrances). The AM Rights include AIR MILES® Scheme and the AIR MILES® Marks that are used by LoyaltyOne in operating the AIR MILES® Reward Program.

Licence

The AIR MILES® Licences consist of: (i) an amended and restated license to use and exploit the AIR MILES® Scheme in Canada between the Seller and Loyalty Management Group Canada Inc. (as LoyaltyOne then was), as such agreement has been assigned to AM LP (the "**AIR MILES® Scheme License**"); and (ii) an amended and restated license to use and exploit the AIR MILES® Marks in Canada between Air Miles International Holdings N.V., as assigned to the Seller, and Loyalty Management Group Canada Inc. (as LoyaltyOne then was), as such agreement has been novated and subsequently assigned to AM LP (the "**AIR MILES® Marks License**").

Pursuant to the AIR MILES® Scheme Licence, AM LP has granted to LoyaltyOne the exclusive right and license to use the AIR MILES® Scheme in Canada (including the right to sublicense) for an indefinite term. Pursuant to the AIR MILES® Marks Licence, AM LP has granted to LoyaltyOne the exclusive right and license to use the AIR MILES® Marks in association with the AIR MILES® Scheme in Canada (including the right to sublicense) for an indefinite term. The right to sublicense under each of the AIR MILES® Licences includes the right of LoyaltyOne to sublicense the use of the AIR MILES® Rights to sponsor companies that participate in the Canadian AIR MILES® Reward Program.

Royalty Payment and Verification

Pursuant to the AIR MILES® Licences, LoyaltyOne is required to pay AM LP, in aggregate, a royalty equal to 1% of all gross sums received by LoyaltyOne in respect of the sale, redemption, distribution or issue of AIR MILES® travel miles or AIR MILES® awards in Canada, subject to certain specifications set forth in the AIR MILES® Licences.

The AIR MILES® Royalty is payable quarterly net of all applicable taxes. At the time of payment, LoyaltyOne is required to prepare and submit a payment setting out the calculation of the AIR MILES® Royalty payable in respect of such quarter.

During the term of the AIR MILES® Licences and for three years after their termination, AM LP and its duly authorized agents have the right, upon reasonable notice, to inspect during business hours all relevant accounting records of LoyaltyOne for purposes of verifying any royalties paid or payable under the AIR MILES® Licences.

Operating Covenants

Pursuant to the AIR MILES® Licences, AM LP has agreed with LoyaltyOne to, among other things:

(a) ensure that registrations of the AIR MILES® Marks and AIR MILES® Scheme are registered and renewed as and when they fall due for renewal and to pay for the costs of such registrations and renewals;

(b) make such further applications in Canada for the AIR MILES® Marks as AM LP and LoyaltyOne consider necessary or desirable having in mind reasonable costs and expenses for the protection of their trading activities, which such registrations shall be completed at the cost of AM LP;

(c) to provide LoyaltyOne with prompt written notice of any infringement or similar action in or affecting Canada by a third party of the AIR MILES® Marks known to AM LP; and

(d) during the term thereof, not use any of the AIR MILES® Rights in or as part of any programme similar to the AIR MILES® Scheme in competition with LoyaltyOne or its affiliates, directly or indirectly in Canada or grant any right to any of its assignees, licensees or sub-licensees a license or sub-license to do so.

Pursuant to the AIR MILES® Licences, LoyaltyOne has agreed with AM LP to, among other things:

(a) if required by AM LP, make use of any individual AIR MILES® Mark solely to the extent required to maintain the registration of such Mark;

(b) to provide AM LP with prompt written notice of any infringement or similar action in or affecting Canada by a third party of the AIR MILES® Marks known to LoyaltyOne;

(c) in the event of any infringement referred to in (b) above, to protect the AIR MILES® Marks in Canada and may decided whether or not action is necessary for such protection and what such action might be, taking into account the interests of both parties; and

(d) ensure that its sublicensees comply with the terms of their sublicense agreements, which such agreements must be consistent with terms of the AIR MILES® Licences, unless otherwise consented to by AM LP.

Termination

The AIR MILES® Marks License has an indefinite term but may be terminated:

(a) by AM LP upon six months written notice to LoyaltyOne if LoyaltyOne ceases for a continuous period of four years to be involved in the operation of the AIR MILES® Scheme;

(b) in respect of an individual AIR MILES® Mark, if LoyaltyOne challenges the validity or entitlement of AM LP to use or license such AIR MILES® Mark;

(c) by LoyaltyOne if a court of competent jurisdiction in a final non-appealable judgement in Canada, other than at the request of LoyaltyOne, holds that such AIR MILES® Marks which are material to the AIR MILES® Scheme are invalid or that AM LP is not entitled to use or license such AIR MILES® Marks in Canada, or LoyaltyOne may elect not to terminate and to instead cease to pay royalties under the AIR MILES® Marks License;

(d) subject to compliance with the dispute resolution procedures in the AIR MILES® Marks License, by either party upon written notice to the other in any of the following events:

(i) the other party commits any breach of its obligations under the AIR MILES® Marks License and fails to remedy such breach within 90 days or such longer period as the parties may agree after being given written notice by the other party to remedy such default; provided however that if LoyaltyOne and its sub-licensees are diligently pursuing the remedy or cure of such failure during the cure period and the continued breach does not impair AM LP's rights in the AIR MILES® Marks and does not involve a failure to pay amounts due under the AIR MILES® Marks License, the cure period shall be extended for a further 90 days;

(ii) bankruptcy (as defined in the AIR MILES® Marks License) shall have occurred in respect of the other party, provided that termination shall not occur at anytime during:

A. the exercise of any rights or remedies by a secured creditor of LoyaltyOne who has taken a security interest in LoyaltyOne's rights under the AIR MILES® Marks License either (A) in compliance with the AIR MILES® Marks License, or (B) with the written consent of AM LP; provided that the payment of all amounts from time to time due and payable by LoyaltyOne under the AIR MILES® Marks License continue to be duly paid and the performance of all covenants from time to time to be performed by LoyaltyOne under the AIR MILES® Marks License continue to be duly performed; or

B. any proceeding under an Insolvency Act (as defined in the AIR MILES® Marks License) involving a restructuring or reorganization of LoyaltyOne under court supervision and/or any disposition of LoyaltyOne's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

Upon termination of the AIR MILES® Marks License, LoyaltyOne must within six months:

(a) cease to carry on business under the name "Air Miles" and cease to use the AIR MILES® Marks;

(b) deliver to AM LP any materials in its possession or under its control which fail to meet the standard of quality set out in the AIR MILES® Marks License or otherwise fail to comply with the

terms of the AIR MILES® Marks License and which reproduce the AIR MILES® Marks or give AM LP satisfactory evidence of their destruction;

(c) insofar as its licensed business name(s) include(s) any AIR MILES® Marks, change such names to names that do not incorporate such AIR MILES® Marks or any trademarks confusingly similar thereto;

(d) terminate all sub-license agreements with sub-licensees of the AIR MILES® Marks appointed by LoyaltyOne; and

(e) terminate use of any URL and/or domain name containing any AIR MILES® Mark.

The AIR MILES® Scheme License has an indefinite term but may be terminated:

(a) by AM LP upon six months written notice to LoyaltyOne if LoyaltyOne ceases for a continuous period of four years to be involved in the operation of the AIR MILES® Scheme;

(b) subject to compliance with the dispute resolution procedures in the AIR MILES® Scheme License, by either party upon written notice to the other in any of the following events:

(i) the other party commits any breach of its obligations under the AIR MILES® Scheme License and fails to remedy such breach within 90 days or such longer period as the parties may agree after being given written notice by the other party to remedy such default; provided however that if LoyaltyOne and its sub-licensees are diligently pursuing the remedy or cure of such failure during the cure period and the continued breach does not involve a failure to pay amounts due under the AIR MILES® Scheme License, the cure period shall be extended for a further 90 days;

(ii) bankruptcy (as defined in the AIR MILES® Scheme License) shall have occurred in respect of the other party, provided that termination shall not occur at anytime during:

A. the exercise of any rights or remedies by a secured creditor of LoyaltyOne who has taken security interest in LoyaltyOne's rights under the AIR MILES® Scheme License either (A) in compliance with the AIR MILES® Scheme License, or (B) with the written consent of AM LP; provided that the payment of all amounts from time to time due and payable by LoyaltyOne under the AIR MILES® Scheme License continue to be duly paid and the performance of all covenants from time to time to be performed by LoyaltyOne under the AIR MILES® Scheme License continue to be duly performed; or

B. any proceeding under an Insolvency Act (as defined in the AIR MILES® Scheme License) involving a restructuring or reorganization of LoyaltyOne under court supervision and/or any disposition of LoyaltyOne's business as a whole or substantially as a whole pursuant to any such proceeding, in either case, so long as such proceeding is continuing.

Upon termination of the AIR MILES® Scheme License, LoyaltyOne must within six months:

1. cease to carry on business using the AIR MILES® Scheme unless such or similar rights are validly licensed or purchased from a third party with valid rights therein; and

2. terminate all sub-license agreements with sub-licensees of the AIR MILES® Scheme appointed by LoyaltyOne to the extent such sublicense agreements sublicense the AIR MILES® Scheme.

GOVERNANCE AGREEMENTS

SGRS Governance Agreement

The following is a summary of certain material terms of the SGRS Governance Agreement and is subject to, and qualified in its entirety by, the full text of the SGRS Governance Agreement, a copy of which is available on SEDAR at www.sedar.com.

Observer Rights of the Corporation with respect to the Board of Sutton Group

Pursuant to the SGRS Governance Agreement, the Corporation is entitled to appoint a nominee observer to receive notice of and attend meetings of the board of directors of Sutton Group, subject to execution and delivery of customary confidentiality agreements and the right of the directors of Sutton Group to exercise their fiduciary duties and to exclude the nominee observer where the subject matter of such board of directors' meeting is a matter in which the Corporation has a material interest in conflict with Sutton Group. The nominee observer does not have any voting rights and does not receive any compensation for acting in such capacity. The nominee observer appointed by the Corporation is currently Mr. Sean Morrison.

Permitted Business

Except for the SGRS Business, neither Sutton Group nor any of its subsidiaries is permitted to: (i) be engaged in any business; (ii) have any financial or other interest (including an interest by way of royalty or other compensation arrangements) in any business; or (iii) advise, lend money to or guarantee the debts of any person in respect of any business other than, in each case, the SGRS Business without the prior written consent of the Corporation.

Agreements with Senior Management and Non-Arm's Length Transactions

Sutton Group shall not amend the provisions of any confidentiality, non-competition and non-solicitation agreement, as may be amended or supplemented from time to time, entered into by either Lance Tracey with Scott Shaw with SGRS LP without the prior written consent of the Corporation and SGRS LP, such consent not to be unreasonably withheld or delayed, and to enforce the provisions therein in a commercially reasonable manner. Each of Lance Tracey and Scott Shaw have acknowledged the foregoing agreements among Sutton Group, the Partnership and the Corporation and have agreed to use commercially reasonable efforts to carry on the SGRS Business consistent with past practice.

Sutton Group shall not enter into any contract, agreement or transaction whatsoever, including for the sale, purchase, lease or other dealing in any property or the provision of any services with any Related Party (as defined in the SGRS Governance Agreement) except upon fair and reasonable terms, which terms are not less favourable to Sutton Group than it would obtain in an arm's length transaction and, if applicable, for consideration which equals the fair market value of such property or at a fair market rental as regards leased property.

Surrender of SGRS Exchangeable Units

Following each SGRS Incremental Royalty Rate Increase and the exchange of the applicable class of SGRS Exchangeable Units, the remaining units held by Sutton Group of such class of SGRS Exchangeable Units shall be surrendered to SGRS LP for the aggregate purchase price of $1.00.

Restrictions on the Issuance and Transfer of Securities

Except as permitted or required by the SGRS Governance Agreement, the SGRS LP Agreement or the SGRS Exchange Agreement, without prior written consent of the Corporation or Sutton Group first being obtained:

(a) SGRS LP will not issue any SGRS Partnership Units;

(b) neither Sutton Group nor its related parties will enter into any agreements which, if completed, would result in a change of control of Sutton Group;

(c) SGRS GP will not issue any shares of any class of SGRS GP;

(d) Sutton Group will not transfer any of its SGRS Partnership Units, except in certain prescribed circumstances; and

(e) the Corporation will not transfer any SGRS Partnership Units held by the Corporation except by the creation of a security interest, as security for bona fide indebtedness for, or in respect of, borrowed money of the Corporation or SGRS LP, to a bank or other financial institution, provided that no such grant of a security interest shall be made unless the secured party agrees to be bound by and observe the terms and provisions of the SGRS Governance Agreement, the SGRS Exchange Agreement and the SGRS LP Agreement.

Right of First Opportunity

If Sutton Group or a related party of Sutton Group proposes to enter into an agreement which, if completed, would result in a change of control, Sutton Group or such related party, as the case may be, must provide the Corporation and SGRS LP with notice in writing (a "**Sutton Group ROFO Notice**") of: (i) the consideration for the shares or assets of Sutton Group proposed to be sold (the "**Sutton Group Subject Property**"); and (ii) if the seller has received an offer to purchase the Sutton Group Subject Property or proposes to sell the Sutton Group Subject Property to a particular person, a copy of such offer. Upon receipt of a Sutton Group ROFO Notice, the Corporation and SGRS LP have a right of first opportunity to acquire the Sutton Group Subject Property on the terms set forth in the Sutton Group ROFO Notice.

For the purposes of the SGRS Governance Agreement, "change of control" means:

(a) the direct or indirect acquisition by any person or persons (other than one or more related parties of Sutton Group), acting jointly or in concert, of beneficial ownership ("acting jointly or in concert" and "beneficial ownership" within the meaning of MI 62-104) of 50% or more of the combined voting power of Sutton Group's then outstanding voting shares; or

(b) the approval by shareholders of Sutton Group of: (i) an amalgamation involving Sutton Group; or (ii) a complete liquidation or dissolution of Sutton Group or the sale or other disposition of all or substantially all of the assets of Sutton Group if, immediately after the completion of a transaction referred to in (i) or (ii), related parties of Sutton Group do not own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of the corporation resulting from such amalgamation of the corporation that then owns the assets and undertaking previously owned by Sutton Group.

Notwithstanding the foregoing, a change of control shall not be deemed to occur solely because 50% or more of the combined voting power of Sutton Group's then outstanding voting securities are acquired by: (i) a related party of Sutton Group; (ii) a trustee or other fiduciary holding securities for the benefit of a related party of Sutton Group or the estate of a deceased related party of Sutton Group; or (iii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by related parties of Sutton Group in the same proportion as their ownership of the shares of Sutton Group immediately prior to such acquisition, provided that such acquiree becomes a party to the SGRS Governance Agreement.

ML Governance Agreement

The following is a summary of certain material terms of the ML Governance Agreement and is subject to, and qualified in its entirety by, the full text of the ML Governance Agreement, substantially in the form as appended to the ML Acquisition Agreement, a copy of which is available on SEDAR at www.sedar.com.

Observer Rights of the Corporation with respect to the Board of Mr. Lube GP

Pursuant to the ML Governance Agreement, the Corporation is entitled to appoint a nominee observer to receive notice of and attend meetings of the board of directors of Mr. Lube GP, subject to execution and delivery of customary confidentiality agreements and the right of the directors of Mr. Lube GP to exercise their fiduciary duties and to exclude the nominee observer where the subject matter of such board of directors' meeting is a matter in which the Corporation has a material interest in conflict with Mr. Lube GP or Mr. Lube. The nominee observer is entitled to receive copies of all materials or other information provided to members of the board of directors of Mr.

Lube GP, in their capacity as such, other than materials or other information which relates to a matter in which the Corporation has a material interest in conflict with Mr. Lube GP or Mr. Lube. The nominee observer does not have any voting rights or receive any compensation for acting in such capacity. The nominee observer appointed by the Corporation is currently Mr. Sean Morrison.

Permitted Business

Except for the ML Business, neither Mr. Lube nor any of its subsidiaries is permitted to: (i) be engaged in any business; (ii) have any financial or other interest (including an interest by way of royalty or other compensation arrangements) in any business; or (iii) advise, lend money to or guarantee the debts of any person in respect of any business other than, in each case, the ML Business without the prior written consent of the Corporation.

Non-Arm's Length Transactions

Mr. Lube shall not enter into any contract, agreement or transaction whatsoever, including for the sale, purchase, lease or other dealing in any property or the provision of any services with any Related Party (as defined in the ML Governance Agreement) except upon fair and reasonable terms, which terms are not less favourable to Mr. Lube than it would obtain in an arm's length transaction and, if applicable, for consideration which equals the fair market value of such property or at a fair market rental as regards leased property.

Surrender of ML Exchangeable Units

Following each ML Incremental Royalty Rate Increase and the exchange of the applicable class of ML Exchangeable Units, the remaining units held by Mr. Lube of such class of ML Exchangeable Units shall be surrendered to ML LP for the aggregate purchase price of $1.00.

Restrictions on the Issuance and Transfer of Securities

Except as permitted or required by the ML Governance Agreement, the ML LP Agreement or the ML Exchange Agreement, without prior written consent of the Corporation and Mr. Lube first being obtained:

(a) ML LP will not issue any ML Partnership Units;

(b) neither Mr. Lube nor the related parties will enter into any agreements which, if completed, would result in a change of control of Mr. Lube or Mr. Lube GP;

(c) ML GP will not issue any shares of any class of ML GP;

(d) Mr. Lube GP will not transfer any of its interests in Mr. Lube or cease to be the general partner of Mr. Lube;

(e) Mr. Lube will not transfer any of its ML Partnership Units, except in certain prescribed circumstances; and

(f) the Corporation will not transfer any ML Partnership Units held by the Corporation except by the creation of a security interest, as security for bona fide indebtedness for, or in respect of, borrowed money of the Corporation or ML LP, to a bank or other financial institution, provided that no such grant of a security interest shall be made unless the secured party agrees to be bound by and observe the terms and provisions of the ML Governance Agreement, the ML Exchange Agreement and the ML LP Agreement.

Right of First Opportunity

If Mr. Lube, Mr. Lube GP or any of the related parties proposes to enter into an agreement which, if completed, would result in a change of control, Mr. Lube or such related party, as the case may be, must provide the Corporation and ML LP with notice in writing (a "**Mr. Lube ROFO Notice**") of: (i) the consideration for the shares or assets of Mr. Lube GP proposed to be sold (the "**Mr. Lube Subject Property**"); and (ii) if the seller has received an offer to purchase the Mr. Lube Subject Property or proposes to sell the Mr. Lube Subject Property to a particular person, a copy of such offer. Upon receipt of a Mr. Lube ROFO Notice, the Corporation and ML LP have a right of first opportunity to acquire the Mr. Lube Subject Property on the terms set forth in the Mr. Lube ROFO Notice.

For these purposes, "change of control" means:

(a) the direct or indirect acquisition by any person or persons (other than one or more related parties of Mr. Lube), acting jointly or in concert, of beneficial ownership ("acting jointly or in concert" and "beneficial ownership" within the meaning of MI 62-104) of 50% or more of the combined voting power of Mr. Lube GP's then outstanding voting shares; or

(b) the approval by the shareholders of Mr. Lube GP or the partners of Mr. Lube of: (i) an amalgamation involving Mr. Lube GP; or (ii) a complete liquidation or dissolution of Mr. Lube or Mr. Lube GP or the sale or other disposition of all or substantially all of the assets of Mr. Lube or Mr. Lube GP, if immediately after the completion of a transaction referred to in (i) or (ii), related parties of Mr. Lube do not own, directly or indirectly, more than 50% of the combined voting power of the then outstanding voting securities of Mr. Lube GP resulting from such amalgamation or the person that then owns the assets and undertaking previously owned by Mr. Lube or Mr. Lube GP, as the case may be.

Notwithstanding the foregoing, a change of control shall not be deemed to occur solely because 50% or more of the combined voting power of Mr. Lube GP's then outstanding voting securities are acquired by: (i) a Related Party; (ii) a trustee or other fiduciary holding securities for the benefit of a related party or the estate of a deceased related party; or (iii) any corporation which, immediately prior to such acquisition, is owned directly or indirectly by related parties of Mr. Lube in the same proportion as their ownership of the shares of Mr. Lube GP immediately prior to such acquisition, provided that such acquiree becomes a party to the ML Governance Agreement.

Undertakings to Securities Commissions

Each of Sutton Group and Mr. Lube has delivered an undertaking to DIV, the British Columbia Securities Commission (DIV's principal regulator) and the securities commissions or similar regulatory authorities in the other provinces of Canada, that it will, so long as DIV is a reporting issuer, among other things: (i) until such time as DIV is not required to file the same with one or more securities regulators in Canada, deliver to DIV its audited annual financial statements and unaudited interim financial statements and corresponding management's discussion and analysis; (ii) deliver to DIV all information necessary in order for DIV to issue a news release and file a material change report in accordance with applicable securities laws with respect to any material change in it or its business that would reasonably be expected to have a significant effect on the market price or value of any securities of DIV; (iii) provide to DIV such information regarding it and its business as is required to be included in an annual information form or any other report required to be filed by DIV; and (iv) require each of its current and future directors, senior officers and principal shareholders to file reports in respect of transactions in securities of the Corporation pursuant to applicable insider reporting requirements.

Pursuant to such undertakings, Sutton Group and Mr. Lube have filed their audited annual and unaudited interim financial statements and related management's discussion and analysis (collectively, "**Royalty Partner Financials**") filed on SEDAR at www.sedar.com for the periods in which their respective royalty payments and management fees represent a significant portion of DIV's consolidated royalty revenue. A Royalty Partner that has delivered such an undertaking will cease to have its Royalty Partner Financials filed for periods after the filing of the annual Royalty Partner Financials for the year in which their royalty payments and management fees ceased to represent a significant portion of DIV's consolidated royalty revenue. Royalty Partners who have delivered such undertakings and have ceased filing will be required to re-commence filing Royalty Partner Financials pursuant to their undertakings starting with the first period (whether quarterly or annual) in which their royalty payments and management fees again represent a significant portion of DIV's consolidated royalty revenue. For these purposes, royalty payments and management fees paid by a Royalty Partner which represent 20% or more of DIV's consolidated revenue for a reporting period are considered to represent a significant portion of DIV's revenue.

With the AIR MILES® Acquisition, the royalty payments and management fees received from Sutton Group for the fourth quarter 2017 and year ended December 31, 2017 represented only 14.2% and 18.4%, respectively, of DIV's consolidated revenue. Accordingly, the royalty revenue and management fees received from Sutton Group are no longer considered significant and Sutton Group ceased filing Royalty Partner Financials for periods after the filing of its audited financial statements and related management's discussion and analysis for the

year ended December 31, 2017. Sutton Group and DIV have delivered a notice to the British Columbia Securities Commission to this effect.

RISK FACTORS

Investing in DIV's securities involves a high degree of risk. In addition to the other information contained in this AIF, you should carefully consider the following risk factors before purchasing Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time. The occurrence of any of the following risks could materially and adversely affect DIV's investments, prospects, cash flows, results of operations or financial condition, DIV's ability to pay cash dividends to Shareholders and DIV's ability to make interest and principal payments to holders of Debentures. In that event, the value of the Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time, could decline and investors may lose all or part of their investment. Although DIV believes that the risk factors described below are the most material risks that DIV faces, they are not the only ones. Additional risk factors not presently known to DIV or that DIV currently believe are immaterial could also materially and adversely affect DIV's investments, prospects, cash flows, results of operations or financial condition, DIV's ability to pay cash dividends to Shareholders and DIV's ability to make interest and principal payments to holders of Debentures and negatively affect the value of the Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time.

Risks Related to the SGRS Business

Real Estate Industry

The performance of Sutton Group is dependent upon the number of agents working in Sutton Group's franchise network. The number of agents is in turn ultimately dependent on the health of real estate industry and the level of transactions therein, particularly in the residential segment. The real estate industry is affected by changes in general and local economic conditions such as: inflation, interest rates, employment levels, availability and cost of financing for home buyers, competitive and market demand dynamics in key markets, the supply of available new or existing homes for sale, and overall housing prices. Any change in such factors may put downward pressure on the real estate market and the number of agents which could negatively impact the SGRS Franchisees and their ability to pay franchise fees to Sutton Group. In addition, pressure on the rate of commissions charged to the consumer could adversely affect agents, SGRS Franchisees and thus Sutton Group's revenues and results of operations. The popularity of Internet use by real estate consumers has led to a questioning of the value of traditional real estate services provided by agents. Such changes in consumer attitudes and the development of alternative means for the provision of real estate services that reduce or eliminate the need for agents could adversely affect Sutton Group's agents and, in turn, SGRS Franchisees and Sutton Group. For further details see "– *Internet-Based Real Estate Business*" below.

Competition

Sutton Group competes with other national brands in Canada as well as a diminishing number of local independent companies. The competing franchisors have excellent brand recognition nationally as well as the perception within the industry of having comparable technology, agent and broker tools and extensive marketing plans and resources. Different fee structures offered by certain competing franchisors allow for extensive annual marketing and media campaigns and greater brand recognition among consumers. The competing franchisors that originated in the U.S. have the advantage of spillover from U.S. television advertising.

The recent focus of the Competition Bureau has attracted new entrants. In particular, there has been an expansion in the discount brokerage segment of the market in which Sutton Group operates. At present, discount brokerages continue to compete within the low-fee, narrow service segment of the Canadian real estate market. Increased competition may negatively impact agents and result in increased attrition or make it more difficult for agent's to pay fees to SGRS Franchisees, who in turn may then be limited in their ability to pay franchise fees to Sutton Group which would adversely impact Sutton Group's revenues and results of operations.

General business and economic conditions

The business and operations of Sutton Group and those of the SGRS Franchisees and their agents are sensitive to general business and economic conditions in Canada and worldwide. These conditions include, among others, short-term and long-term interest rates, inflation, fluctuations in debt and equity capital markets, levels of unemployment, consumer confidence and the general condition of the Canadian and World economies.

The residential real estate market also depends upon the strength of financial institutions, which are sensitive to changes in the general macroeconomic environment. Lack of available credit or lack of confidence in the financial sector could materially and adversely affect Sutton Group's business, financial condition and results of operations.

A host of factors beyond Sutton Group's control could cause fluctuations in these conditions, including the political environment and acts or threats of war or terrorism which could have a material adverse effect on Sutton Group's business, financial condition and results of operations.

Bad Debts and franchisee support

SGRS Franchisees, including related party SGRS Franchisees, may suffer difficulties in paying their franchise fees and other obligations to Sutton Group in a timely manner or at all, including interest on unpaid amounts. Accounts receivable, and the allowance for doubtful accounts, may be significant. If SGRS Franchisees were to default to a material extent on their franchise fees or other obligations, this could have a material adverse impact on Sutton Group and on the Corporation. In addition, such franchisees may fail, reducing future royalty fees payable by Sutton Group to SGRS LP.

Some SGRS Franchisees are delinquent in loans owed to Sutton Group. Such loans may consist of franchise fee reductions and/or actual cash payments by Sutton Group, as well as interest or other obligations. If SGRS Franchisees were to default to a material extent on loan obligations owed to Sutton Group, this could have a material adverse impact on Sutton Group and on the Corporation. In addition, such franchisees may fail, reducing future royalty fees payable by Sutton Group to SGRS LP.

Tightened mortgage underwriting standards could continue to reduce homebuyers' ability to access the credit markets on reasonable terms

During the past several years, many lenders have tightened their underwriting standards, and certain alternative mortgage products have become less available in the marketplace. Underwriting standards could be further tightened, as a result of changes in regulations, including regulations enacted to increase guarantee fees of federally insured mortgages and/or to reduce the maximum loan limits on mortgage guarantees by the Canada Mortgage and Housing Corporation (for further details, see "*– Government Mortgage Lending Rules*" below). More stringent mortgage underwriting standards could adversely affect the ability and willingness of prospective buyers to finance home purchases or to sell their existing homes, which would adversely affect the residential real estate industry and put downward pressure on the number of agents and brokers operating in the industry, which would adversely affect Sutton Group and the Corporation.

Aging network of real estate agents in Canada and nature of the legal relationship between agents and SGRS Franchises could result in attrition

Sutton Group and the SGRS Franchisees could be affected by the aging network of real estate agents and brokers across the country which could result in increased rates of agent attrition. In addition, Agents are predominantly independent contractors and can terminate their independent contractor agreements with the respective Sutton Group franchise at any time. Loss of agents without replacement will result in a reduction of royalties received by Sutton Group from the SGRS Franchisees and could materially adversely affect Sutton Group's business and its ability to make royalty payments to SGRS LP.

Additional Sutton Group Franchises, agents and franchise operations

The growth of royalties is dependent upon Sutton Group's ability to execute upon its growth strategy and maintain and grow its network of franchises and the ability of SGRS Franchisees to increase the number of agents working at their franchises. If Sutton Group is unable to attract qualified franchisees and SGRS Franchisees are

unable to attract new agents, Sutton Group's ability to make and increase royalty payments to SGRS LP may be adversely affected. The growth of Sutton Group's franchise network and the number of agents is somewhat dependent upon available qualified brokers and agents in desirable locations and new brokers and agents wishing to start up a real estate brokerage or purchasing an existing one.

Closure of franchises and attrition of agents may adversely affect Sutton Group's ability to make royalty payments

The ability of Sutton Group to make royalty payments under the SGRS Licence and Royalty Agreement is dependent upon both the number of SGRS Franchisees and number of agents, in each case, in good standing with respect to the payment of franchise and agent fees to Sutton Group. The closure, failure or downsizing of a franchise office will reduce Sutton Group's revenues and negatively affect the ability of Sutton Group to make payments of royalties to SGRS LP. Closure of a franchise office could be the result of, among other things, an aging SGRS Franchisee being unable to sell or transfer his or her existing business to a new owner, a downturn in the economy or the closure or bankruptcy of a large industry in the city or town where the broker-owner operates. Any one of the above-mentioned factors could result in the exit of agents to competitors thus reducing Sutton Group's revenues generated from agent fees. In addition, the delay or failure of SGRS Franchisees and their agents to make payments of franchise and agent fees to Sutton Group when due will adversely affect Sutton Group's ability to make payments of royalties to SGRS LP.

Commission rates

The rate of commission charged to home sellers has dropped over the past several years due to a number of factors. With most agents in Canada being independent contractors, the decision as to what rate to charge rests solely with the agent rather than the broker-owner. Additionally, the number of discount and fee-for-service companies has grown over the past few years, and discount brokerage operations have been active in Canadian residential resale real estate for many years. The ability of agents to compete by advertising commission rates may put further downward pressure on commission rates. Reductions in commission rates may make the residential real estate industry less attractive and could adversely affect the ability of Sutton Group's Franchisees to retain existing, and attract new, agents.

Changes to laws and regulations governing the ownership and leasing of real property

The real estate industry is subject to laws and regulations governing the ownership, leasing, development and taxation of real property. Future changes in federal, provincial, and municipal laws or regulations governing the ownership, leasing, development and taxation (including foreign buyer taxation) of real property could affect the market demand dynamics and the supply of available new or existing homes for sale, which may adversely impact the SGRS Business.

SGRS Franchisee concentration and related party franchisees

Sutton Group has a regional franchise agreement in the province of Quebec which represents approximately 1,400 agents. In addition, related parties to Sutton Group have franchise agreements in the province of British Columbia, representing approximately 1,900 agents. If such large SGRS Franchisees were to have financial or other difficulties, this could have a material adverse impact on Sutton Group and on the Corporation. In addition, there can be no assurance that Sutton Group would pursue legal remedies against related party SGRS Franchisees in default.

Sutton Group depends on the services of key executives, the loss of which could materially harm its business

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

The SGRS Business will depend on the ability of SGRS LP to adequately protect the SGRS Rights

The SGRS Rights that Sutton Group licences from SGRS LP pursuant to the SGRS Licence and Royalty Agreement are material to the conduct of the SGRS Business. Sutton Group's ability to implement its business plan successfully depends in part on its ability to further build brand recognition using the SGRS Rights, including trademarks, names, logos and the unique services provided by SGRS Franchisees and their agents. While SGRS LP intends to protect and defend vigorously its rights to the SGRS Rights, Sutton Group cannot predict whether steps taken by SGRS LP to protect the SGRS Rights will be adequate to prevent misappropriation of these rights or the provision by others of real estate or other services based upon, or otherwise similar to, Sutton Group's business model. It may be difficult for SGRS LP to prevent others from copying elements of Sutton Group's business model and any litigation to enforce SGRS LP's interest in the SGRS Rights will likely be costly and may not be successful. If SGRS LP is unable to protect or enforce its interest in the SGRS Rights, Sutton Group may be prevented from using the SGRS Rights in the future and may be liable for damages, which in turn could materially adversely affect its business, financial condition and results of operations.

Internet-based real estate business

Internet-based real estate businesses have operated in the market for 20 years. While none have achieved material market share to date, innovation in the space is constant, and disruptive business models could draw consumers away from traditional brokerages and put downward pressure on the number of agents and brokers operating in the industry, which would adversely affect Sutton Group and the Corporation.

Government mortgage lending rules

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

Agent licensing requirements

Increases to real estate agent licence fees and/or the implementation of more stringent educational requirements will result in increased financial investments and time frames required for prospective realtors to become licensed. If such developments materialize, they will create barriers to entry and put downward pressure on the number of new agents, which would adversely impact Sutton Group's business and its ability to make royalty payments to SGRS LP.

Damage to Sutton Group's reputation could adversely affect its business

Sutton Group's growth and results of operations are dependent in part upon its ability to maintain and enhance the value of the Sutton brand and consumers' connection to the Sutton brand and positive relationships with the SGRS Franchisees. Sutton Group believes it has built the reputation of the Sutton brand on highly personalized relationships between the agent and their customers. Any incident that erodes consumer affinity for Sutton Group could significantly reduce its value and damage the SGRS Business. For example, the value of the Sutton brand could suffer and the SGRS Business could be adversely affected if customers perceive a reduction in the quality of service or otherwise believe Sutton Group and its agents have failed to deliver consistently positive results in buying and selling real estate.

For multi-location real estate franchise businesses such as Sutton Group, the negative impact of adverse publicity relating to one agent, office or a limited number of franchises may extend far beyond the agent, office or franchise involved to affect some or all of Sutton Group's other agents, offices or franchises. The risk of negative publicity is particularly great because Sutton Group is limited in the extent to which its franchises and agents can be regulated on a real-time basis (for further details see "*– Sutton Group has limited control over franchises and agents*" below).

Sutton Group has limited control over franchisees and their agents

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

Sutton Group could be a party to litigation and other complaints that could have an adverse effect on its business

Sutton Group could from time to time be the subject of complaints or litigation from members of the public complaining about poor service, misrepresentation or other legal issues. Sutton Group could also be the subject of complaints or litigation from the SGRS Franchisees or their agents about franchise contract issues or other operational issues. Regardless of whether any claims against Sutton Group or an SGRS Franchisee are valid, or whether either is ultimately held liable, claims may be expensive to defend and may divert time and money away from operations and hurt Sutton Group and/or the SGRS Franchisees' performance. A judgment in excess of Sutton Group's or the SGRS Franchisees' insurance coverage for any claims could materially and adversely affect their respective financial condition and results of operations. Adverse publicity resulting from such allegations may materially affect revenue to brokers and franchise fees, whether the allegations are true or not, and whether Sutton Group or an SGRS Franchisee is ultimately held liable.

Sutton Group and the SGRS Franchisees are reliant on information technology to operate their businesses and maintain their competitiveness and may be subject to cyber attacks

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

Sutton Group and the SGRS Franchisees are exposed to the risk of cyber attacks in the normal course of business. In general, cyber incidents can result from deliberate attacks or unintentional events. In recent years there has been an increased level of attention focused on cyber attacks that include gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruption. During the last few years, some major corporations and other entities have reported that they had experienced broad-based theft of customer and internal data, with material financial and reputational consequences. To the extent that Sutton Group's and the SGRS Franchisee's technology systems interact with those of their respective clients, they may face similar potential problems and losses as the result of cyber attacks through Sutton's and the SGRS Franchisee's systems that then impact their systems. Certain high-profile cyber attacks at other firms have come through the systems of suppliers. Sutton Group and the SGRS Franchisees may incur substantial costs and suffer other negative consequences if they fall victim to successful cyber attacks. Such negative consequences could include: remediation costs that may include liability for stolen money and other assets or information and repairing system damage that may have been caused; increased cyber-security protection costs that may include organizational changes, deploying additional personnel and protection technologies, training employees, and

engaging third-party experts and consultants; lost revenues resulting from unauthorized use of proprietary information or the failure to retain or attract clients following an attack; litigation; and reputational damage adversely affecting client or investor confidence.

Collection and use of personal information

The *Personal Information Protection and Electronic Documents Act* (Canada) requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive promotional materials, which could negatively impact the business of SGRS Franchisees. In addition, final regulations relating to mandatory reporting of privacy breaches under the *Personal Information Protection and Electronic Documents Act* (Canada) came into force on November 1, 2018. Legislative and regulatory measures, such as mandatory breach notification provisions, impose, among other elements, strict requirements on reporting time frames and providing notice to individuals.

Risks Related to the ML Business

Automotive maintenance industry

The performance of Mr. Lube is dependent upon the royalty paid by the ML Franchisees to Mr. Lube. The amount of the royalty will be dependent upon system sales, which are subject to a number of factors that affect the automotive maintenance industry in general and the quick lube segment of this industry. These factors include the competitive nature of the industry, the type, number and proximity of competing quick lube locations, general business conditions, interest rates, gasoline prices, the availability of consumer credit, consumer confidence in future economic conditions and regulations governing the automotive industry such as the production of electric, fuel cell or hybrid vehicles. Any change in such factors may negatively impact the ML Business and could adversely affect Mr. Lube's financial position or results of operations.

Competition

Mr. Lube and the ML Franchisees compete with other companies, including other quick lube stores, automotive dealerships, gas stations, independent repair shops, big box retailers and other automotive maintenance service providers. Some of these companies include other well-capitalized franchisors and retailers, like Canadian Tire, Wal-Mart and Jiffy Lube, with extensive financial, technological, marketing and personnel resources and high brand name recognition and awareness. There can be no assurance that Mr. Lube or the ML Franchisees will be able to respond to various competitive factors affecting the franchise operations of Mr. Lube in the automotive maintenance industry. The quick lube segment of the automotive maintenance industry is highly competitive, particularly with respect to price and service. In any given location, Mr. Lube Locations may encounter competition from national, regional and local companies, many of which have greater financial resources than that of Mr. Lube.

Product cost and supply

Sudden or sharp price increases in the cost of the products that ML Franchisees provide to their customers that cannot be passed on to customers may adversely affect profit margins of the ML Franchisees and have an impact on their ability to pay royalties to Mr. Lube, and in turn Mr. Lube's ability to pay the royalty to ML LP. If price increases can be passed on to customers, there may be an adverse impact on customer visits. The key products that are susceptible to sudden and sharp price increases are motor oil and lubricants. The raw materials for motor oil and lubricants consist primarily of base oil and additives. Mr. Lube's profitability is sensitive to changes in the costs of these commodity-like raw materials and other products used in the delivery of quick lube and associated services caused by changes in supply or other market conditions, over which Mr. Lube has little or no control. Any rapid or unexpected increase in the price of crude oil directly or indirectly resulting from war, armed hostilities, terrorist acts, extreme weather or other incidents could cause a sudden or sharp increase in the cost of base oil. When there are sudden or sharp increases in the cost of base oil or additives, ML Franchisees may not be able to pass on these increases in whole or in part to customers through price increases, or may be significantly delayed in their ability to do so.

Further, Mr. Lube's relationships with key suppliers are critical to ensuring an ongoing supply of products. If these suppliers were to end their relationships with Mr. Lube, the process of replacing them may result in increased cost of goods sold and a temporary lack of supply of raw materials.

Mr. Lube has significant supply agreements for motor oil and transmission fluid. Under these agreements Mr. Lube has committed that the Mr. Lube system as a whole will purchase certain volumes of product. If Mr. Lube is unable to meet these volumes it may not achieve preferred pricing for these products or may be subject to penalty payments. In either case, Mr. Lube's costs would increase and may negatively impact its results of operations and its ability to make royalty payments to ML LP.

Consumer behaviour and demand for Mr. Lube's products and services

A reduction in the number of kilometers driven by automobile owners or an extension in the interval between regular oil changes may adversely affect the demand for Mr. Lube's products and services. When the retail cost of gasoline increases, the number of kilometers driven by automobile owners typically decreases, which may result in fewer oil changes. In addition, some automotive manufacturers are increasing the recommended mileage interval between oil changes for newer cars, which could lead to changes in consumer maintenance patterns. A change in consumer maintenance patterns could result in oil changes becoming less frequent. An increase in the number of electric vehicles in the market to replace conventional gasoline driven vehicles may adversely affect the demand for Mr. Lube's products and services. Electric vehicles do not require routine oil changes although regular maintenance is still generally prescribed. There can be no assurance that Mr. Lube or the ML Franchisees will be able to respond or adapt to the new product and service requirements of electric vehicles.

Additional system sales and franchise operations

The growth of the royalty payable by Mr. Lube to ML LP is dependent upon the ability of the Mr. Lube to (i) maintain and grow the current system of franchises and the sales at its existing franchised Mr. Lube Locations, (ii) execute its current strategy for growth, (iii) locate new store sites in prime locations and (iv) obtain qualified operators to become ML Franchisees. Mr. Lube has limited ability to fund growth itself through debt (in part due the terms of the ML GSA which limit the maximum amount of debt Mr. Lube may carry to the greater of $3,500,000 and 2.5 times EBITDA (as defined in the ML GSA) for the most recently completed four quarterly accounting periods) and may be dependent on franchising and the financial capacity of the ML Franchisees to open new Mr. Lube Locations. Mr. Lube faces competition for retail locations and ML Franchisees from its competitors and from franchisors of other businesses. Mr. Lube's inability to successfully obtain qualified ML Franchisees could adversely affect its business development. The opening and success of franchised Mr. Lube Locations is dependent on a number of factors, including availability of suitable sites; negotiations of acceptable lease or purchase terms for new locations; permitting and government regulatory compliance; availability, training and retention of management and other employees necessary to staff a new Mr. Lube Location; and securing suitable financing; and other factors, some of which will be beyond the control of Mr. Lube.

ML Franchisees may not have all these business abilities or access to financial resources necessary to open a Mr. Lube Location or to successfully develop or operate a Mr. Lube Location in their franchise areas in a manner consistent with the Mr. Lube's standards. In the competitive quick lube market, service levels must be maintained in order for a Mr. Lube Location to be successful. While Mr. Lube provides training and support to ML Franchisees, the quality of franchised operations may be diminished by any number of factors beyond its control. Consequently, ML Franchisees may not successfully operate Mr. Lube Locations in a manner consistent with Mr. Lube's standards and requirements, or may not hire and train qualified managers and other store personnel. If they do not, the image and reputation of Mr. Lube may suffer, "brand equity" may be diminished and the ability of Mr. Lube to maintain or enhance system sales may be impacted.

Closure of Mr. Lube Service centres may affect Mr. Lube's ability to pay royalties

The amount of royalties received by Mr. Lube and its ability to make royalty payments ML LP will be dependent upon aggregate system sales. Each year, a number of Mr. Lube Locations may close and there is no assurance that Mr. Lube will be able to open sufficient new Mr. Lube Locations to replace the system sales of the Mr. Lube Locations that have closed, which will impact the amount of royalties received by Mr. Lube from the ML Franchisees and in turn impact Mr. Lube's ability to make royalty payments to ML LP.

Franchise revenues and reporting risks

The ability of Mr. Lube to make royalty payments to ML LP is dependent in part on (i) ML Franchisees' ability to generate sales and to pay royalties and other amounts to Mr. Lube, (ii) Mr. Lube's ability to enter into arrangements with suppliers and distributors to generate competitive pricing for ML Franchisees and revenue for Mr. Lube, and (iii) Mr. Lube's receipt of amounts for franchise fees (including initial and renewal fees). Failure of Mr. Lube to achieve adequate levels of collection from ML Franchisees or the loss of revenues from arrangements with suppliers and distributors could have a serious effect on the ability of Mr. Lube to make royalty payments to ML LP. Pursuant to the ML Franchise Agreements, ML Franchisees report net sales to Mr. Lube on a weekly basis without audit or other form of independent assurance. Mr. Lube seeks to verify net sales reported by the ML Franchisees through, among other things, analytical reviews performed by management that consist of historical and year-to-date comparisons of individual Mr. Lube Location performance and performance within the system. There can be no assurance, however, that net sales reported by ML Franchisees is accurate and in accordance with the terms of the ML Franchise Agreements.

Under the terms of the ML Licence and Royalty Agreement, Mr. Lube is permitted to amend the financial terms of its ML Franchise Agreements, including reducing the royalty payable by current and future ML Franchisees above or below 7% of gross sales. If Mr. Lube reduces the royalty payable in respect of Mr. Lube Locations not already included in the ML Royalty Pool below 7% of gross sales, the number of new Mr. Lube Locations that meet the definition of a Flagship Location would be reduced. Given that Mr. Lube is permitted to defer the addition of Non-Flagship Locations to the ML Royalty Pool indefinitely, such a reduction in the royalty payable could decrease the number of new Mr. Lube Locations added to the ML Royalty Pool by Mr. Lube, reducing the growth of the royalty payable by Mr. Lube to ML LP and thus reduce the growth in the Corporation's Distributable Cash. For greater clarity, any changes to the royalty payable by Mr. Lube Locations already included in the ML Royalty Pool do not affect the royalty payable in respect of such locations by Mr. Lube to ML LP.

Current ratio

Mr. Lube has in the past sought to operate in such a manner that current assets approximate current liabilities. It currently has an operating line of credit. Were its line of credit to cease to be available to be drawn, Mr. Lube could have difficulty meeting its royalty and other obligations in a timely manner to ML LP.

Dependence on key personnel

The success of Mr. Lube depends upon the personal efforts of senior management, including their ability to retain and attract appropriate franchisee candidates. The Mr. Lube senior management team consists of six people. The loss of the services of one or more key personnel or their devotion of time to other activities could have a material adverse effect on the operations of Mr. Lube.

Intellectual property

All registered trademarks in Canada can be challenged pursuant to provisions of the *Trade-marks Act* (Canada), and if any ML Marks are ever successfully challenged, this may have an adverse impact on system sales and therefore on the ML Royalty Payments. Mr. Lube incurs substantial marketing expenses to create and maintain brand equity as well as increase awareness of the Mr. Lube brand. If Mr. Lube's brand equity-building strategy is unsuccessful, these expenses may never be recovered, and Mr. Lube may be unable to increase future revenues or implement its business strategy.

ML LP owns the ML Marks in Canada; however, it does not own identical and similar trade marks in other jurisdictions. Third parties may use such trade marks in jurisdictions other than Canada in a manner that diminishes the value of such trademarks. If this occurs, the value of the ML Marks may suffer and gross sales by Mr. Lube Locations could decline. Similarly, negative publicity or events associated with the use of the ML Marks in jurisdictions outside of Canada may negatively affect the image and reputation of Mr. Lube Locations in Canada, resulting in a decline in gross sales by Mr. Lube Locations.

The ML Business depends on the ability of ML LP to adequately protect the ML Rights

The ML Rights that Mr. Lube licences from ML LP pursuant to the ML Licence and Royalty Agreement are material to the conduct of the ML Business. Mr. Lube's ability to implement its business plan successfully depends in part on its ability to further build brand recognition using the ML Rights, including trademarks, names, logos and the unique services provided by the ML Franchisees. While ML LP intends to protect and defend vigorously its rights to the ML Rights, Mr. Lube cannot predict whether steps taken by ML LP to protect the ML Rights will be adequate to prevent misappropriation of these rights or the provision by others of quick lube or other services based upon, or otherwise similar to, Mr. Lube's model. It may be difficult for ML LP to prevent others from copying elements of Mr. Lube's model and any litigation to enforce ML LP's interest in the ML Rights will likely be costly and may not be successful. If ML LP is unable to protect or enforce its interest in the ML Rights, Mr. Lube may be prevented from using the ML Rights in the future and may be liable for damages, which in turn could materially adversely affect its business, financial condition and results of operations.

Franchisee relations

Mr. Lube's success is dependent on its relationship with the ML Franchisees. There can be no assurances that Mr. Lube will be able to maintain positive relationships with all of the ML Franchisees. Adverse publicity resulting from any such strained relationship may affect the sales of Mr. Lube Locations, regardless of whether such publicity is accurate.

Bad debts and franchisee support

Franchisees, including related party ML Franchisees, may suffer difficulties in paying their franchise fees and other obligations to Mr. Lube in a timely manner or at all, including interest on unpaid amounts. Accounts receivable, and the allowance for doubtful accounts, may be significant. If ML Franchisees were to default to a material extent on their franchise fees or other obligations, this could have a material adverse impact on Mr. Lube and on the ability of Mr. Lube to make royalty payments or satisfy other obligations to the Corporation and ML LP.

Potential litigation and other complaints

Mr. Lube and the ML Franchisees may be the subject of complaints or litigation from customers alleging damage to vehicles or impairment of vehicle warranty as a result of services performed by ML Franchisees or other service quality or operational concerns. Adverse publicity resulting from such allegations may materially affect the sales of Mr. Lube Locations, regardless of whether such allegations are true or whether Mr. Lube or an ML Franchisee is ultimately held liable.

Government regulation

Mr. Lube and the ML Franchisees are subject to various federal, provincial and local laws in respect of the operation of Mr. Lube Locations, including those governing franchising operations, land use, waste disposal and environmental protection and remediation and labour standards. Under certain laws and regulations, Mr. Lube and the ML Franchisees are required to obtain permits, licences and other authorizations to conduct operations. Developing new stores in particular locations requires licences and land use approval, and could be delayed by difficulties in obtaining such licences and approvals or by more stringent requirements of local government bodies with respect to zoning, land use and licensing. There can be no assurance that these laws and regulations will not change in the future in a manner that could have an adverse effect on the manner that Mr. Lube or the ML Franchisees conduct operations.

Laws and regulations governing the automotive industry

Changes in government standards and regulations regarding safety, fuel economy, emissions control and the production of electric, fuel cell, hybrid or autonomous vehicles may impact the automotive industry. These changes may consequently affect the manufacturing, assembly, and distribution of motor vehicles, which may adversely affect the operations and profitability of automotive maintenance industry. In addition changes in federal and provincial taxation laws may result in increased costs to consumers on the purchase of vehicles, servicing of vehicles and increased costs for fuel. In addition, federal and provincial governments may introduce financial incentives which encourage the purchase of electric vehicles. Such changes to taxation laws and incentives could put

downward pressure on the purchase and use of personal vehicles which would adversely impact Mr. Lube's business and its ability to make royalty payments to ML LP.

Management succession matters

The principals of Mr. Lube have been in the business of Mr. Lube for many years. If appropriate management succession arrangements are not put in place, then Mr. Lube, and the Corporation, could be adversely affected by the loss of the services of one or more of its principals.

Franchise regulation risk

Pursuant to the franchise disclosure laws in effect in British Columbia, Alberta, Manitoba, Ontario, New Brunswick and Prince Edward Island, franchisees have specified rescission rights if the requisite disclosure document is not provided within the time prescribed by the legislation, or if the contents of the disclosure document do not meet the requirements of the legislation. In the event of rescission, the franchisee has the right to be compensated for specified losses and other amounts and be repaid all monies paid to the franchisor. Further, if a disclosure document contains a misrepresentation or the franchisor fails to comply with its disclosure obligation, a franchisee has a statutory right of action for damages against the franchisor if the franchisee suffers loss as a result. These rights are in addition to any rights that might exist at common law.

Environmental regulation and liability

Mr. Lube and the ML Franchisees are subject to environmental laws and regulations. These laws and regulations impose stringent standards on Mr. Lube's and the ML Franchisees' operations and impose liability to remedy problems for which the Mr. Lube or the ML Franchisees are legally responsible regarding, among other things, the use and handling of hazardous materials, the use, handling and disposal of waste, and the remediation of environmental contamination. Mr. Lube or an ML Franchisee may incur substantial costs to comply with current or future requirements, to respond to orders or directions made, to remedy problems for which Mr. Lube or the ML Franchisees are legally responsible or to comply with new environmental laws that may be adopted from time to time. In addition, currently unknown environmental problems or conditions affecting Mr. Lube's or the ML Franchisees' operations or activities or for which it is otherwise legally responsible may be discovered. Any such event could have a material adverse effect on Mr. Lube's or the ML Franchisees' business, financial condition, results of operations or cash flow, which would affect the ability of ML Franchisees to make royalty payments to Mr. Lube and the ability of Mr. Lube to make royalty payments to ML LP. Some Mr. Lube Locations are located on decommissioned gas bar sites or are located next to or near to operating gas bars. As the current operator of the site, an ML Franchisee may be liable for environmental contamination caused by the operator of the decommissioned gas bar, or for non-gasoline contamination caused by the operator of near-by gas bars to the extent such contamination is indistinguishable from or has become commingled with contamination from that which has or may have been caused by the ML Franchisee or the operator of the decommissioned gas bar. In such circumstances, the ML Franchisee's ability to limit its liability will be dependent on the ML Franchisee's ability to demonstrate that the contamination was caused by the gas bar operations and not by the applicable Mr. Lube Location. In the event that the ML Franchisee on such site is found liable for such environmental contamination and the ML Franchisee does not have the financial ability to adequately address the environmental contamination, Mr. Lube as head tenant on such site may be required to address such contamination.

Employees and unionization

The operations of Mr. Lube Locations are subject to laws governing such matters as minimum wage, working conditions and overtime. Changes in these laws could cause ML Franchisees' costs to increase and impact their ability to make royalty payments to Mr. Lube, in turn impacting Mr. Lube's ability to make royalty payments to ML LP. In addition, although none of Mr. Lube's employees or those of any of the ML Franchisees are unionized, Mr. Lube employees have been subject to union organization drives in the past. There is no guarantee that Mr. Lube employees, or those of any of the ML Franchisees, will not be subject to organization drives in the future or that they will not be certified by a union in the future. If Mr. Lube employees, or those of any of the ML Franchisees, do become unionized, a disruption in operations or a significant increase in labour costs could have a

material adverse effect on system sales, ML Franchisees' ability to make royalty payments to Mr. Lube or Mr. Lube's ability to make royalty payments to ML LP.

Security of confidential consumer information

Mr. Lube or ML Franchisees may incur unanticipated costs resulting from breaches of security of confidential customer information related to their electronic processing of credit and debit card transactions. The majority of sales occurring in Mr. Lube Locations are paid for via credit or debit cards. Other automotive service centres and retailers have experienced security breaches in which credit and debit card information, or personal information of customers, has been stolen. Mr. Lube or ML Franchisees may in the future become subject to claims for purportedly fraudulent transactions arising out of the actual or alleged theft of credit or debit card information, and Mr. Lube or ML Franchisees may also be subject to penalties, lawsuits or other proceedings relating to these types of incidents. In addition, most provinces have enacted legislation requiring notification of security breaches involving personal information, including credit and debit card information. Any such claims or proceedings could cause Mr. Lube or ML Franchisees to incur significant unplanned expenses, which could have an adverse impact on their respective financial condition and results of operations. Furthermore, adverse publicity resulting from these allegations may have a material adverse effect on system sales, amount of royalty payable to ML LP and the ability of Mr. Lube to make royalty payments to ML LP.

Franchisee concentration

Mr. Lube is exposed to franchisee concentration risk. If its key ML Franchisees were to have financial or other difficulties, this could have a material adverse impact on Mr. Lube and on the Corporation.

Reliance on technology

Mr. Lube and ML Franchisees rely heavily upon information systems, including point-of-sale processing in Mr. Lube Locations, for training of employees and managers, payment of obligations, collection of cash, credit and debit card transactions and other processes and procedures. Mr. Lube's ability to efficiently and effectively manage its business will depend significantly on the reliability and capacity of these systems. Mr. Lube's operations will depend upon Mr. Lube's ability to protect its computer equipment and systems against damage from physical theft, fire, power loss, telecommunications failure or other catastrophic events, as well as from internal and external security breaches, viruses and other disruptive problems. The failure of any of these systems to operate effectively, maintenance problems, upgrading or transitioning to new platforms, expanding Mr. Lube's systems as it grows or breach in security of these systems could result in delays in customer service and efficiency in Mr. Lube's operations. Remediation of such problems could result in significant, unplanned capital expenditures.

Collection and use of personal information

The *Personal Information Protection and Electronic Documents Act* (Canada) requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus and promotional offers from Mr. Lube and therefore those customers may make fewer visits to Mr. Lube Locations. In addition, final regulations relating to mandatory reporting of privacy breaches under the *Personal Information Protection and Electronic Documents Act* (Canada) came into force on November 1, 2018. Legislative and regulatory measures, such as mandatory breach notification provisions, impose, among other elements, strict requirements on reporting time frames and providing notice to individuals.

Risks Related to the AIR MILES® Reward Program

LoyaltyOne Sponsor Concentration

LoyaltyOne derives a significant amount of its revenue from a small concentration of sponsors. If such key sponsors were to have financial or other difficulties or if contract renewals for such clients are not obtained by LoyaltyOne, it could have a material adverse impact on LoyaltyOne and the amount of the royalties paid thereby to

AM LP under the AIR MILES® Licences. According to ADS's Form 10-K dated February 26, 2019, for the year ended December 31, 2018, BMO and Sobeys Inc. and its retail affiliates represented approximately 19% and 12% of LoyaltyOne's revenue, respectively. LoyaltyOne's contract with BMO expires in 2020, subject to automatic renewals for undisclosed periods. LoyaltyOne's contract with Sobeys Inc. and its retail affiliates expires in 2024.

Loss of active AIR MILES® Reward Program collectors

LoyaltyOne's most active AIR MILES® Reward Program collectors drive a disproportionately large percentage of the AIR MILES® Reward Program. The loss of a significant portion of these collectors, for any reason, could impact LoyaltyOne's ability to generate significant revenue from sponsors. The continued attractiveness of the AIR MILES® Reward Program will depend in large part on LoyaltyOne's ability to remain affiliated with sponsors that are desirable to consumers and to offer rewards that are both attainable and attractive.

Competition

The loyalty program market in which the AIR MILES® Reward Program competes is highly competitive and competition is expected to intensify. Some current AIR MILES® Reward Program competitors have longer operating histories, stronger brand names and greater financial, technical, marketing and other resources than LoyaltyOne. In addition certain of LoyaltyOne's sponsors also have their own loyalty programs that compete with the AIR MILES® Reward Program. LoyaltyOne's ability to generate significant revenue from the AIR MILES® Reward Program will depend on LoyaltyOne's ability to differentiate itself through the products and services provided and the attractiveness of programs to consumers. LoyaltyOne may not be able to continue to compete successfully against current and potential competitors which may adversely impact its financial position and the amount of royalties paid to AM LP under the AIR MILES® Licences.

Decline in Sponsor Promotional Activities

Decline in sponsor promotional activities through which participants in the AIR MILES® Reward Program are encouraged to purchase products and services from sponsors in return for a higher than normal number of AIR MILES® rewards, would lead to a decrease in the number of AIR MILES® issued. A decrease in the number of AIR MILES® issued would result in a decline in the royalties payable by LoyaltyOne to AM LP, which would negatively impact DIV's financial performance and its ability to pay dividends to shareholders and its ability to make interest and principal payments to the holders of the Debentures.

Airline and travel industry

Air travel is one of the appeals of the AIR MILES® Reward Program to collectors. As a result of airline insolvencies and restructurings, LoyaltyOne may experience service disruptions that prevent it from fulfilling collectors' flight redemption requests. If one of LoyaltyOne's existing airline suppliers sharply reduces its fleet capacity and route network, LoyaltyOne may not be able to satisfy collectors' demands for airline tickets. Tickets from other airlines, if available, could be more expensive than a comparable ticket under LoyaltyOne's current supply agreements with existing suppliers, and the routes offered by the other airlines may be inadequate, inconvenient or undesirable to the redeeming collectors. As a result, LoyaltyOne may experience higher air travel redemption costs, and collector satisfaction with the AIR MILES® Reward Program might be adversely affected.

As a result of airline or travel industry disruptions, political instability, terrorist acts or war, some collectors could determine that air travel is too dangerous or burdensome. Consequently, collectors might forego redeeming AIR MILES® reward miles for air travel and therefore might not participate in the AIR MILES® Reward Program to the extent they previously did, which could adversely affect revenue from the program and the amount of royalties paid to AM LP under the AIR MILES® Licences.

Greater than expected redemptions by AIR MILES® Reward Program collectors

A portion of LoyaltyOne's revenue is based on the estimate of the number of AIR MILES® reward miles that will go unused by the collector base. The percentage of AIR MILES® reward miles not expected to be redeemed is known as "breakage." Breakage is based on LoyaltyOne management's estimate after viewing and

analyzing various historical trends including vintage analysis, current run rates and other pertinent factors, such as the impact of macroeconomic factors and changes in the program structure, the introduction of new program options and changes to rewards offered. Any significant change in or failure by LoyaltyOne management to reasonably estimate breakage, or if actual redemptions are greater than estimates, could adversely affect LoyaltyOne's revenues and the amount of royalties paid to AM LP under the AIR MILES® Licences.

Changes to the AIR MILES® Reward Program

From time to time, LoyaltyOne may make changes to the AIR MILES® Reward Program that may not be well received by certain segments of the membership and may affect their level of engagement. In addition, these members may choose to seek such legal and other recourses as available to them, which if successful, could have a negative impact on LoyaltyOne's operations and/or reputation and the amount of royalties paid to AM LP under the AIR MILES® Licences.

Increase in the costs related to redemption of AIR MILES® Reward Miles

The AIR MILES® Reward Program exposes LoyaltyOne to risks arising from potentially increasing reward costs. LoyaltyOne's profitability could be adversely affected if costs related to redemption of AIR MILES® reward miles increase.

Legislation relating to consumer protection

The enactment of new or amended legislation or industry regulations pertaining to consumer protection could have a material adverse impact to loyalty and marketing services. On December 5, 2016, the Ontario Legislature passed Bill 47, *Protecting Rewards Points Act (Consumer Protection Amendment)*, 2016, which amended Ontario's *Consumer Protection Act, 2002* with respect to rewards points. Changes to the Ontario *Consumer Protection Act*, including additional related regulations made effective January 2018, effected by these amendments include, among other things:

- changing the definition of "consumer agreement" to include agreements under which a supplier agrees to provide rewards points to a consumer;
- changing the definition of "supplier" to include a person who supplies rewards points;
- prohibiting suppliers from entering into or amending consumer agreements to provide for the expiry of rewards points due to the passage of time alone;
- permitting the expiry of rewards points if a consumer agreement under which rewards points are provided is terminated by the supplier or the consumer and the consumer agreement provides for the expiry of the points;
- permitting future regulation regarding rewards points; and
- addressing transitional and other related matters.

These amendments to the Ontario *Consumer Protection Act* became effective upon receipt of Royal Assent on December 8, 2016, but have retroactive effect in that any rewards points that expired on or after October 1, 2016 must be credited back to the consumer by December 23, 2016, or 15 days following the date on which the amendments became effective. Similar legislation was enacted in Quebec in 2017 and may be enacted in some or all other Canadian provinces.

On December 31, 2011, LoyaltyOne announced a five-year expiry policy applicable to all outstanding and future AIR MILES® reward miles issued, assigning a December 31, 2016 expiration date to all AIR MILES® reward miles then outstanding. The Ontario *Consumer Protection Act*, as amended, prohibits LoyaltyOne expiring AIR MILES® reward miles in Ontario as contemplated by the expiry policy, but, subject to any future regulatory action to the contrary, will not impact LoyaltyOne's practice of terminating a collector's account and cancelling their AIR MILES® reward miles after two years of inactivity.

As a result of the anticipated passage of the then-pending legislative changes in Ontario and the likelihood of changes in similar laws in some or all other Canadian provinces, LoyaltyOne cancelled its five-year expiry policy on December 1, 2016. The cancellation of the expiry policy, coupled with increased redemption activity, resulted in a significant reduction of redemption revenue, which if it continues is likely to adversely affect LoyaltyOne. The reductions in redemption revenue and negative publicity related to the expiry policy may continue to negatively impact LoyaltyOne's revenues moving forward.

Further, the amendments to the Ontario *Consumer Protection Act* provide for further regulation, specifically with respect to the transfer of reward points and the termination and inactivity of consumer agreements. Failure to comply with these consumer protection laws and regulations could have a negative impact on LoyaltyOne's reputation, adversely affect LoyaltyOne's ability to meet it clients' requirements and LoyaltyOne's profitability and may increase litigation exposure to LoyaltyOne.

LoyaltyOne could cease to operate the AIR MILES® Reward Program

Under the terms of the AIR MILES® Licences, LoyaltyOne has limited obligations to continue to use the AIR MILES® Rights or to operate the AIR MILES® Reward Program. If LoyaltyOne ceases to operate or materially reduces the operation of the AIR MILES® Reward Program in Canada, AM LP will cease receiving or will receive materially less royalties under the AIR MILES® Licences, which would materially adversely impact DIV's ability to pay dividends to holders of its Shares, make interest and principal payments on the Debentures and pay its other obligations as they become due. In addition, AM LP's right to terminate the AIR MILES® Licences for reason of LoyaltyOne's non-use of the AIR MILES® Rights is only triggered if LoyaltyOne fails to continue to use the AIR MILES® Rights for a period of four consecutive years (see "*Licence and Royalty Agreements – AIR MILES® Licences – Termination*"). AM LP would cease to receive royalties from LoyaltyOne under the AIR MILES® Licences during such period and would be prohibited from licensing the AIR MILES® Rights to other parties during such time or operating the AIR MILES® Reward Program itself, which would materially adversely impact the value of the AIR MILES® Rights, DIV's ability to pay dividends to holders of its Shares, make interest and principal payments on the Debentures and pay its other obligations as they become due.

Inability to find a new operator if the AIR MILES® Licences are terminated

If the AIR MILES® Licences are terminated, AM LP may not be able to find a suitable replacement operator for the AIR MILES® Program in Canada and would not have sufficient resources to operate the program itself. According if the AIR MILES® Licences are terminated, AM LP will cease receiving royalties under the AIR MILES® Licences and may not be able to replace such revenue, in whole or in part, for an extended period of time until a new operator is identified, which would materially adversely impact DIV's ability to pay dividends to holders of its Shares, make interest and principal payments on the Debentures and pay its other obligations as they become due.

LoyaltyOne may compete with the AIR MILES® Reward Program

The AIR MILES® Licences do not prohibit LoyaltyOne from operating a similar rewards program in Canada, so long as the competing program does not use trademarks which are confusing similar to the AIR MILES® Marks. If LoyaltyOne operates a competing loyalty program, the amount of royalty revenue received by AM LP under the AIR MILES® Licences may materially decline, which would materially adversely impact DIV's ability to pay dividends to holders of its Shares, make interest and principal payments on the Debentures and pay its other obligations as they become due.

The Corporation has limited visibility into LoyaltyOne's operations

Pursuant to the AIR MILES® Licences, AM LP's information rights with respect to AM LP are limited to certain inspection rights to verify the royalty payments required to be made thereunder. AM LP does not have a general right under the AIR MILES® Licences to request information with respect to the AIR MILES® Reward Program of LoyaltyOne's business. In addition, unlike DIV's other Royalty Partners, LoyaltyOne has not provided an undertaking to Canadian securities regulatory authorities to file financial statements, management discussion and analysis or material change reports with respect to its business. Accordingly, DIV and its securityholders will receive limited information about LoyaltyOne and the AIR MILES® Reward Program and will be largely reliant on

the public disclosure made from time to time by ADS with respect to developments in the AIR MILES® Reward Program and LoyaltyOne's business, which such information may not be provided in a timely manner and which cannot be independently verified by DIV.

The AIR MILES® Reward Program business depends on the ability of LoyaltyOne and AM LP to adequately protect the AIR MILES® Rights

The AIR MILES® Rights that LoyaltyOne licences from AM LP pursuant to the AIR MILES® Licences are material to the conduct of the AIR MILES® Reward Program business. LoyaltyOne's ability to implement its business plan successfully depends in part on its ability to further build brand recognition using the AIR MILES® Rights, including trademarks, names and logos. While AM LP and LoyaltyOne are required to protect and defend the AIR MILES® Rights pursuant to the terms of the AIR MILES® Licences, the parties cannot predict whether steps taken thereby to protect the AIR MILES® Rights will be adequate to prevent misappropriation of these rights. It may be difficult for AM LP and LoyaltyOne to prevent others from copying elements of the AIR MILES® Scheme and any litigation to enforce AM LP's interest in the AIR MILES® Rights will likely be costly and may not be successful. If AM LP and LoyaltyOne are unable to protect or enforce AM LP's interest in the AIR MILES® Rights, LoyaltyOne may be prevented from using the AIR MILES® Rights in the future and may be liable for damages, which in turn could materially adversely affect its business, financial condition and results of operations. In addition, third parties may also assert infringement against LoyaltyOne, AM LP and DIV which may result in litigation and significant liability for damages for LoyaltyOne, AM LP or DIV.

Collection and use of personal information

The *Personal Information Protection and Electronic Documents Act* (Canada) requires an organization to obtain a consumer's consent to collect, use or disclose personal information. Under this act, consumer personal information may be used only for the purposes for which it was collected. LoyaltyOne allows its customers to voluntarily "opt out" from receiving either one or both promotional and marketing mail or promotional and marketing electronic mail. Heightened consumer awareness of, and concern about, privacy may result in customers "opting out" at higher rates than they have historically. This would mean that a reduced number of customers would receive bonus and promotional offers and therefore those customers may collect fewer AIR MILES® reward miles. In addition, final regulations relating to mandatory reporting of privacy breaches under the *Personal Information Protection and Electronic Documents Act* (Canada) came into force on November 1, 2018. Legislative and regulatory measures, such as mandatory breach notification provisions, impose, among other elements, strict requirements on reporting time frames and providing notice to individuals.

Failure to safeguard databases and consumer privacy

Although LoyaltyOne has publicly disclosed that it has physical and cyber security controls and associated procedures in place data may be subject to unauthorized access. In such instances of unauthorized access, the integrity of data may in the future be affected. Security and privacy concerns may cause consumers to resist providing the personal data necessary to support the AIR MILES® Reward Program. The use of the AIR MILES® Reward Program could decline if any compromise of physical or cyber security occurred at LoyaltyOne. In addition, any unauthorized release of customer information or any public perception that LoyaltyOne released consumer information without authorization, could subject LoyaltyOne to legal claims from clients or their customers, consumers or regulatory enforcement actions, which may adversely affect LoyaltyOne's client relationships and participation in the AIR MILES® Reward Program.

Loss of Data Centre Capacity

LoyaltyOne has publicly disclosed that its ability, and that of its third-party service providers, to protect its data centers against damage, loss or inoperability from fire, power loss, network failure, cyber attacks, including ransomware or denial of service attacks, telecommunications failure, computer malware and other disasters is critical. In order to provide many of LoyaltyOne's services, it must be able to store, retrieve, process and manage large amounts of data as well as periodically expand and upgrade database capabilities. Any damage to LoyaltyOne's data centers, or those of its third-party service providers, any failure of LoyaltyOne's telecommunication links that interrupts its operations or any impairment of LoyaltyOne's ability to use its software or the proprietary software of third party vendors, including impairments due to cyber attacks, could adversely affect

LoyaltyOne's ability to meet clients' needs and their confidence in utilizing LoyaltyOne for future services, including the AIR MILES® Reward Program.

Risks Related to the Shares

There are no guarantees as to the timing and amount of dividends

The amount of dividends paid by the Corporation will depend upon numerous factors, including: royalty payments received from Royalty Partners (including Sutton Group, Mr. Lube and LoyaltyOne), profitability, debt covenants and obligations, foreign exchange rates, the availability and cost of acquisitions, fluctuations in working capital, the payment of income taxes, the timing and amount of capital expenditures, costs to defend claims against the Corporation, applicable law and other factors which may be beyond the Corporation's control. Dividends are not guaranteed and will fluctuate with the Corporation's performance and the performance of the Corporation's Royalty Partners. There can be no assurance as to the levels of dividends to be paid by the Corporation, if any. The Corporation will also incur expenses as a public issuer. Should any estimate of such expenses prove inadequate or if unanticipated expenses are incurred, it would reduce cash available for payment of dividends. In addition, once the Corporation utilizes the remainder of its non-capital tax losses, the Corporation will be required to make income tax payments to the extent that its taxable income is not otherwise sheltered by then available undepreciated capital tax pools, which income tax payments will reduce the cash available for payment of dividends. The market value of the Shares may deteriorate if the Corporation is unable to pay dividends in accordance with the Corporation's dividend policy in the future, whether through a reduction in the amount of dividends paid, or a temporary or permanent suspension of the payment dividends by the Corporation, and such deterioration may be material.

Although the Corporation expects to pay regular monthly dividends, dividends are not guaranteed and may be reduced or suspended in the future. The amount of the dividends, if any, that the Corporation will be able to pay to Shareholders will be highly dependent on the amount of royalties received by: (i) SGRS LP under the SGRS Licence and Royalty Agreement; (ii) ML LP under the ML Licence and Royalty Agreement; and (iii) AM LP under the AIR MILES® Licences. As a consequence, the actual amount of dividends paid in respect of the Shares will be subject to, among other things, the performance of Sutton Group, Mr. Lube, LoyaltyOne and the respective royalties payable to (i) SGRS LP under the SGRS Licence and Royalty Agreement; (ii) ML LP under the ML Licence and Royalty Agreement; and (iii) AM LP under the AIR MILES® Licences. Any event, change, occurrence or development that has a materially adverse effect on the business, financial condition and results of operations of Sutton Group, Mr. Lube or LoyaltyOne could also have an adverse effect on the amount of dividends declared and paid on the Shares and could result in the Corporation materially reducing or suspending the declaration and payment of dividends on the Shares in the future.

In addition, in 2017 and 2018, the Corporation declared dividends in excess of distributable cash. The shortfall in distributable cash was funded by the proceeds received from the sale of the FW Rights. The Corporation intends to use the remaining proceeds from the sale of the FW Rights as well as the proceeds from the Debenture Offering to fund future royalty acquisitions, with the intention of achieving a payout ratio that approximates 100% over time. However, there is no assurance that DIV will be able to complete royalty acquisitions. If the Corporation is unable to complete royalty acquisitions that will result in a payout ratio that approximates 100% over time, the Corporation could reduce or suspend the declaration and payment of dividends on the Shares in the future.

The share price of the Shares is unpredictable and can be volatile

The prices at which the Shares will trade cannot be predicted. The market price of the Shares could be subject to significant fluctuations in response to various factors, including the following, many of which are beyond DIV's control: (i) actual or anticipated fluctuations in DIV's quarterly and annual results of operations; (ii) recommendations by securities research analysts; (iii) changes in the economic performance or market valuations of other issuers that investors deem comparable to DIV; (iv) addition or departure of DIV's and its Royalty Partners' executive officers and other key personnel; (v) release or expiration of lock-up or other transfer restrictions on outstanding Shares; (vi) sales or perceived sales of additional Shares; (vii) liquidity of the Shares; (viii) prevailing and anticipated interest rates; (ix) significant acquisitions or business combinations, strategic partnerships, joint ventures, capital commitments by or involving DIV or its competitors; (x) significant dispositions by DIV or its Royalty Partners; (xi) news reports relating to trends, concerns, technological or competitive

developments, regulatory changes and other related issues in DIV's and its Royalty Partner's industries or target markets; and (xii) general economic conditions. Financial markets have recently experienced significant price and volume fluctuations that have particularly affected the market prices of equity securities of public entities and that have, in many cases, been unrelated to the operating performance, underlying asset values or prospects of such entities. Accordingly, DIV's Shares will not necessarily trade at values determined by reference to the underlying value of its business, and the market price of the Shares may decline even if DIV's operating results, underlying asset values or prospects have not changed. Additionally, these factors, as well as other related factors, may cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. As well, certain institutional investors may base their investment decisions on consideration of DIV's and its Royalty Partner's environmental, governance and social practices and performance against such institutions' respective investment guidelines and criteria, and failure to meet such criteria may result in limited or no investment in the Shares by those institutions, which could materially adversely affect the trading price of the Shares. There can be no assurance that continuing fluctuations in price and volume will not occur. If such increased levels of volatility and market turmoil continue for a protracted period of time, DIV's operations could be materially adversely impacted and the trading price of the Shares may be materially adversely affected.

Prevailing and anticipated yields on similar securities

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

Dilution

The Corporation may issue an unlimited number of Shares or other securities for such consideration and on such terms and conditions as shall be established by the board of directors of the Corporation without the approval of Shareholders. Any further issuance of Shares, including Shares issued pursuant to the DRIP or upon conversion of the Debentures, will dilute the interests of existing Shareholders. Shareholders will have no pre-emptive rights in connection with such future issuances.

Limited Control

Shareholders have limited control over changes in DIV's policies and operations, which increases the uncertainty and risks of an investment in Shares. The board of directors of DIV determines major policies, including, among others, policies regarding financing, growth, debt capitalization and the amount and timing of the payment of dividends. The board of directors of DIV may amend or revise these and other policies without a vote of Shareholders. Shareholders have a right to vote only on limited matters. The directors' broad discretion in setting policies and Shareholders' inability to exert control over those policies increases the uncertainty and risks of an investment in Shares.

Investment eligibility

The Corporation will endeavour to ensure that the Shares continue to be a qualified investment under the Tax Act for trusts governed by RRSPs, registered education savings plans, RRIFs, deferred profit sharing plans, registered disability savings plans and TFSAs, although there is no assurance that the conditions prescribed for such qualified investments will be adhered to at any particular time. The Tax Act imposes penalties for the acquisition or holding of non-qualified or prohibited investments.

Risks Related to the Debentures

Credit Risk and Earnings Coverage Ratios

The likelihood that holders of the Debentures will receive payments owing to them under the terms of the Debentures will depend on the financial health and creditworthiness of the Corporation and the ability of the Corporation to earn revenues.

Prior Ranking Indebtedness

The Debentures are subordinate to all Senior Indebtedness of the Corporation and to any indebtedness of trade creditors of the Corporation as well as other liabilities and obligations. Therefore, if the Corporation becomes bankrupt, liquidates its assets, reorganizes or enters into certain other transactions, the Corporation's assets will be available to pay its obligations with respect to the Debentures only after it has paid all of its Senior Indebtedness in full. There may be insufficient assets remaining following such payments to pay amounts due on any or all of the Debentures then outstanding. In addition, in case of a circumstance constituting a default or event of default with respect to any full recourse secured Senior Indebtedness (excluding equipment and vehicle leases) permitting a Senior Creditor to demand payment or accelerate the maturity thereof where the notice of such default or event of default has been given by or on behalf of the Senior Creditors to the Corporation, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, the Corporation will not make any payment on account of the Debentures after the happening of such a default or event of default.

In addition, a significant amount of the Corporation's business is conducted through its subsidiaries. None of the Corporation's subsidiaries has guaranteed or otherwise become obligated with respect to the Debentures and, as a result, the Debentures are be structurally subordinated to all liabilities and other obligations of the Corporation's subsidiaries. Accordingly, the Corporation's right to receive assets from any of its subsidiaries upon the Corporation's bankruptcy, liquidation or reorganization, and the right of holders of Debentures to participate in those assets, is structurally subordinated to claims of that subsidiary's creditors, including trade creditors. Even if the Corporation were a creditor of any of its subsidiaries, the Corporation's rights as a creditor would be subordinate to any security interest in the assets of that subsidiary and any indebtedness of that subsidiary senior to that held by the Corporation.

Repayment of the Debentures

The Debentures mature on December 31, 2022. The Corporation may not be able to refinance the principal amount of the Debentures in order to repay the principal outstanding or may not have generated enough cash from operations to meet this obligation. There is no guarantee that the Corporation will be able to repay the outstanding principal amount upon maturity of the Debentures.

Absence of Covenant Protection

The Debenture Indenture do not restrict the Corporation from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness. Nor does the Debenture Indenture prohibit or limit the ability of the Corporation to pay dividends. The Debenture Indenture does not contain any provision specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Corporation.

Prevailing Yields on Similar Securities

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

Possible Dilutive Effects on Holders of Shares

The Corporation may determine to redeem outstanding Debentures for Shares, to repay outstanding principal amounts of the Debentures at maturity by issuing additional Shares or, subject to regulatory approval, satisfy all or part of the Corporation's obligation to pay interest on the Debentures in accordance with the Debenture Indenture by delivering sufficient Shares to the Debenture Trustee. Accordingly, holders of Shares may suffer dilution.

Possible Dilutive Effects of Future Financings

Future sales or issuances of debt or equity securities could increase the Corporation's debt service obligations, decrease the value of any existing Shares, dilute investors' voting power, reduce the Corporation's

earnings per share and make future sales of the Corporation's equity securities more difficult. Sales of Shares by shareholders might also make it more difficult for the Corporation to sell equity securities at a time and price that it deems appropriate. The Corporation cannot predict the effect, if any, that future sales and issuances of debt or equity securities will have on the market price of the Shares. Sales or issuances of a substantial number of equity securities, or the perception that such sales could occur, may adversely affect prevailing market prices for the Shares.

Redemption Prior to Maturity

The Debentures may, subject to the subordination provisions of the Debentures, be redeemed, at the option of the Corporation, on and after January 1, 2021 and prior to the Maturity Date at any time and from time to time (provided that, in the case of any redemption between January 1, 2021 and December 31, 2021, the Current Market Price (as defined in the Debenture Indenture) of the Shares on the date on which notice of redemption is given is not less than 125% of the Conversion Price), upon payment of the principal, together with any accrued and unpaid interest.

The Corporation may exercise this redemption option if the Corporation is able to refinance at a lower interest rate or it is otherwise in the interest of the Corporation to redeem the Debentures. The Corporation's ability to redeem the Debentures may be limited by law, by the Debenture Indenture (including due to the subordination provisions), by the terms of other existing or future agreements relating to the credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend its future debt. See "*Capital Structure – Description of the Debentures – Redemption*".

Change of Control

The Corporation is required, subject to the subordination provisions of the Debentures, to make an offer to purchase all of the outstanding Debentures for cash in the event of certain transactions that would constitute a Change of Control. The Corporation cannot assure holders of Debentures that, if required, it would have sufficient cash or other financial resources at that time or would be able to arrange financing to pay the purchase price of the Debentures in cash. The Corporation's ability to purchase the Debentures in such an event may be limited by law, by the Debenture Indenture (including due to the subordination provisions) governing the Debentures, by the terms of other present or future agreements relating to the Corporation's credit facilities and other indebtedness and agreements that the Corporation may enter into in the future which may replace, supplement or amend the Corporation's future debt. The Corporation's future credit agreements or other agreements may contain provisions that could prohibit the purchase by the Corporation of the Debentures without the consent of the lenders or other parties thereunder. If the Corporation's obligation to offer to purchase the Debentures arises at a time when the Corporation is prohibited from purchasing or redeeming the Debentures, the Corporation could seek the consent of lenders to purchase the Debentures or could attempt to refinance the borrowings that contain this prohibition. If the Corporation does not obtain such a consent or does not refinance these borrowings, the Corporation could remain prohibited from purchasing the Debentures. The Corporation's failure to purchase the Debentures would constitute an Event of Default under the Debenture Indenture, which might constitute a default under the terms of the Corporation's other indebtedness at that time.

In the event that Debentureholders holding 90% or more of the Debentures (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation) have tendered their Debentures for purchase pursuant to a Debenture Offer, the Corporation may redeem the remaining Debentures on the same terms. In such event, the conversion privilege associated with the Debentures would be eliminated. See "*Capital Structure – Description of the Debentures - Change of Control*".

Conversion Following Certain Transactions

Pursuant to the Debenture Indenture, in the event of certain transactions each Debenture will become convertible into the securities, cash or property receivable by a shareholder of the Corporation in accordance with such transactions. This change could substantially reduce or eliminate any potential future value of the conversion privilege associated with the Debentures. For example, if the Corporation were acquired in a cash merger, each Debenture would become convertible solely into cash and would no longer be convertible into securities whose value would vary depending on the Corporation's future prospects and other factors, subject to the specific

provisions of the Debenture Indenture in this regard. See "*Capital Structure – Description of the Debentures – Conversion Rights*".

Volatility of Market Price of the Debentures

The market price of the Debentures may be volatile and subject to wide fluctuations in response to numerous factors, many of which are beyond the Corporation's control, including the following: (i) the prevailing interest rates being paid by companies similar to the Corporation; (ii) the overall condition of the financial and credit markets; (iii) interest rate volatility; (iv) the markets for similar securities; (v) actual or anticipated fluctuations in the financial condition, results of operations and prospects of the Corporation; (vi) the publication of earnings estimates or other research reports and speculation in the press or investment community; (vii) the market price and volatility of the Shares (discussed above); (viii) changes in the industry in which the Corporation operates and competition affecting the Corporation; and (ix) general market and economic conditions in North America and globally, along with a variety of additional factors, including, without limitation, those set forth under "*Forward-Looking Statements*".

The condition of the financial and credit markets and prevailing interest rates have fluctuated in the past and are likely to fluctuate in the future. Fluctuations in these factors could have an adverse effect on the market price of the Debentures.

Change of Tax Law

The Debenture Indenture does not contain a requirement that the Corporation increase the amount of interest or other payments to holders of Debentures in the event that the Corporation is required to withhold amounts in respect of income or similar taxes on payment of interest or other amounts on the Debentures. At present, the Corporation does not withhold from such payments to holders of Debentures not resident in Canada who deal at arm's length with the Corporation, but no assurance can be given that applicable income tax laws will not be changed in a manner that may require the Corporation to withhold amounts in respect of tax payable on such amounts.

Investment Eligibility

The Corporation will endeavour to ensure that the Debentures continue to be qualified investments for trusts governed by RRSPs, RRIFs, deferred profit sharing plans, RESPs, RDSPs and TFSAs. No assurance can be given in this regard. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments by such plans.

Risks Related to the Business of the Corporation

High dependence on the performance of Royalty Partners

Although the Corporation's corporate strategy is to purchase royalty streams from a number of growing multi-location businesses, the Corporation is currently and expects to continue to be highly dependent on the performance of Sutton Group, Mr. Lube and LoyaltyOne. Until the Corporation is able to complete the acquisition of other royalty streams, the Corporation's source of revenues will be limited to the royalties and management fees, as applicable, payable to SGRS LP, ML LP, and AM LP by Sutton Group, Mr. Lube and LoyaltyOne, respectively. Even if the Corporation acquires additional royalty streams, it is expected that revenue from royalties payable to SGRS LP, ML LP and AM LP by Sutton Group, Mr. Lube and LoyaltyOne, respectively, may continue to represent a significant portion of the Corporation's revenue base. This means that the Corporation is indirectly subject to all of the risks related to the SGRS Business, the ML Business and the AIR MILES® Reward Program. Any event, change, occurrence or development that has a materially adverse effect on the business, financial condition and results of operations of Sutton Group, Mr. Lube or LoyaltyOne could also have a materially adverse effect on the business, financial condition and results of operations of the Corporation. Growth in the Corporation's earnings will be highly dependent on the growth of Sutton Group's, Mr. Lube's and LoyaltyOne's respective businesses and, as a consequence, the same risk factors that could affect Sutton Group's, Mr. Lube's and LoyaltyOne's growth will also affect the Corporation's growth. Additional information in respect of the risks related to the SGRS Business, the Mr. Lube Business and the AIR MILES® Reward Program are described under the headings " *– Risks Related to the*

SGRS Business", "*– Risks related to the ML Business*", and " *– Risks Related to the AIR MILES Reward® Program*" respectively.

Leverage and restrictive covenants

SGRS LP, ML LP, AM LP and the Corporation have, as applicable, third-party debt service obligations under their respective credit facilities. The degree to which SGRS LP, ML LP, AM LP and the Corporation are leveraged could have important consequences to the holders of Shares and Debentures, owing to the fact that (a) a portion of SGRS LP's, ML LP's, AM LP's and the Corporation's cash flow from operations are, or will be, as applicable, dedicated to the payment interest on their respective indebtedness, thereby reducing funds available for distribution to Shareholders and for payment of interest and principal to holders of Debentures, and (b) certain of SGRS LP's, ML LP's, AM LP's and the Corporation's borrowings are, or will be, as applicable, at variable rates of interest, which exposes SGRS LP, ML LP, AM LP and the Corporation to the risk of increased interest rates.

The SGRS Term Loan, ML Term Loan and AM Term Loan contain numerous restrictive covenants that limit the discretion of the management of such entities with respect to certain business matters. These covenants do, or will, as applicable, place restrictions on, among other things, the ability of each such entity to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. A failure to comply with the obligations in the SGRS Term Loan, ML Term Loan or AM Term Loan could result in an event of default which, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the SGRS Term Loan, ML Term Loan or AM Term Loan were to be accelerated, there can be no assurance that the assets of each such entity would be sufficient to repay in full their respective indebtedness under such loans.

In addition, current and future borrowings by Sutton Group, Mr. Lube, LoyaltyOne and their respective subsidiaries could adversely affect their abilities to pay their respective royalties to SGRS LP, ML LP and AM LP. The terms of the AIR MILES® Licences do not contain any restrictions on the amount of debt that may be obtained by LoyaltyOne.

The Loss of Sutton Group agents may affect the amount of the SGRS Royalty Payment

The amount of the SGRS Royalty Payment payable to SGRS LP by Sutton Group is dependent on the Royalty Pool Agent Count. Although the Royalty Pool Agent Count cannot be decreased on any SGRS Adjustment Date, the loss of Sutton Group agents without replacement will result in a reduction of royalties received by Sutton Group from the SGRS Franchisees and could materially adversely affect Sutton Group's business and its ability to make SGRS Royalty Payments to SGRS LP.

The closure of Mr. Lube Locations may affect the amount of the ML Royalty Payment

The amount of the ML Royalty Payment payable to ML LP by Mr. Lube is dependent on ML System Sales. While Mr. Lube is required to make certain make-whole payments to ML LP if ML Gross Sales from Mr. Lube Locations added to the ML Royalty Pool do not adequately replace the ML Gross Sales of Permanently Closed Mr. Lube Locations (see "*Licence and Royalty Agreements – ML Licence and Royalty – Mr. Lube Location Openings and Closures*"), there is no assurance that Mr. Lube will be able to open a sufficient number of Mr. Lube Locations to replace the ML Gross Sales of Mr. Lube Locations that have closed or have the financial resources to make such make-whole payments. Even if Mr. Lube continues to open new Mr. Lube Locations in accordance with its business plan, the closure of existing Mr. Lube Locations will adversely affect Mr. Lube's growth strategy and, as a consequence, have an adverse effect on the growth of ML LP's and DIV's revenues.

The Corporation may not complete or realize the anticipated benefits of its Royalty Partner strategy

A key element of the Corporation's growth plan is adding new Royalty Partners. The Corporation's ability to identify and complete the acquisition of new royalty streams is not guaranteed. Achieving the benefits of future acquisitions will depend in part on successfully identifying and capturing such opportunities in a timely and efficient manner and in structuring such arrangements to ensure a stable and growing stream of distributions. The

Corporation competes with a large number of private equity funds and mezzanine funds, investment banks, equity and non-equity based investment funds, and other sources of financing, including the public capital markets. Some competitors may have a lower cost of funds and many have access to funding sources and unique structures that are not available to the Corporation. In addition, some competitors may have higher risk tolerances or different risk assessments, which could allow them to consider a wider variety of investments and establish more relationships and build their market shares. There is no assurance that the competitive pressures that the Corporation faces will not have a material adverse effect on the Corporation's business, financial condition and results of operations. Also, as a result of this competition, the Corporation may not be able to take advantage of attractive acquisition opportunities and there can be no assurance that the Corporation will be able to identify and make acquisitions that satisfy the Corporation's business objectives or strategy.

There are no guarantees as to the availability of future financing for operations, dividends and growth

The Corporation expects that its principal source of funds will be cash generated from its Royalty Partners, and that these funds will be sufficient to provide the Corporation with sufficient liquidity and capital resources to meet the Corporation's ongoing business operations at existing levels. However, cash generated by Royalty Partners is not guaranteed and may decrease significantly depending on the operations of and royalty payments made by all of the Corporation's Royalty Partners, taken as a whole. In the event of a decrease in cash flow from Royalty Partners, the Corporation may have to reduce distributions to Shareholders, may also require additional equity or debt financing to meet the Corporation's ongoing financing and operational requirements and may be unable to make payments of interest and principal on the Debentures. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Corporation, in which event the Corporation's financial condition may be materially adversely affected. A lack of availability of financing or commercially favourable terms could limit DIV's growth.

The payout by the Corporation of substantially all of its distributable cash may make additional investment capital and operating expenditures dependent on increased cash flow or additional financings in the future. The Corporation may require equity or debt financing in order to acquire interests in new Royalty Partners or acquire greater interests from current Royalty Partners. The ability of the Corporation to arrange such financing in the future will depend in part upon the prevailing capital market conditions as well as the Corporation's business performance.

Completion of potential acquisitions

There can be no assurance that the Corporation will be able to identify and make acquisitions that satisfy the Corporation's business objectives or strategy. In addition, any potential acquisition of a future royalty stream, if it proceeds, will be subject to conditions, which may include, without limitation, satisfactory completion of the Corporation's due diligence, negotiation and finalization of formal legal documents, debt financing and approval from the Corporation's board of directors. As a result, there can be no assurance that the Corporation will complete any future acquisitions from potential Royalty Partners. If the Corporation does not complete such future acquisitions, it may be subject to a number of risks, including: (i) the price of its securities may decline to the extent that the current market price reflects a market assumption that such acquisitions will be completed; (ii) certain costs related to each such acquisition, such as legal, accounting and consulting fees, must be paid even if an acquisition is not completed; (iii) the Corporation may from time to time possess substantial unutilized cash derived from equity financings, sales of assets or otherwise which would cause its financial performance to be negatively impacted until suitable opportunities are identified for acquisition and such acquisitions are completed; and (iv) there is no assurance that such suitable opportunities will be available to the Corporation in the future or at all.

The Corporation's agreements with its Royalty Partners may discourage takeover attempts that Shareholders may consider to be favourable

The Corporation's agreements with certain of its Royalty Partners contain provisions that may make it more difficult or impossible for a third party to acquire 100% of the share capital of the Corporation without the consent of such Royalty Partners. These provisions include (i) the exchange rights granted to the Corporation's Royalty Partners to exchange limited partnership units of certain subsidiaries of the Corporation for Shares, and (ii) provisions in the exchange agreements with the Corporation's Royalty Partners which prohibit the Corporation from

consummating any transaction (whether by way of reconstruction, reorganization, consolidation, merger, amalgamation, arrangement, transfer, sale, lease or otherwise) whereby all or substantially all of the Corporation's undertaking, property and assets would become the property of any other person or, in the case of a merger or amalgamation, of another entity unless the successor to the Corporation becomes bound by or agrees to be bound by the terms and provisions of the Corporation's exchange agreements with its Royalty Partners and the terms of such transaction substantially preserve and do not impair in any material respect any of the rights of the Corporation's Royalty Partners under such exchange agreements.

These provisions could delay, defer or prevent the Corporation from experiencing a change of control. Any delay or prevention of a change of control transaction could deter potential acquirors or prevent the completion of a transaction in which Shareholders could receive a substantial premium over the then current market price of the Shares.

Reliance on key personnel

Sean Morrison, the Corporation's President and Chief Executive Officer, was instrumental in sourcing, structuring and executing previous acquisition transactions, and is expected to be instrumental in identifying other royalties to acquire from profitable, well-managed multi-location businesses in North America as part of the Corporation's business strategy going-forward. The Corporation's success executing on this strategy depends on the abilities, experience, efforts and industry knowledge of Mr. Morrison. The long-term loss of the services of Mr. Morrison for any reason could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Corporation. The Corporation may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Corporation will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on its business, financial condition, results of operations and future prospects.

Liabilities related to sold St. Ambroise Plant

The Corporation owned and operated a plant which remediated contaminated soil in Saint Ambroise, Quebec until May 31, 2013. Under the terms of the asset purchase agreement dated as of March 7, 2013 between the Corporation and the Saint Ambroise Purchaser, the Saint Ambroise Purchaser acquired the plant and related assets on an "as is where is" basis, and agreed to assume all of the obligations and liabilities with respect to or relating to the plant and related assets, including any environmental liabilities, existing on the closing date. If the Saint Ambroise Purchaser is unable to satisfy any of these obligations, such obligations may become payable by the Corporation which would negatively and adversely affect the Corporation's distributable cash. While the Corporation believes that no such obligations exist, there is no assurance that such liabilities do not exist or that the Saint Ambroise Purchaser will satisfy all such liabilities as they arise. To insulate itself from any environmental liability associated with the St. Ambroise plant, the Corporation currently maintains a $10 million pollution liability run-off insurance policy that expires in 2020. While the Corporation believes that this policy is sufficient to cover any potential environmental liability associated with the St. Ambroise plant, there can be no assurance that this policy is adequate to fully cover any potential liability exposure of the Corporation with respect to such facility.

Outcome of legal claims may affect distributable cash

The Corporation was previously involved in certain legal proceedings in the United States and may be involved in additional legal proceedings in the future. It is not currently possible for the Corporation to predict the outcome of such matters due to various factors including: the preliminary nature of certain claims; incomplete factual records; the uncertain nature of legal theories and procedures and their resolution by the courts; and the unpredictable nature of opposing parties and their demands. The outcomes of the aforementioned legal proceedings are unknown and could result in DIV incurring material liabilities. Consequently, the outcomes of such legal proceedings and the expenses incurred by DIV in connection therewith may negatively affect DIV's distributable cash. Refer to note 9 to the consolidated financial statements of DIV for the year ended December 31, 2018 for details of such proceedings.

Failure to hedge effectively against interest rate changes

DIV may from time to time obtain one or more forms of interest rate protection in the form of swap agreements, interest rate cap contracts or similar agreements to hedge against the possible negative effects of interest rate fluctuations. However, such hedging implies costs and DIV cannot assure Shareholders that any hedging will adequately relieve the adverse effects of interest rate increases or that counterparties under these agreement will honour their obligations thereunder. Furthermore, any such hedging agreements would subject DIV to the risk of incurring significant non-cash losses on such hedges due to declines in interest rates if DIV's hedges were not considered effective under applicable accounting standards which may adversely affect DIV's results of operations.

Future sales of Shares by directors and officers

Subject to compliance with applicable securities laws, directors and officers of DIV and their affiliates may sell some or all of their Shares in the future. No prediction can be made as to the effect, if any, such future sales of Shares will have on the market price of the Shares prevailing from time to time. However, the future sale of a substantial number of Shares by the directors and officers of DIV and their Affiliates, or the perception that such sales could occur, could adversely affect prevailing market prices for the Shares and the Debentures.

Disclosure controls and procedures and internal controls over financial reporting

DIV could be adversely affected if there are deficiencies in its disclosure controls and procedures or in its internal controls over financial reporting. The design and effectiveness of DIV's disclosure controls and procedures and its internal controls over financial reporting may not prevent all errors, misstatements or misrepresentations. Deficiencies, including material weaknesses, in internal controls over financial reporting which may occur could result in misstatements of DIV's results of operations, restatements of financial statements, a decline in the Share price, or otherwise materially adversely affect DIV's business, reputation, results of operations, financial condition or liquidity.

International Financial Reporting Standards

In February 2008, the Accounting Standards Board of Canada confirmed its decision to require that all publicly accountable enterprises report under IFRS for interim and annual financial statements. DIV is required to report under IFRS. There are ongoing projects conducted by the International Accounting Standards Board, and joint projects with the Financial Accounting Standards Board in the U.S. that are expected to result in new pronouncements that continue to evolve, which could adversely impact the manner in which DIV reports its financial position and operating results.

DIV's business could be negatively affected as a result of cybersecurity breaches.

The Corporation collects and stores sensitive data, including intellectual property, proprietary business information and that of the Corporation's business partners, and personally identifiable information of the Corporation's employees in the Corporation's data centres and networks. The secure processing, maintenance and transmission of this information is critical to the Corporation's operations and business strategy. Despite the Corporation's security measures, the Corporation's information technology and infrastructure may be exposed to malware, cyberattacks, attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Any such breach could compromise the Corporation's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, disrupt operations and damage the Corporation's reputation, which could adversely affect the Corporation's business, reputation, results of operations and financial condition.

DIV's business could be negatively affected as a result of actions by activist Shareholders.

Shareholder campaigns to effect changes in publicly-traded companies are sometimes led by activist investors through various corporate actions, including proxy contests. Responding to these actions, if they occur, could disrupt DIV's operations by diverting the attention of management and DIV's employees as well as DIV's financial resources. Shareholder activism could create perceived uncertainties as to DIV's future direction, which could result in the loss of potential business opportunities and make it more difficult to attract and retain qualified

personnel and business partners. Furthermore, the election of individuals to the board of directors of DIV with a specific agenda could adversely affect DIV's ability to effectively and timely implement DIV's strategic plans.

For all of the aforesaid reasons and others set forth in this AIF, an investment in Shares, Debentures and any other securities of DIV that may be offered or that are issued and outstanding from time to time involves a certain degree of risk. Any person currently holding or considering the purchase of Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time, should be aware of these and other factors set forth in this AIF and should consult with his or her legal, tax and financial advisors prior to making an investment in Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time. The Shares, Debentures or any other securities of DIV that may be offered or that are issued and outstanding from time to time, should only be purchased by persons who can afford to lose all of their investment.

DIVIDENDS

Dividend Policy

DIV currently has a dividend policy providing for the payment of a monthly dividend, subject to the approval of the board of directors. In general, dividends paid by DIV are designated to be eligible dividends pursuant to subsection 89(14) of the Income Tax Act (Canada).

The declaration of dividends is subject to the discretion of the board of directors of the Corporation and will be evaluated periodically and may be deferred, delayed, suspended or revised depending on, among other factors, the Corporation's earnings, the financial requirements of the Corporation's operations, planned acquisitions, income tax payable by the Corporation and its subsidiaries and access to capital markets, the satisfaction of solvency tests imposed by the CBCA for the declaration and payment of dividends and other conditions that may exist from time to time.

Although DIV currently intends to continue to make monthly dividend payments to its Shareholders, dividends are not guaranteed and may be reduced or suspended in the future. The ability of DIV to make dividend payments, and the amount thereof, will be dependent upon, among other things, the ability of Sutton Group, Mr. Lube and LoyaltyOne to meet their respective obligations pursuant to the SGRS Licence and Royalty Agreement, ML Licence and Royalty Agreement and AIR MILES® Licenses. The actual amount distributed will be dependent upon, among other things, the amount of the royalty payments received indirectly by DIV from its Royalty Partners. The market value of the Shares may deteriorate if DIV is unable to meet its cash distribution targets in the future, and that deterioration may be material. See *"Risk Factors"*.

For a description of the distribution policy of SGRS LP, see "*Description of Subsidiaries – Description of SGRS LP – Distributions*".

For a description of the distribution policy of ML LP, see "*Description of Subsidiaries – Description of ML LP – Distributions*".

Dividend History

DIV declared and paid the following cash dividends to Shareholders in its three most recently completed financial years and the current year to date:

Period	Record Date	Cash Distribution ($)	Date Paid
January 2016	January 15, 2016	$0.01854	January 29, 2016
February 2016	February 12, 2016	$0.01854	February 29, 2016
March 2016	March 15, 2016	$0.01854	March 31, 2016
April 2016	April 15, 2016	$0.01854	April 29, 2016
May 2016	May 15, 2016	$0.01854	May 31, 2016
June 2016	June 15, 2016	$0.01854	June 30, 2016
July 2016	July 15, 2016	$0.01854	July 31, 2016
August 2016	August 15, 2016	$0.01854	August 31, 2016
September 2016	September 15, 2016	$0.01854	September 30, 2016
October 2016	October 14, 2016	$0.01854	October 31, 2016
November 2016	November 15, 2016	$0.01854	November 30, 2016
December 2016	December 14, 2016	$0.01854	December 30, 2016
January 2017	January 16, 2017	$0.01854	January 31, 2017
February 2017	February 13, 2017	$0.01854	February 28, 2017
March 2017	March 15, 2017	$0.01854	March 31, 2017
April 2017	April 13, 2017	$0.01854	April 28, 2017
May 2017	May 15, 2017	$0.01854	May 31, 2017
June 2017	June 15, 2017	$0.01854	June 30, 2017
July 2017	July 14, 2017	$0.01854	July 31, 2017
August 2017	August 15, 2017	$0.01854	August 31, 2017
September 2017	September 15, 2017	$0.01854	September 29, 2017
October 2017	October 16, 2017	$0.01854	October 29, 2017
November 2017	November 15, 2017	$0.01854	November 30, 2017
December 2017	December 13, 2017	$0.01854	December 29, 2017
January 2018	January 15, 2018	$0.01854	January 31, 2018
February 2018	February 13, 2018	$0.01854	February 28, 2018
March 2018	March 15, 2018	$0.01854	March 29, 2018
April 2018	April 16, 2018	$0.01854	April 30, 2018
May 2018	May 15, 2018	$0.01854	May 31, 2018
June 2018	June 15, 2018	$0.01854	June 29, 2018
July 2018	July 16, 2018	$0.01854	July 31, 2018
August 2018	August 15, 2018	$0.01854	August 31, 2018
September 2018	September 15, 2018	$0.01854	September 30, 2018
October 2018	October 15, 2018	$0.01854	October 31, 2018
November 2018	November 15, 2018	$0.01854	November 30, 2018
December 2018	December 13, 2018	$0.01854	December 31, 2018
January 2019	January 15, 2019	$0.01854	January 31, 2019
February 2019	February 13, 2019	$0.01854	February 28, 2019
March 2019	March 15, 2019	$0.01854	March 29, 2019[(1)]

(1) Anticipated payment date, as announced in DIV's news release dated March 4, 2018.

Dividend Reinvestment Plan

The Corporation has a dividend reinvestment plan ("**DRIP**") that allows eligible holders of the Corporation's Shares to reinvest some or all cash dividends paid in respect of their Shares in additional Shares. At the Corporation's election, these additional Shares may be issued from treasury or purchased on the open market. If the Corporation elects to issue Shares from treasury, the Shares will be purchased under the DRIP at a 3% discount to the volume weighted average of the closing price for the Shares on the TSX for the five trading days immediately

preceding the relevant dividend payment date. The Corporation may, from time to time, change or eliminate the discount applicable to Shares issued from treasury.

To be eligible to participate in the DRIP, holders of Shares must be resident in Canada. Participation in the DRIP does not relieve Shareholders of any liability for taxes that may be payable in respect of dividends that are reinvested in new Shares under the DRIP. Shareholders should consult their tax advisors concerning the tax implications of their participation in the DRIP having regard to their particular circumstances.

DESCRIPTION OF CAPITAL STRUCTURE

Share Capital

The authorized capital of the Corporation consists of an unlimited number of Shares of which 107,903,749 Shares were issued and outstanding as of March 8, 2019, the last trading day before the date of this AIF. Each Share entitles the holder thereof to one vote per Share at meetings of Shareholders, to receive dividends if, as and when declared by the board of directors of the Corporation and to receive *pro rata* the remaining property and assets of the Corporation upon its dissolution or winding-up. Shareholders have no pre-emptive, subscription or conversion rights.

All Shares are of the same class with equal rights and privileges. Shares are not subject to future calls or assessments. The Corporation may issue additional Shares and options therefor from time to time on terms and conditions acceptable to the directors.

The amount of cash dividends distributed monthly per Share to Shareholders will be equal to a *pro rata* share of such monthly cash dividends. The Corporation currently intends to pay monthly dividends to Shareholders, substantially all of which will be considered income of Shareholders for Canadian tax purposes. See "*Dividends – Dividend Policy*".

As at the date of this AIF, there were 2,300,000 stock options outstanding that are exercisable at prices from $3.22 to $3.53 per Share and 939,906 RSUs outstanding and convertible into 939,906 Shares.

No ratings for the Shares has been applied for or obtained from any rating agency.

Credit Facilities

It is DIV's current intention to acquire any future royalty streams in separate limited partnerships without cross-collateralization so that, to the maximum extent possible, any liability exposure in one limited partnership does not affect the balance sheet of any other limited partnership. However, there can be no assurance that this will be achieved.

SGRS Term Loan, SGRS Operating Loan, and SGRS LP interest rate swap

SGRS LP entered into a credit agreement dated June 19, 2015, as amended on June 20, 2017 (the "**SGRS Credit Agreement**"), pursuant to which a term loan of approximately $6.3 million (the "**SGRS Term Loan**") was advanced and an operating loan of approximately $0.5 million (the "**SGRS Operating Loan**") was made available, in each case, by a Canadian chartered bank (the "**SGRS LP Lender**").

The SGRS Term Loan and SGRS Operating Loan are secured by the SGRS Rights and the royalties payable by Sutton Group under the SGRS Licence and Royalty Agreement. The SGRS Operating Loan and the SGRS Term Loan are also guaranteed by SGRS GP and, on a limited recourse basis, by the Corporation. SGRS GP has granted in favour of the SGRS LP Lender a general security interest over all of its assets as security for its guarantee. The Corporation has granted in favour of the SGRS LP Lender a pledge of its units of SGRS LP and common shares of SGRS GP and an assignment of distributions of SGRS LP. Recourse under the guarantee given by the Corporation is limited to realization under such pledge and assignment of distributions.

The outstanding amounts under the SGRS Term Loan and SGRS Operating Loan mature on June 30, 2022. Since the SGRS Operating Loan could be repayable on demand before its maturity date, the amounts owing

thereunder, if any, are classified as current liabilities in the financial statements of the Corporation. The SGRS Term Loan is repayable on an interest-only basis with the principal amount maturing on June 30, 2022. The interest rate on the SGRS Term Loan and SGRS Operating Loan floats based on a premium to published three-month Canadian dollar banker's acceptance rates of 2.00%.

The covenants under the SGRS Credit Agreement include a financial covenant to maintain EBITDA, as defined in the SGRS Credit Agreement, for the trailing twelve-month period of at least $2.9 million.

On June 19, 2018, SGRS LP entered into an interest rate swap arrangement that entitled it to receive interest at floating rates and effectively pay interest at a fixed rate of 4.641% for the SGRS Term Loan until June 21, 2021.

As of the date hereof the SGRS Operating Loan remains undrawn.

ML Term Loan, ML Operating Loan, and ML LP interest rate swap

ML LP entered into a credit agreement dated August 19, 2015, as amended on December 1, 2015 and July 31, 2017 (the "**ML Credit Agreement**"), pursuant to which a term loan of approximately $34.6 million (the "**ML Term Loan**") was advanced and an operating loan of approximately $1.0 million (the "**ML Operating Loan**") was made available by a Canadian chartered bank (the "**ML LP Lender**"). On May 1, 2018, the ML Credit Agreement was further amended by the 2018 ML Credit Agreement Amendment in order to increase the ML Term Loan from $34.6 million to $41.6 million, in connection with the increase to the ML Royalty Rate and net addition of one Mr. Lube Location to the Mr. Lube Royalty Pool.

The ML Term Loan and ML Operating Loan are secured by the ML Rights and the royalties payable by Mr. Lube under the ML Licence and Royalty Agreement. The ML Term Loan and the ML Operating Loan are also guaranteed by ML GP and, on a limited recourse basis, by the Corporation. ML GP has granted in favour of the ML LP Lender a general security interest over all of its assets as security for its guarantee. The Corporation has granted in favour of the ML LP Lender a pledge of its units of ML LP and common shares of ML GP and an assignment of distributions of ML LP. Recourse under the guarantee given by the Corporation is limited to realization under such pledge and assignment of distributions.

The outstanding amounts under the ML Term Loan and ML Operating Loan mature on July 31, 2022. Since the ML Operating Loan could be repayable on demand before its maturity date, the amounts owing thereunder, if any, are classified as current liabilities in the financial statements of the Corporation. The ML Term Loan is repayable on an interest-only basis with the principal amount maturing on July 31, 2022. The interest rate on the ML Term Loan and ML Operating Loan floats based on a premium to published three-month Canadian dollar banker's acceptance rates of 1.95%.

The covenants under the ML Credit Agreement include a financial covenant to maintain a ratio of funded debt EBITDA, as defined in the ML Credit Agreement, of not more than 3.0:1.0.

ML LP has granted in favour of the ML LP Lenders a general security interest over all of its assets as security for the ML Term Loan and ML Operating Loan. As further security for the ML Term Loan and ML Operating Loan, ML LP will on a default assign to the ML LP Lenders its rights under the ML Licence and Royalty Agreement and related security.

Effective August 13, 2018, ML LP has an interest rate swap arrangement that entitles it to receive interest at floating rates and effectively pay interest at a fixed rate of 4.17% for $34.6 million of the $41.6 million the ML Term Loan from August 13, 2018 to July 31, 2022. For greater clarity, the incremental debt of $7.0 million drawn on the ML Term Loan on May 1, 2018 bears interest at the banker's acceptance rate plus 1.95% and matures on July 31, 2022. ML LP may elect to enter into an interest rate swap arrangement for a portion or all of this incremental debt.

As of the date hereof the ML Operating Loan remains undrawn.

AM Term Loan, AM Operating Loan, and AM LP interest rate swap

AM LP entered into a credit agreement with a Canadian chartered bank dated September 6, 2017 (the "**AM Credit Agreement**"), pursuant to which the AM Term Loan was advanced for purposes of AM LP partially refinancing the purchase price for the AIR MILES® Rights. The AM Credit Agreement also provides for the AM Operating Loan, which loan remains undrawn as at the date hereof.

The outstanding amounts under the AM Term Loan and AM Operating Loan, if any, mature on September 6, 2022. Since the AM Operating Loan could be repayable on demand before its maturity date, the amounts owing thereunder, if any, will be classified as current liabilities in the financial statements of the Corporation. The AM Term Loan is repayable on an interest-only basis with the principal amount maturing on September 6, 2022. The Term Loan has a floating interest rate equal to the banker's acceptance rate plus 2.25%.

The AM Term Loan and AM Operating Loan are secured by the AIR MILES® Rights and the royalties payable by LoyaltyOne under the AIR MILES® Licences. The AM Term Loan and the AM Operating Loan are also guaranteed by AM GP and, on a limited recourse basis, by the Corporation. AM GP has granted in favour of the lender under the AM Credit Agreement a general security interest over all of AM GP's assets as security for its guarantee. The Corporation has granted in favour of the lender under the AM Credit Agreement a pledge of all its AM LP Units and all of its common shares of AM GP and an assignment of distributions of AM LP. Recourse under the guarantee given by the Corporation is limited to realization under such pledge and assignment of distributions.

AM LP has granted in favour of the lender under the AM Credit Agreement a general security interest over all of its assets as security for the AM Term Loan and AM Operating Loan. As further security for the AM Term Loan and AM Operating Loan, AM LP has assigned to the lender under the AM Credit Agreement its rights under the AIR MILES® Licences and the lender shall be entitled, in an event of default, to the benefit of the rights and royalties under the AIR MILES® Licences.

The covenants under the AM Credit Agreement include a financial covenant to maintain a "Total Leverage Ratio" (as defined in the AM Credit Agreement) of not more than 2.50:1.00.

AM LP has an interest rate swap arrangement that entitles it to receive interest at floating rates and effectively pay interest at a fixed rate of 4.417% for $8.7 million of the $17.4 million AM Term Loan. The interest rate swap matures on August 19, 2022.

Debentures

The rights and obligations of the holders of Debentures are governed by the Debenture Indenture. The following is a summary of certain material provisions of the Debenture Indenture. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the terms of the Debenture Indenture, a copy of which has been filed with the Canadian securities regulatory authorities and is available on SEDAR at www.sedar.com.

General

On November 7, 2017, the Corporation issued $57.5 million aggregate principal amount of Debentures. The Debentures were issued pursuant to the Debenture Indenture dated November 7, 2017 between the Corporation and the Debenture Trustee.

The Debentures have a maturity date of December 31, 2022. The Debentures were issued in denominations of $1,000 and integral multiples thereof and bear interest from and including the date of issuance at 5.25% per annum, which is be payable, subject to the subordination provisions of the Debentures, semi-annually in arrears on June 30 and December 31 of each year (an "**Interest Payment Date**"), commencing on June 30, 2018, computed on the basis of a 360-day year comprised of twelve 30-day months.

The principal amount of the Debentures is payable, subject to the subordination provisions of the Debentures, in lawful money of Canada or, at the option of the Corporation, subject to the receipt of applicable regulatory approvals and provided that no Event of Default has occurred and is continuing, by delivery of fully paid,

non-assessable and "freely tradeable" (as defined in the Debenture Indenture) Shares as further described under "– *Method of Payment – Payment of Principal on Redemption or at Maturity*". The interest on the Debentures is payable, subject to the subordination provisions of the Debentures, in lawful money of Canada, including, at the option of the Corporation, in accordance with the Common Share Interest Payment Election as defined and described under "– Method of Payment – Interest Payment Election".

The Debentures are direct obligations of the Corporation and are not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to other liabilities of the Corporation as described under "– Subordination". The Debenture Indenture does not restrict the Corporation from incurring additional indebtedness for borrowed money or otherwise or from mortgaging, pledging or charging the Corporation's properties to secure any indebtedness.

Subordination

The payment of the principal of, and interest on, the Debentures is subordinated and postponed in right of payment, as set forth in the Debenture Indenture, to the full and final payment of all Senior Indebtedness of the Corporation ("**Senior Indebtedness**") including indebtedness to trade and other creditors of the Corporation. Senior Indebtedness of the Corporation is defined in the Debenture Indenture to mean, in effect, the principal of and premium or make-whole amount, if any, and interest, or any other amounts payable thereunder, if any, on all existing and future indebtedness, obligations and liabilities (including any future indebtedness which is stated as ranking senior to the Debentures) and indebtedness, obligations and liabilities preferred by mandatory provisions of law (whether outstanding as at the date of the Debenture Indenture or thereafter incurred), other than (i) indebtedness evidenced by the Debentures and (ii) all other existing and future debentures or other instruments of the Corporation which, by the terms of the instrument creating or evidencing the indebtedness, is expressed to be pari passu with, or subordinate in right of payment to, the Debentures or other indebtedness ranking pari passu with the Debentures. Each Debenture issued under the Debenture Indenture ranks pari passu with each other Debenture issued thereunder and with all other present and future unsecured subordinated indebtedness of the Corporation except for sinking fund provisions (if any) applicable to different series of debentures or other similar types of obligations of the Corporation.

The Debenture Indenture provides that in the event of any distribution of the assets of the Corporation on any dissolution, winding-up, liquidation or reorganization of the Corporation (whether in bankruptcy, insolvency or receivership proceedings, or upon an "assignment for the benefit of creditors" or any other marshalling of the assets, properties or liabilities of the Corporation, or otherwise), the holders of Senior Indebtedness will receive payment in full, or provision will be made for such payment, before the holders of Debentures will be entitled to receive any payment on account of the indebtedness, liabilities and obligations of the Corporation under the Debenture Indenture or the Debentures, whether on account of principal, interest or otherwise.

The Debenture Indenture also provides that in case of a circumstance constituting a default or event of default with respect to any full recourse secured Senior Indebtedness (excluding equipment and vehicle leases) permitting (whether at that time or upon notice, lapse of time, or satisfaction of any other condition precedent) the applicable Senior Creditor to demand payment or accelerate the maturity thereof where the notice of such default or event of default has been given by or on behalf of the applicable Senior Creditors to the Corporation, unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, the Corporation will not make any payment (by purchase of the Debentures or otherwise), and neither the Debenture Trustee nor the holders of the Debentures will be entitled to demand, accelerate, institute proceedings for the collection of (which shall, for certainty include without limitation, proceedings related to an adjudication or declaration as to the insolvency or bankruptcy of the Corporation and other similar creditor proceedings), or receive any payment or benefit (including without limitation by set-off, combination of accounts or otherwise in any manner whatsoever) on account of the Debentures after the happening of such a default or event of default, and unless and until such default or event of default shall have been cured or waived or shall have ceased to exist, such payment shall be held in trust for the benefit of the applicable Senior Creditors in accordance with the terms of the Debenture Indenture.

Conversion Rights

Each Debenture is convertible into "freely tradeable" (as defined in the Debenture Indenture) Shares at the option of the holder thereof at any time prior to the close of business on the business day immediately preceding the

earlier of the Maturity Date and the date specified by the Corporation for redemption of the Debentures, at the Conversion Price of $4.55 per Share, being a conversion rate of approximately 219.7802 Shares per $1,000 principal amount of Debentures, subject to adjustment in certain events. Debentureholders converting their Debentures are entitled, subject to the subordination provisions of the Debentures, to receive accrued and unpaid interest on such Debentures for the period from and including the last Interest Payment Date (or the date of issue of the Debentures if there has not yet been an Interest Payment Date) to, but excluding, the date of conversion.

Subject to the provisions thereof, the Debenture Indenture provides for the adjustment of the Conversion Price in certain events including:

(a) the subdivision or consolidation of the outstanding Shares;

(b) the distribution or the fixing of a record date for the distribution or issuance to all or substantially all of the holders of Shares of:

(i) Shares, securities convertible into Shares by way of stock dividend or other distribution;

(ii) cash dividends in an amount greater than $0.267 per Share per annum;

(iii) options, rights or warrants entitling such holders to acquire Shares or other securities convertible into Shares at less than 95% of the then market price;

(iv) evidence of indebtedness of the Corporation; or

(v) assets (excluding cash dividends paid in the ordinary course in an amount not greater than $0.267 per Share per annum); and

(c) the payment of cash or any other consideration in respect of an issuer bid (other than a normal course issuer bid) by the Corporation or any of its subsidiaries to shareholders of the Corporation to the extent that the cash and fair market value of any other consideration included in the payment per Share exceeds the current market price of the Shares on the date of expiry of such issuer bid.

There will be no adjustment of the Conversion Price in respect of any event described in (b) above if the Debentureholders are allowed (with the approval of the TSX) to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Corporation will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of any reclassification or capital reorganization (other than a change resulting from consolidation or subdivision) of the Shares, or in the case of any consolidation, amalgamation, arrangement, merger or acquisition of the Corporation with or into any other entity, or in the case of any sale or conveyance of the assets of the Corporation as, or substantially as, an entirety to any other entity, or a liquidation, dissolution or winding-up of the Corporation, the terms of the conversion privilege will be adjusted so that each Debentureholder will, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale, conveyance, liquidation, dissolution or winding-up, be entitled to receive, subject to the prior approval of the TSX, the number of Shares or other securities or property such holder would be entitled to receive if, on the effective date thereof, it had been the holder of the number of Shares into which the Debenture was convertible prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, acquisition, sale, conveyance, liquidation, dissolution or winding-up. Notwithstanding the foregoing, if prior to the date that is five years plus one day from the last date of original issuance of Debentures, Debentureholders would otherwise be entitled to receive, upon conversion of the Debentures, any property (including cash) or securities that would not constitute "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of the Tax Act as it applied immediately before January 1, 2008 (referred to herein as "**Ineligible Consideration**"), such Debentureholders shall not be entitled to receive such Ineligible Consideration but the Corporation or the successor or acquirer, as the case may be, shall have the right (at the sole option of the Corporation or the successor or acquirer, as the case may be) to deliver either such Ineligible Consideration or "prescribed securities" for the purposes of clause 212(1)(b)(vii)(E) of

the Tax Act as it applied immediately before January 1, 2008 with a market value (as conclusively determined by the board of directors of the Corporation) equal to the market value of such Ineligible Consideration.

No fractional Shares will be issued on any conversion but in lieu thereof the Corporation will be required, subject to the subordination provisions of the Debentures, to satisfy fractional interests by a cash payment equal to the Current Market Price (as defined in the Debenture Indenture) multiplied by any fractional Share, less any taxes required to be deducted or withheld, if any; provided, however the Corporation shall not be required to make any payment of less than $10.00.

Redemption

The Debentures are not redeemable prior to January 1, 2021, except upon the satisfaction of certain conditions after a Change of Control has occurred. On and after January 1, 2021 and prior to December 31, 2021, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption, provided that the Current Market Price (as defined in the Debenture Indenture) on the date on which notice of redemption is given is at least 125% of the Conversion Price. On and after December 31, 2021, and prior to maturity, the Debentures may be redeemed by the Corporation, in whole or in part, at a redemption price equal to the principal amount thereof plus accrued and unpaid interest, if any, up to but excluding the date of redemption. The Corporation shall provide not more than 60 days nor less than 30 days prior notice of redemption.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a pro rata basis or in such other manner as the Debenture Trustee deems equitable, subject to the consent of the TSX, if applicable. The Corporation has the right to purchase Debentures in the market, by tender or by private contract at any time subject to regulatory requirements.

Restriction on Share Redemption or Maturity Right

The Corporation shall not, directly or indirectly (through a subsidiary or otherwise) undertake or announce any rights offering, issuance of securities, subdivision of the Shares, dividend or other distribution on the Shares or any other securities, capital reorganization, reclassification or any similar type of transaction in which:

(a) the number of securities to be issued;

(b) the price at which securities are to be issued, converted or exchanged; or

(c) any property or cash that is to be distributed or allocated,

is in whole or in part based upon, determined in reference to, related to or a function of, directly or indirectly: (i) the exercise or potential exercise of the right to issue Shares on redemption or maturity of the Debentures; or (ii) the Current Market Price (as defined in the Debenture Indenture) determined in connection with the exercise or potential exercise of the right to issue Shares on redemption or maturity of the Debentures.

Change of Control

Within 30 days following the occurrence of a Change of Control, the Corporation will be required to make an offer in writing to purchase all of the Debentures then outstanding (a "**Debenture Offer**"), at a price equal to 101% of the principal amount thereof plus accrued and unpaid interest earned thereon up to, but excluding, the date of acquisition (the "**Debenture Offer Price**"). The Debenture Indenture contains notification and repurchase provisions requiring the Corporation to give written notice to the Debenture Trustee of the occurrence of a Change of Control within 30 days of such event together with the Debenture Offer. The Debenture Trustee will thereafter promptly deliver to each Debentureholder a notice of the Change of Control together with a copy of the Debenture Offer to repurchase all the outstanding Debentures.

If 90% or more of the aggregate principal amount of the Debentures outstanding (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation) on the date of the giving of notice of the Change of Control have been tendered to the Corporation pursuant to a Debenture Offer, the Corporation will have the right to redeem all of the remaining Debentures at the Debenture Offer Price. Notice of

such redemption must be given by the Corporation to the Debenture Trustee within 10 days following the expiry of the Debenture Offer, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered pursuant to a Debenture Offer.

In addition to the requirement of the Corporation to make a Debenture Offer in the event of a Change of Control, if a Change of Control occurs in which 10% or more of the consideration for the Shares in the transaction or transactions constituting a Change of Control consists of: (i) cash, (ii) equity securities that are not traded or intended to be traded immediately following such transaction on a stock exchange; or (iii) other property that is not traded or intended to be traded immediately following such transaction on a stock exchange, holders of Debentures will be entitled to convert their Debentures and receive, subject to and upon completion of the Change of Control, in addition to the number of Shares they would otherwise be entitled to receive as set out under "*– Conversion Rights*" above, an additional number of Shares per $1,000 principal amount of Debentures as set out below (the "**Make-Whole Premium**").

The number of additional Shares per $1,000 principal amount of Debentures constituting the Make-Whole Premium will be determined by reference to the table below and is based on the date on which the Change of Control becomes effective (the "**Effective Date**") and the price (the "**Cash Offer Price**") paid per Share in the transaction constituting the Change of Control. If holders of Shares receive (or are entitled and able in all circumstances to receive) only cash in the transaction, the Cash Offer Price will be the cash amount paid per Share. Otherwise, the Cash Offer Price will be equal to the Current Market Price (as defined in the Debenture Indenture) of the Shares immediately preceding the Effective Date of such transaction.

The following table illustrates what the Make-Whole Premium would be for each hypothetical Cash Offer Price and Effective Date set out below, expressed as additional Shares per $1,000 principal amount of Debentures. For greater certainty, the Corporation will not be obliged to pay the Make-Whole Premium other than by issuance of Shares upon conversion, subject to the provision relating to adjustment of the Conversion Price in certain circumstances and following the completion of certain types of transactions described under "*– Conversion Rights*" above.

Cash Offer Price ($)	December 31, 2018	December 31, 2019	December 31, 2020	December 31, 2021
$3.25	87.9108	87.9108	87.9108	87.9108
$3.30	83.4606	83.2501	83.2501	83.2501
$3.40	76.9441	75.1588	74.3374	74.3374
$3.50	70.9143	68.7886	65.9341	65.9341
$3.75	57.7227	54.8880	50.0640	46.8865
$4.00	46.8050	43.4350	37.6725	30.2198
$4.50	30.2800	26.2867	19.8356	4.6089
$5.00	19.0580	15.0080	9.0240	-
$5.50	11.5255	7.8400	2.8927	-
$6.00	6.5683	3.5033	-	-
$7.00	1.5057	0.1486	-	-
$8.00	0.0925	-	-	-
$9.00	-	-	-	-
$10.00	-	-	-	-

The actual Cash Offer Price and Effective Date may not be set out in the table, in which case:

(a) if the actual Cash Offer Price on the Effective Date is between two Cash Offer Prices in the table or the actual Effective Date is between two Effective Dates in the table, the Make-Whole Premium will be determined by a straight-line interpolation between the Make-Whole Premiums set out for the two Cash Offer Prices and the two Effective Dates in the table based on a 365-day year, as applicable;

(b) if the Cash Offer Price on the Effective Date exceeds $10.00 per Share, subject to adjustment as described below, the Make-Whole Premium will be zero; and

(c) if the Cash Offer Price on the Effective Date is less than $3.25 per Share, subject to adjustment as described below, the Make-Whole Premium will be zero.

The Cash Offer Prices set out in the table above will be adjusted as of any date on which the Conversion Price of the Debentures is adjusted. The adjusted Cash Offer Prices will equal, subject to applicable regulatory approval, the Cash Offer Prices applicable immediately prior to such adjustment multiplied by a fraction, the numerator of which is the Conversion Price as so adjusted and the denominator of which is the Conversion Price immediately prior to the adjustment giving rise to the Cash Offer Price adjustment. The number of additional Shares set out in the table above will be adjusted in the manner that is inversely proportional to the adjustment of the Conversion Price as set out above under " – *Conversion Rights*". For greater certainty, there will be no additional Shares payable or adjustment to the Conversion Price due to an adjustment to the Conversion Price by adding the Make-Whole Premium as described above.

Method of Payment

Payment of Principal on Redemption or at Maturity

On redemption or at maturity of the Debentures, the Corporation will be required, subject to the subordination provisions of the Debentures, to repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the principal amount of the outstanding Debentures, together with any accrued and unpaid interest thereon. The Corporation may, at its option, on not more than 60 days and not less than 30 days prior notice, subject to applicable regulatory approval and provided no Event of Default has occurred and is continuing, elect to satisfy its obligation to repay all or any portion of the principal amount of the Debentures that are to be redeemed or that are to mature, by issuing and delivering to the holders thereof that number of "freely tradeable" (as defined in the Debenture Indenture) Shares determined by dividing the principal amount of the Debentures being repaid by 95% of the Current Market Price (as defined in the Debenture Indenture) on the date of redemption or maturity, as applicable. No fractional Shares will be issued on redemption or at maturity but in lieu thereof the Corporation will be required, subject to the subordination provisions of the Debentures, to satisfy fractional interests by a cash payment equal to the Current Market Price (as defined in the Debenture Indenture) multiplied by the fractional Share less any taxes required to be deducted or withheld, if any; provided however the Corporation shall not be required to make any payment of less than $10.00.

Interest Payment Election

The Corporation may elect, subject to regulatory and stock exchange approvals and provided that no Event of Default has occurred and is continuing, from time to time to satisfy its obligation to pay all or any part of the interest on the Debentures (the "**Interest Obligation**") on an Interest Payment Date by delivering a sufficient number of "freely tradeable" (as defined in the Debenture Indenture) Shares to the Debenture Trustee to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the Debenture Indenture (the "**Common Share Interest Payment Election**"). The Debenture Indenture provides that, upon such election, the Debenture Trustee shall (a) accept delivery from the Corporation of Shares, (b) accept bids with respect to, and consummate sales of, such Shares on behalf of the Corporation, each as the Corporation may direct in its absolute discretion, (c) invest the proceeds of such sales in Government Obligations (as defined in the Debenture Indenture) which mature prior to the applicable Interest Payment Date, and use the proceeds received from such Government Obligations, together with any proceeds from the sale of Shares not invested as aforesaid, to satisfy the Interest Obligation, and (d) perform any other action necessarily incidental thereto as directed by the Corporation.

The Debenture Indenture sets forth the procedures to be followed by the Corporation and the Debenture Trustee in order to affect the Common Share Interest Payment Election. Neither the Corporation's making of the Common Share Interest Payment Election nor the consummation of sales of Shares will (a) result in the Debentureholders not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Shares in satisfaction of the Interest Obligation.

Events of Default and Waiver

The Debenture Indenture provides that an event of default ("**Event of Default**") in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect to such Debentures: (a) failure for 30 days to pay interest on such Debentures when due; (b) failure to pay the principal of such Debentures when due, whether at maturity, upon redemption, by declaration or otherwise; (c) failure to make a Debenture Offer as and when required pursuant to the Debenture Indenture; (d) certain events of bankruptcy, insolvency or certain reorganizations of the Corporation under bankruptcy or insolvency laws; or (e) certain events with respect to the winding-up or liquidation of the Corporation occur. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion (subject to waiver thereof by the Debentureholders), and will upon request of holders of not less than 25% of the principal amount of the Debentures then outstanding (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation), declare the principal of and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of more than 50% of the principal amount of such Debentures then outstanding (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation) may, on behalf of the holders of all such Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders may prescribe. Failure to pay as a result of the subordination provisions will not prevent an Event of Default from arising.

Modification

The rights of the holders of the Debentures as well as any other series of debentures that may be issued under the Debenture Indenture may be modified in accordance with the terms of the Debenture Indenture. For that purpose, among others, the Debenture Indenture will contain certain provisions which will make binding on all Debentureholders resolutions passed at meetings of the holders of Debentures by votes cast thereat by holders of not less than 66⅔% of the principal amount of the Debentures (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation) present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66⅔% of the principal amount of the Debentures then outstanding (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation). In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of Debentures of each particularly affected series.

The Corporation and the Debenture Trustee may, without the consent or concurrence of the Debentureholders under the Debenture Indenture, by supplemental indenture or otherwise, make any changes or corrections in the Debenture Indenture which they have been advised by counsel are required for the purpose of curing or correcting any ambiguity or defective or inconsistent provisions or clerical omissions or mistakes or manifest errors contained therein or in any indenture supplemental thereto.

Book-Based System for Debentures

The Debentures are issued in "book entry only" form or electronic form with CDS or its nominee pursuant to the book-based system administered by CDS and must be purchased or transferred through a registered dealer who is a participant in the depository of CDS (a "**Participant**").

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

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

The Debentures will be issued in fully registered and certificate form (the "**Debenture Certificates**") only if: (a) required to do so by applicable law; (b) the book-based system ceases to exist; (c) the Corporation or CDS advises the Debenture Trustee that CDS is no longer willing or able to continue as depository with respect to the Debentures and the Corporation has not appointed a successor depository; (d) the Corporation, at its option, decides to terminate the book-based system; or (e) after the occurrence of an Event of Default, Participants acting on behalf of beneficial owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding (excluding any Debentures owned directly or indirectly by the Corporation or a subsidiary of the Corporation) advise CDS in writing that the continuation of a book-based system through CDS is no longer in their best interest, and provided that the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Debenture Indenture.

Upon the termination of the book-based system on the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify the beneficial owners of the Debentures, through CDS, of the availability through CDS of Debenture Certificates. Upon surrender by CDS of the Debentures and receipt of instructions from CDS for the new registrations, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Corporation will recognize the holders of such Debenture Certificates as Debenture holders under the Debenture Indenture.

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

Transfers of beneficial ownership in Debentures will be effected through records maintained by CDS or its nominees for such Debentures (with respect to interests of Participants) and on the records of Participants (with respect to interests of persons other than Participants). Unless the Corporation elects, in its sole discretion, to prepare and deliver Debenture Certificates, beneficial owners who are not Participants in CDS' book-based system, but who desire to purchase, sell or otherwise transfer ownership of or other interests in Debentures, may do so only through Participants in CDS' book-based system.

MARKET FOR SECURITIES

The Shares are currently listed and posted for trading on the TSX, which is the principal trading market for the Shares, under the symbol "DIV". The following table sets forth the high and low sales price and volume for the Shares on the TSX for the most recently completed financial year and the current year to date:

Month	High ($)	Low ($)	Total Volume
January 2018	3.74	3.25	3,781,189
February 2018	3.47	3.12	3,474,410
March 2018	3.38	3.03	2,801,468
April 2018	3.41	3.18	4,242,952
May 2018	3.4	3.2	3,551,472
June 2018	3.28	2.97	2,558,707
July 2018	3.26	3.00	2,966,352
August 2018	3.28	3.10	2,004,643
September 2018	3.255	3.06	2,109,814
October 2018	3.17	2.72	5,883,823
November 2018	2.85	2.55	3,847,590
December 2018	2.87	2.62	5,297,197
January 2019	3.08	2.83	2,606,760
February 2019	3.20	2.99	3,158,615
March 1 – 8, 2019	3.28	3.13	1,038,922

The Debentures are currently listed and posted for trading on the TSX, which is the principal trading market for the Debentures, under the symbol "DIV.DB". The following table sets forth the high and low sales price and volume for the Debentures on the TSX for the most recently completed financial year and the current year to date.

Month	High ($)	Low ($)	Total Volume
January 2018	101.11	99.99	2,810,000
February 2018	100.51	100.00	360,000
March 2018	102.00	99.80	519,000
April 2018	101.50	99.96	537,000
May 2018	103.00	100.49	219,000
June 2018	101.51	99.76	1,665,000
July 2018	100.00	99.10	433,000
August 2018	100.00	99.15	507,000
September 2018	100.00	99.15	316,000
October 2018	100.00	98.30	378,000
November 2018	99.50	96.80	441,000
December 2018	99.25	98.25	1,480,000
January 2019	99.26	98.00	1,588,000
February 2019	99.76	98.99	298,000
March 1 – 8, 2019	100.00	98.01	131,000

PRIOR SALES

During the financial year ended December 31, 2018, no securities of DIV which remain outstanding, other than Shares and Debentures, were issued except as set out below:

- 363,446 RSUs convertible into 363,446 Shares granted by the Corporation to certain officers and directors of the Corporation under the Corporation's Long Term Incentive Plan, including: (i) 10,617 RSUs issued on March 30, 2018 with a grant date value of $3.43 per RSU; (ii) 45,840 RSUs issued on April 13, 2018 with a grant date value of $3.27 per RSU; (iii) 1,396 RSUs issued on April 13, 2018 with a grant date value of $3.31 per RSU; (iv) 1,508 RSUs issued on July 19, 2018 with a grant date value of $3.07 per RSU; (v) 14,103 RSUs issued on August 14, 2018 with a grant date value of $3.19 per RSU; (vi) 225,000 RSUs issued on September 6, 2018 with a grant date value of $3.20 per RSU; (vii) 7,531 RSUs issued on October 10, 2018 with a grant date value of $3.13 per RSU; (viii) 1,047 RSUs issued on November 15, 2018 with a grant date value of $2.73 per Share; and (vii) 56,404 RSUs issued in aggregate as dividend equivalents over the course of the 2018 fiscal year.

ESCROWED SECURITIES

As at the date of this AIF, no securities of DIV were held in escrow.

DIRECTORS AND OFFICERS

Table of Directors and Officers

The following table and the notes thereto state the names and place of residence of all current directors and executive officers of DIV, their principal occupations over the past 5 years, all positions or offices with DIV now held by them, the year they first became a director or officer of DIV, and the number of Shares, options and RSUs of DIV beneficially owned by each of them, or over which they exert control or direction as of the date of this AIF.

Name and Municipality and Province of residence	Principal Occupation(s) within the last 5 years	Position with DIV	Year first became director or officer	Shares beneficially owned, controlled or directed	Number of options or RSUs held
LAWRENCE HABER[2] Toronto, Ontario, Canada	Private Adviser and Corporate Director, (2013 – present) President and Chief Executive Officer of DIV, (2011 – 2013)	Chair	2011	176,529	39,698 RSUs
SEAN MORRISON Vancouver, BC, Canada	President and CEO of DIV, (2013 – present) Managing Partner of Maxam Opportunities Funds, (2008 – present)	President and Chief Executive Officer	2013	7,548,662[1]	2,000,000 options and 546,525 RSUs
GREG GUTMANIS North Vancouver, BC, Canada	Chief Financial Officer, VP Acquisitions and Corporate Secretary of DIV, (September 2015 – present) Interim Chief Financial Officer of DIV, (March 2014 – January 2015) Chief Financial Officer and Vice President of Maxam Opportunities Funds, (2009 – August 2015)	Chief Financial Officer, VP Acquisitions and Corporate Secretary	2015	162,975	250,000 options and 207,733 RSUs
JOHNNY CIAMPI[2][3] Vancouver, BC, Canada	Managing Partner of Maxam Opportunities Funds, (2008 – present)	Director	2014	7,221,042[1]	31,196 RSUs
PAULA ROGERS[4] North Vancouver, BC, Canada	Corporate Director, (2015 – present) Chief Financial Officer of Castle Peak Mining Ltd., (2010 – 2014)	Director	2015	82,490	39,698 RSUs
ANITA ANAND[3] Toronto, Ontario, Canada	Professor, Faculty of Law, University of Toronto, (2006 – present)	Director	2018	-	4,911
GARRY HERDLER[2][4] Haverford, PA, U.S.A.	Managing Member of ORE Management LLC, (2010 – 2016, 2018 – present) Chief Financial Officer of QuadReal Property Group, (2017 – 2018) Senior Director of Alvarez & Marsal Private Equity Performance Improvement Group, LLC, (2016 – 2017)	Director	2018	-	11,026
LORRAINE MCLACHLAN[3][4] Oakville, Ontario, Canada	Corporate Director, (2018 – present) President and Chief Executive Officer of Canadian Franchise Association, (2006 – 2018)	Director	2018	3,500	9,970

(1) Mr. Morrison and Mr. Ciampi share control and direction over 6,554,064 Shares, the registered holders of which are Maxam II (5,954,064) and Maxam Diversified Strategies Fund (600,000). In addition to the shares held by Maxam II and Maxam Diversified Strategies Fund, Mr. Morrison beneficially owns or controls 994,598 Shares, and Mr. Ciampi beneficially owns or controls 666,978 Shares.
(2) Member of the Investment Committee, the current Chair of which is Garry Herdler.
(3) Member of the Governance, Nominating and Compensation Committee, the current Chair of which is Anita Anand.
(4) Member of the Audit Committee, the current Chair of which is Paula Rogers.

As of March 11, 2019, the directors and officers of the Corporation, as a group, beneficially own, directly or indirectly, or exercise control or direction over 8,641,134 Shares representing approximately 8.0% of the issued and outstanding Shares on a non-diluted basis and 11,781,391 Shares representing approximately 10.6% of the issued and outstanding Shares on a fully diluted basis.

Each director will hold office until the next annual meeting of shareholders of the Corporation unless his office is earlier vacated in accordance with the Corporation's by-laws and the CBCA.

Profile of DIV's Executive Officers and Board of Directors

The following biographies summarize, among other things, the principal occupations of the executive officers and directors of the Corporation during the last five years.

Lawrence Haber

Mr. Haber is currently a Private Adviser and Corporate Director. Mr. Haber has served as the Chair of DIV's Board since June 2011. Mr. Haber served as President and Chief Executive Officer of DIV from June 2011 until August 2013. Mr. Haber was a securities lawyer and a senior partner in a Toronto law firm from 1985 to 2000. He then spent 10 years as a senior executive in the financial industry with National Bank Financial and Dundee Wealth Inc. Mr. Haber also serves on the board of directors of Eco-Oro Minerals Corp. Effective January 2018, Mr. Haber was appointed as a Commissioner of the Ontario Securities Commission and is currently the Lead Director of the Ontario Securities Commission.

Sean Morrison

Mr. Morrison is the President and Chief Executive Officer of DIV. Mr. Morrison is a co-founder and Managing Partner of the Maxam Opportunities Funds – private equity funds, which focus on structured investments in both publicly traded and private companies. In July 2008, Maxam raised a $100 million of committed capital and in March 2014 raised a second fund with $57 million of committed capital. Mr. Morrison was previously a partner at Capital West Partners, a Vancouver-based investment banking firm. For over 12 years at Capital West, Mr. Morrison advised companies across Canada with respect to capital raising, IPOs, debt restructurings, asset sales, acquisitions, valuations and fairness opinions. Mr. Morrison advised over 70 companies, including: lululemon athletica, Keg Restaurants Ltd., Colliers International, Canadian Home Income Plan (Home Equity Bank), Sierra Systems Group Inc. and Aritzia LP. Mr. Morrison is a graduate of the University of British Columbia with a degree in Commerce and holds a Chartered Professional Accountant designation. Mr. Morrison currently serves on the board of directors of goeasy Ltd.

Greg Gutmanis

Greg Gutmanis rejoined DIV as Chief Financial Officer, VP Acquisitions and Corporate Secretary on September 1, 2015. Prior to DIV, Mr. Gutmanis served as Chief Financial Officer and Vice President of the Maxam Opportunities Funds – private equity funds that focus on structured investments in both publicly traded and private companies. At the Maxam Opportunities Funds, Mr. Gutmanis was responsible for transaction execution, due diligence, structuring and monitoring of portfolio investments (including previous appointments as a director and chair of the audit committee on portfolio investments). Prior to the Maxam Opportunities Funds, Mr. Gutmanis worked at Capital West Partners, a mid-market investment banking firm, for over 3 years. Mr. Gutmanis was actively involved in advising public and private companies with respect to acquisitions, restructurings, divestitures, mergers, financings and fairness opinions. He is a graduate of the University of British Columbia with a degree in Commerce and holds a Chartered Professional Accountant designation and a Chartered Business Valuator designation.

Johnny Ciampi

Mr. Ciampi is a co-founder and managing partner of the Maxam Opportunities Funds – private equity funds, which focus on structured investments in both publicly traded and private companies. Prior to forming the Maxam Opportunities Funds, Mr. Ciampi was the Executive Vice President and Chief Financial Officer of Gibralt Capital and a partner of Second City Capital Partners, Vancouver-based private equity groups. Mr. Ciampi also

serves on the board of directors of Premium Brands Holding Corporation. Mr. Ciampi is a graduate of the University of British Columbia with a degree in Commerce and holds a Chartered Professional Accountant designation.

Paula Rogers

Ms. Rogers has over 20 years of experience working for Canadian-based international public companies in the areas of corporate governance, treasury, mergers and acquisitions, financial reporting and tax. Ms. Rogers has been an officer of several public companies including Vice-President, Treasurer of Goldcorp Inc. and Treasurer of Wheaton River Minerals Ltd. where she was responsible for the financing and tax structuring of several significant transactions during the companies' remarkable growth. She also held various senior finance positions in corporate reporting, tax and treasury at Finning International Inc. over a period of nine years. Currently, Ms. Rogers is a Director and Chair of the Audit Committee of several public companies and non-profit organizations. Ms. Rogers is a graduate of the University of British Columbia with a Bachelor of Commerce degree and holds a Chartered Professional Accountant designation.

Anita Anand

Ms. Anand holds the J.R. Kimber Chair in Investor Protection and Corporate Governance at the Faculty of Law, University of Toronto where she is a full professor and has been employed since 2006. Prior to 2006, she held various other academic positions, including as a law professor at the Faculty of Law, Queen's University. Ms. Anand is also currently a member of the Securities Advisory Committee of the Ontario Securities Commission. She was called to the Bar in the Province of Ontario and practiced corporate law at a major Toronto law firm from 1994-1997 with a leave to complete her LL.M. Ms. Anand also serves as a Director of Economic Investment Trust Ltd., Massey College and the Lighthouse for Grieving Children.

Garry Herdler

Mr. Herdler is currently a Corporate Director and has significant finance, operations and capital markets expertise with over 25 years as a Chief Financial Officer, an investment banker, a CPA, CA, tax advisor and a private equity management consultant in several industries. Mr. Herdler has been the Chief Financial Officer of several companies, including one U.S. publicly listed company, six U.S. private equity-owned companies and one global real estate company, in high change and growth situations in integration, operational improvement, IT conversions and turnarounds. Mr. Herdler acts as a financial consultant and chief financial officer (both individually, and through his wholly-owned management company) for various private-equity owned companies as part of operational improvements, business integration, turnarounds and restructurings of such companies. Mr. Herdler was formerly the Chief Financial Officer of QuadReal Property Group in Vancouver, BC. Previously, he was a Senior Director with Alvarez & Marsal Private Equity Performance Improvement Group, LLC in New York, NY. In addition, Mr. Herdler spent nearly ten years in investment banking, leveraged finance and equity capital markets at Deutsche Bank Securities, Bankers Trust and CIBC World Markets. He also spent over six years at KPMG in accounting and tax advisory. Mr. Herdler is a graduate of the University of British Columbia with a degree in Commerce and holds a Chartered Professional Accountant, Chartered Accountant designation.

Lorraine McLachlan

Ms. McLachlan is currently a Corporate Director. Ms. McLachlan was the President and Chief Executive Officer of the Canadian Franchise Association ("CFA"), the authoritative voice of franchising in Canada, from 2006 to May 2018. Ms. McLachlan has held senior leadership roles in trade associations and not-for-profit organizations for over 25 years. Prior to joining CFA, Lorraine served for 10 years as Vice President of the Canadian Marketing Association and also held senior fundraising roles for a number of social service agencies. Ms. McLachlan has also served as a director of several non-profit organizations. She is a graduate of the University of Toronto and holds an MBA from Royal Roads University in British Columbia.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Other than as set forth below, no director or executive officer of the Corporation is at the date hereof, or within ten years prior to the date hereof has been, a director, chief executive officer or chief financial officer of any company (including the Corporation) that, (i) was subject to a cease trade order, an order similar to a cease trade

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 while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; or (ii) was subject to a cease trade order, an order similar to a cease trade 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 after the director or executive officer 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, chief executive officer or chief financial officer.

Mr. Johnny Ciampi (director of DIV) and Mr. Greg Gutmanis (Chief Financial Officer and VP Acquisitions of DIV) were directors of Radiant Communications Corp. ("**Radiant**"), a public corporation traded on the TSX Venture Exchange under the symbol "RCN" (Mr. Ciampi from April 2010 to October 17, 2013, and Mr. Gutmanis from July 2012 to October 17, 2013). On October 17, 2013, 8612536 Canada Inc. ("**8612536**") acquired all of Radiant's outstanding common shares at a price of $1.43 per share. The transaction was completed by way of a plan of arrangement pursuant to an arrangement agreement between Radiant and 8612536 dated August 23, 2013. Upon closing of the transaction, Radiant applied to cease to be a reporting issuer.

Other than as set forth below, no director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation: (i) is at the date hereof, or within ten years prior to the date hereof has been, a director or executive officer of any company (including the Corporation) that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets; or (ii) has, within 10 years prior to the date hereof, become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or become subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director, executive officer or shareholder.

Mr. Johnny Ciampi, a director of DIV, was a director and Chairman of the board of directors of Skyservice Airlines from October 19, 2007 to March 30, 2010. Subsequent to Mr. Ciampi's resignation on March 31, 2010, a receiver was appointed to oversee Skyservice Airlines by the Ontario Superior Court of Justice.

Mr. Garry Herdler, a director of DIV, has acted as a financial consultant and chief financial officer (both individually, and through his wholly-owned management company) for various U.S. public and private-equity owned companies as part of operational improvements, turnarounds and restructurings of such companies, three of which involved insolvency/bankruptcy proceedings. Specifically, Mr. Herdler acted as:

- Executive Vice President and Chief Financial Officer of Orleans Homebuilders Inc. ("**Homebuilders**") during its restructuring period from 2007 to 2010. Homebuilders filed for bankruptcy in March 2010 in Delaware, following which Homebuilders was reorganized under Chapter 11 bankruptcy and emerged from bankruptcy on February 14, 2011. Mr. Herdler resigned as Executive Vice President and Chief Financial Officer following Homebuilder's motion to approve a sale process in April 2010. In connection with the bankruptcy filing, Homebuilders was delisted from the American Stock Exchange (as it then was) and became a private company.

- Interim Chief Financial Officer of Philadelphia Media Network Inc. in 2010 and 2011 immediately following the company's exit from U.S. bankruptcy in Delaware. Mr. Herdler's services as Interim Chief Financial Officer were provided through a consulting agreement with his wholly-owned management company.

- Interim Chief Financial Officer of American Laser Skincare ("**American Laser**") in 2014 and early 2015. Mr. Herdler's services as Interim Chief Financial Officer were provided through a consulting agreement with his wholly-owned management company. American Laser completed various divestitures of assets in 2014 and ultimately filed for bankruptcy in Delaware in December 2014. Mr. Herdler also acted as a consultant to the U.S. trustee in bankruptcy for American Laser on a limited basis in 2014 and 2015, including testifying as an expert witness at hearing.

No director or executive officer of the Corporation, or a shareholder holding a sufficient number of securities of the Corporation to affect materially the control of the Corporation, has been subject to: (i) 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 (ii) 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.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

The Corporation was involved in certain legal proceedings during the year ended December 31, 2018. For details, refer to note 9 to the 2018 annual consolidated financial statements of the Corporation, a copy of which is available on SEDAR at www.sedar.com.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Audit Committee reviewed all related party transactions between the Corporation and its subsidiaries and the officers and directors of the Corporation. The Audit Committee determined that there were no related party transactions in the last three years that required disclosure under any securities laws other than as disclosed in note 20 to the Corporation's 2018 annual consolidated financial statements, in note 19 to the Corporation's 2017 annual consolidated financial statements and in note 21 to the Corporation's 2016 annual consolidated financial statements, copies of which are available on SEDAR at www.sedar.com.

TRANSFER AGENTS AND REGISTRARS

DIV's transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal office in Toronto, Ontario.

The transfer agent and registrar for the Debentures is Computershare Trust Company of Canada at its principal offices located in Vancouver, British Columbia and Toronto, Ontario

MATERIAL CONTRACTS

The following are material contracts of DIV entered into within its most recently completed financial year or that remain in effect and were entered into before the most recently completed financial year:

(a) the SGRS Licence and Royalty Agreement. For the particulars of this agreement, see "*Licence and Royalty Agreements – SGRS Licence and Royalty*". A copy of the SGRS Licence and Royalty Agreement is available on SEDAR at www.sedar.com.

(b) the SGRS LP Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – Description of SGRS LP*". A copy of the SGRS LP Agreement is available on SEDAR at www.sedar.com.

(c) the SGRS Exchange Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – SGRS Exchange Agreement*". A copy of the SGRS Exchange Agreement is available on SEDAR at www.sedar.com.

(d) the SGRS Governance Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – SGRS Governance Agreement*". A copy of the SGRS Governance Agreement is available on SEDAR at www.sedar.com.

(e) the ML Licence and Royalty Agreement, as amended by the ML LRA Amendment. For the particulars of these agreements, see "*Licence and Royalty Agreements – ML Licence and Royalty*" and "*General Development of the Business – Amendment of ML Licence and Royalty Agreement*". A copy of each of

the ML Licence and Royalty Agreement and the ML LRA Amendment is available on SEDAR at www.sedar.com.

(f) the ML LP Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – Description of ML LP*". A copy of the ML LP Agreement is available on SEDAR at www.sedar.com.

(g) the ML Credit Agreement, as amended on December 1, 2015 and by the 2017 ML Credit Agreement Amendment and the 2018 ML Credit Agreement Amendment. For the particulars of these agreements, see "*Description of Capital Structure – Credit Facilities*" and "*General Development of the Business – 2017 Amendment of ML Credit Agreement*". A copy of each of the ML Credit Agreement and each of the amendments thereto are available on SEDAR at www.sedar.com.

(h) the ML Exchange Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – ML Exchange Agreement*". A copy of the ML Exchange Agreement is available on SEDAR at www.sedar.com.

(i) the ML Governance Agreement. For the particulars of this agreement, see "*Governance Agreements – ML Governance Agreement*". A copy of the ML Governance Agreement is available on SEDAR at www.sedar.com.

(j) the AIR MILES® APA. For the particulars of this agreement, see "*General Development of the Business – Canadian AIR MILES® Acquisition"*. A copy of the AIR MILES® APA is available on SEDAR at www.sedar.com.

(k) the AIR MILES® Marks Licence. For the particulars of this agreement, see "*Licence and Royalty Agreements – AIR MILES® Licences*". A copy of the AIR MILES® Mark Licence is available on SEDAR at www.sedar.com.

(l) the AIR MILES® Scheme Licence. For the particulars of this agreement, see "*Licence and Royalty Agreements – AIR MILES® Licences*". A copy of the AIR MILES® Scheme is available on SEDAR at www.sedar.com.

(m) the AM LP Agreement. For the particulars of this agreement, see "*Description of Subsidiaries – Description of AM LP*". A copy of the AM LP Agreement is available on SEDAR at www.sedar.com.

(n) the AM Credit Agreement. For the particulars of this agreement, see "*Description of Capital Structure – Credit Facilities*". A copy of the AM Credit Agreement is available on SEDAR at www.sedar.com.

(o) the Debenture Indenture. For the particulars of this agreement, see "*Description of Capital Structure – Debentures*". A copy of the Debenture Indenture is available on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

KPMG LLP prepared an audit report in regard to the consolidated financial statements of DIV for the fiscal year ended December 31, 2018. KPMG LLP, as external auditor to the Corporation, has confirmed that they are independent with respect to the Corporation within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

Mr. Lube's auditor is KPMG LLP which prepared auditors' reports in respect of Mr. Lube's financial statements for the fiscal year ended December 31, 2018. KPMG LLP, as external auditor to Mr. Lube, has confirmed that they are independent with respect to Mr. Lube within the meaning of the relevant rules and related interpretations prescribed by the relevant professional bodies in Canada and any applicable legislation or regulation.

AUDIT COMMITTEE INFORMATION

Charter of the Audit Committee

The full text of the Charter of the Audit Committee of the Board of Directors of DIV is attached as Schedule A to this AIF.

Composition of the Audit Committee

As at the date hereof, the members of DIV's Audit Committee are Paula Rogers (Chair), Garry Herdler and Lorraine McLachlan.

Each member of DIV's Audit Committee is "independent" and "financially literate", as such terms are defined under Canadian securities laws.

Relevant Education and Experience

See the biographies of each member of the Audit Committee under "*Directors and Officers – Profile of DIV's Executive Officers and Board of Directors*" for a description of the education and experience that is relevant to the performance of their responsibilities as members of the Audit Committee.

Prior Approval Policies and Procedures

The policy and procedures relating to the pre-approval of non-audit services provided to DIV is described in the Charter of the Audit Committee of the Board of Directors attached as Schedule A to this AIF.

External Auditor Service Fees

The following table sets forth, by category and in thousands of dollars, the fees billed by KPMG LLP, DIV's auditors, for the fiscal years ended December 31, 2018 and 2017:

Fee category	**2018 (Cdn$)**	**2017 (Cdn$)**
Audit Fees	$98.5	$173.5
Audit-related Fees	-	-
Tax Fees	30.6	38.6
All other Fees	-	-
Total	**$129.1**	**$212.1**

"**Audit Fees**" are the aggregate fees billed by KPMG LLP for audit services. Such fees include all fees paid for the audit of the annual consolidated financial statements of DIV and the reviews of quarterly statements and other services in connection with regulatory filings.

"**Audit-related Fees**" are the aggregate fees billed by KPMG LLP for assurance and related services that are reasonably related to the performance of the audit or review of DIV's financial statements that are not included under "Audit Fees". Such fees include services related to accounting on acquisitions and due diligence assistance.

"**Tax Fees**" are the aggregate fees billed by KPMG LLP for tax compliance, tax advice and tax planning services.

"**All other Fees**" are the aggregate fees billed by KPMG LLP for products and services not included in "Audit Fees", "Audit-related Fees" or "Tax Fees".

ADDITIONAL INFORMATION

Additional information relating to DIV may be found on SEDAR at www.sedar.com. Additional financial information about the Corporation is contained in its consolidated financial statements and management's discussion and analysis for the fiscal year ended December 31, 2018, copies of which are available on SEDAR at www.sedar.com.

Additional information, including directors' and officers' remuneration and indebtedness, the principal holders of the DIV's securities and securities authorized for issuance under equity compensation plans, where applicable, is contained in the management information circular for the 2018 annual meeting. Such information will be contained in DIV's information circular for DIV's next annual meeting Shareholders that involves the election of Directors which is expected to be held in June 2019.

SCHEDULE A – CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

(Adopted on November 13, 2014)

CHARTER OF THE AUDIT COMMITTEE OF THE BOARD OF DIRECTORS

I. PURPOSE

The purpose of the Audit Committee (the "***Committee***") of the Board of Directors (the "***Board***") of Diversified Royalty Corp. (the "***Company***") shall be to act on behalf of the Board in fulfilling the Board's oversight responsibilities with respect to: (i) the Company's corporate accounting, financial reporting practices and audits of financial statements, (ii) the Company's systems of internal accounting and financial controls; (iii) the quality and integrity of the Company's financial statements and reports; and (iv) the qualifications, independence and performance of any firm or firms of certified public accountants or independent chartered accountants engaged as the Company's independent outside auditors (the "***Auditors***").

II. COMPOSITION AND MEETINGS

A. Composition. The Committee shall consist of at least three members of the Board. Each member shall meet the financial literacy requirements of the regulatory agency as may from time to time apply to the Company, including the Toronto Stock Exchange and the rules and regulations of the Canadian provincial and federal securities regulatory authorities, in all cases as may be modified or supplemented (collectively, the "***Rules***"), subject to any exceptions or exemptions permitted by the Rules. Each member shall meet such other qualifications for membership on an audit committee as are established from time to time by the Rules. The members of the Committee shall be appointed by and serve at the discretion of the Board. Vacancies occurring on the Committee shall be filled by the Board. The Committee's Chair shall be designated by the Board, or if it does not do so, the Committee members shall elect a Chair by vote of a majority of the full Committee.

B. Meetings. The Committee will hold at least four regular meetings per year and additional meetings as the Committee deems appropriate. Meetings will be conducted, in whole or in part, without the presence of members of management. Meetings may be called by the Chair of the Committee or the Chair of the Board. Meetings may also be convened at the request of the Auditors where, as determined by the Auditors, certain matters should be brought to the attention of the Committee, the Board or the Company's shareholders.

III. MINUTES AND REPORTS

Minutes of each meeting will be kept and distributed to each member of the Committee, members of the Board who are not members of the Committee and the Secretary of the Company. The Chair of the Committee will report to the Board from time to time, or whenever so requested by the Board.

IV. AUTHORITY

The Committee shall have full access to all books, records, facilities and personnel of the Company as deemed necessary or appropriate by any member of the Committee to discharge his or her responsibilities hereunder.

The Committee shall have authority to retain, and set and pay the compensation for, at the Company's expense, advice and assistance from internal and external legal, accounting or other advisors or consultants as it deems necessary or appropriate in the performance of its duties. The Company shall make available to the Committee all funding necessary for the Committee to carry out its duties, as determined by the Committee, for

payment of (i) compensation to any registered public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Company; and (ii) compensation to any advisors employed by the Committee. The Committee shall recommend to the Board for its approval expenditures for external resources that are expected to be material and outside the ordinary course of the Committee's practices.

The Committee shall have authority to require that any of the Company's personnel, counsel, Auditors or investment bankers, or any other consultant or advisor to the Company attend any meeting of the Committee or meet with any member of the Committee or any of its special legal, accounting or other advisors and consultants.

V. RESPONSIBILITIES

The operation of the Committee shall be subject to and in compliance with the provisions of the articles of the Company and the Rules, each as in effect from time to time, subject to any permitted exceptions or exemptions thereunder. Any action by the Board with respect to any of the matters set forth below shall not be deemed to limit or restrict the authority of the Committee to act under this Charter, unless the Board specifically limits such authority.

The Auditors shall report directly to the Committee. The Committee shall oversee the Company's financial reporting process on behalf of the Board.

To implement the Committee's purpose, the Committee shall, to the extent the Committee deems necessary or appropriate, be charged with the following duties and responsibilities. The Committee may supplement and, except as otherwise required by the Rules, deviate from these activities as appropriate under the circumstances:

1. Oversight, Evaluation and Recommendation to the Board. The Committee shall be directly responsible for overseeing the work of the Auditors engaged for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company. The Committee shall evaluate the performance of the Auditors, assess their qualifications (including their internal quality-control procedures and any material issues raised by the Auditor's most recent internal quality-control or peer review or any investigations by regulatory authorities) and recommend to the Board: (a) the Auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review or attest services for the Company; (b) replacement of the Auditors, if necessary, as so determined by the Committee; and (c) the compensation of the Auditor.

2. Approval of Audit Engagements. Subject to applicable corporate law as to the appointment formalities of the Company's Auditors, the Committee shall determine and approve engagements of the Auditors, prior to commencement of such engagement, to perform all proposed audit, review and attest services, including the scope of and plans for the audit, and the compensation to be paid to the Auditors, which approval may be pursuant to pre-approval policies and procedures, including the delegation of pre-approval authority to one or more Committee members so long as any such pre-approval decisions are presented to the full Committee at the next scheduled meeting.

3. Approval of Non-Audit Services. The Committee shall determine and approve engagements of the Auditors, prior to commencement of such engagement (unless in compliance with exceptions or exemptions available under applicable laws and rules related to immaterial aggregate amounts of services), to perform any proposed permissible non-audit services, including the scope of the service and the compensation to be paid therefore, which approval may be pursuant to pre-approval policies and procedures established by the Committee consistent with the Rules, including the delegation of pre-approval authority to one or more Committee members so long as any such pre-approval decisions are presented to the full Committee at the next scheduled meeting.

4. Audit Partner Rotation. The Committee shall monitor the rotation of the partners of the Auditors on the Company's audit engagement team as required by applicable laws and rules.

5. Hiring Practices. The Committee shall review and approve the Company's hiring policies regarding partners, employees and former partners and employees of the present and former Auditors. The Committee shall ensure that no individual who is, or in the past 12 months has been, affiliated with or employed by

a present or former Auditor or an affiliate, is hired by the Company as a senior officer until at least 12 months after the end of either the affiliation or the auditing relationship.

6. Auditor Conflicts. At least annually, the Committee shall receive and review written statements from the Auditors delineating all relationships between the Auditors and the Company, shall consider and discuss with the Auditors any disclosed relationships and any compensation or services that could affect the Auditors' objectivity and independence, and shall assess and otherwise take appropriate action to oversee the independence of the Auditors.

7. Audited Financial Statement Review. The Committee shall review, upon completion of the audit, the Company's financial statements, including the related notes and the management's discussion and analysis of financial condition and results of operations, prior to the same being publicly disclosed, and shall recommend whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board and whether the financial statements should be included in the Company's annual report.

8. Annual Audit Results. The Committee shall discuss with management and the Auditors the results of the annual audit, including the Auditors' assessment of the quality, not just acceptability, of accounting principles, the reasonableness of significant judgments and estimates (including material changes in estimates), any material audit adjustments proposed by the Auditors and immaterial adjustments not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under promulgated auditing standards.

9. Quarterly Results. The Committee shall discuss with management and the Auditors the results of the Auditors' review of the Company's quarterly financial statements, including the related notes and the management's discussion and analysis of financial condition and results of operations prior to the same being filed with applicable regulatory authorities, any material audit adjustments proposed by the Auditors and immaterial adjustments not recorded, the adequacy of the disclosures in the financial statements and any other matters required to be communicated to the Committee by the Auditors under promulgated auditing standards and shall recommend whether or not such financial statements and management's discussion and analysis of financial condition and results of operations should be approved by the Board.

10. Annual and Interim Financial Press Releases. The Committee shall review with management annual and interim financial press releases before the Company publicly discloses this information.

11. Financial Information Extracted From Financial Statements. The Committee shall ensure that adequate procedures are in place for review of the Company's public disclosure of financial information extracted or derived from the Company's financial statements (for clarity, financial information other than the Company's financial statements and management's discussion and analysis of financial condition and results of operations referred to in Section 7 and annual and interim earnings press releases referred to in Section 10) and the Committee shall periodically assess the adequacy of those procedures.

12. Accounting Principles and Policies. The Committee shall review with management and the Auditors significant issues that arise regarding accounting principles and financial statement presentation, including critical accounting policies and practices, alternative accounting policies available under GAAP related to material items discussed with management and any other significant reporting issues and judgments.

13. Management Cooperation with Audit. The Committee shall review with the Auditors any significant difficulties with the audit or any restrictions on the scope of their activities or access to required records, data and information, significant disagreements with management and management's response, if any.

14. Management Letters. The Committee shall review with the Auditors and, if appropriate, management, any management or internal control letters issued or, to the extent practicable, proposed to be issued by the Auditors and management's response, if any, to such letter, as well as any additional material written communications between the Auditors and management.

15. Disagreements Between Auditors and Management. The Committee shall review with the Auditors and management, and shall be directly responsible for the resolution of, any conflicts or disagreements between management and the Auditors regarding financial reporting, accounting practices or policies.

16. Internal Financial Reporting Controls. The Committee shall confer with the Auditors and with the management of the Company regarding the scope, adequacy and effectiveness of internal financial reporting controls in effect including any special audit steps taken in the event of material control deficiencies. The Committee shall review with the Auditors and with the management of the Company the progress and findings of their efforts related to any documentation, assessment and testing of internal financial reporting controls required to comply with the Rules.

17. Separate Sessions. At least once each fiscal quarter, the Committee shall meet in separate sessions with the Auditors and management to discuss any matters that the Committee, the Auditors or management believe should be discussed privately with the Committee.

18. Complaint Procedures. The Committee shall establish procedures for the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and the confidential and anonymous submission by employees of concerns regarding questionable accounting or auditing matters. Such procedures shall be reviewed annually by the Committee and any suggested changes shall be submitted to the Board for its approval.

19. Regulatory and Accounting Initiatives. The Committee shall review with counsel, the Auditors and management, as appropriate, any significant regulatory or other legal or accounting initiatives or matters that may have a material impact on the Company's financial statements, compliance programs and policies if, in the judgment of the Committee, such review is necessary or appropriate.

20. Material Issues Regarding Financial Statements or Accounting Policies. The Committee shall review with the Auditors and management any legal matters, tax assessments, correspondence with regulators or Governmental agencies and any employee complaints or published reports that raise material issues regarding the Company's financial statements or accounting policies and the manner in which these matters have been disclosed in public filings, if applicable.

21. Correction of Financial Statements. The Committee shall review with Auditors and management management's process for identifying, communicating and correcting misstatements, understanding management tolerance for unadjusted misstatements, and assess the affect of corrected and uncorrected misstatements, if any, on the Company's financial statements.

22. Officer's Certifications Regarding Financial Statements. The Committee shall receive and review the Chief Executive Officer and Chief Financial Officer certifications of quarterly and annual financial statements.

23. Related Party Transactions. The Committee shall review and approve, in advance, related-party transactions and review other issues arising under the Company's Code of Conduct or similar policies.

24. Investigations. The Committee shall investigate any matter brought to the attention of the Committee within the scope of its duties if, in the judgment of the Committee, such investigation is necessary or appropriate.

25. Legal Matters. The Committee shall review with the Company's external counsel and/or internal legal personnel any legal matters that may have a material impact on the Company's financial statements, compliance policies or internal accounting or financial reporting controls and shall review any material reports or inquiries received from securities regulatory authorities, any securities exchange or quotation system or any other governmental agency.

26. Code of Conduct. The Committee shall ensure that the Company has a published code of

conduct that covers financial matters, and shall monitor the application of the code of conduct. Any waivers from the code of business conduct that are granted for the benefit of the Company's Board members or executive officers should be granted by the Board or the Committee only.

27. Proxy Report. The Committee shall prepare any report or other disclosure required by the Rules to be prepared by it and included in the Company's annual proxy statement, information circular or other regulatory filing.

28. Charter. The Committee shall review, discuss and assess annually its own performance as well as the Committee's role and responsibilities as outlined in this Charter. The Committee shall submit any suggested changes to the Board for its approval.

29. Report to Board. The Committee shall report to the Board with respect to material issues that arise regarding the quality or integrity of the Company's financial statements, the performance or independence of the Auditors or such other matters as the Committee deems appropriate from time to time or whenever it shall be called upon to do so.

30. Investment Risk Assessment and Management. The Committee shall review and discuss with management and the Auditors, as appropriate, the Company's guidelines and policies with respect to investment risk assessment and management, including the Company's major financial risk exposures, the Company's investment and hedging policies, and the steps taken by management to monitor and control these exposures.

31. Other Responsibilities. The Committee shall perform such other functions as may be assigned to the Committee by law, by the Company's articles or bylaws or by the Board.

32. General Authority. The Committee shall perform such other functions and have such other powers as may be necessary or convenient in the efficient discharge of the forgoing.

It shall be management's responsibility to prepare the Company's financial statements and periodic reports and the responsibility of the Auditors to audit those financial statements. It is not the duty of the Committee to (1) plan or conduct audits; (2) determine that the Company's financial statements are complete and accurate and are in accordance with generally accepted accounting principles; or (3) to assure compliance with laws and regulations and the Company's policies generally. Furthermore, it is the responsibility of the Chief Executive Officer, Chief Financial Officer and other senior management to avoid and minimize the Company's exposure to risk, and while the Committee is responsible for reviewing with management the guidelines and policies to govern the process by which risk assessment and management is undertaken, the Committee is not the sole body responsible. The Auditors shall be accountable to the Committee as representatives of the shareholders.