NEXTPOINT FINANCIAL INC.

ANNUAL INFORMATION FORM

Fiscal year ended December 31, 2021.

January 15, 2023

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ABOUT THIS ANNUAL INFORMATION FORM

Unless otherwise indicated or the context otherwise requires, all references to the "Company", "NextPoint Financial", "we", "us" or "our" refer to NextPoint Financial Inc., together with, as the context requires, its subsidiaries.

This annual information form ("**AIF**") applies to the business activities and operations of the Company for the year ended December 31, 2021, as updated to the date hereof, to reflect the Company's business subsequent to December 31, 2021. Unless otherwise indicated, all references to "fiscal year", "Fiscal Year" or "FY", refer to the Company's relevant fiscal year ended December 31, 2021. In this AIF, unless otherwise indicated, all references to "$" are to Canadian dollars and all references to "US$" are to U.S. dollars.

Any graphs, tables, diagrams or information included in this AIF to demonstrate the Company's historical performance are (a) intended to illustrate past performance and are not necessarily indicative of future performance of the Company, and (b) may include approximations due to rounding. Information presented on or accessed through the Company's website at www.nextpointfinancial.ca is not incorporated into, or made part of, this AIF. Readers should assume that the information appearing in this AIF is accurate only as at its date, and the Company's business, financial condition, results of operations and prospects may have changed since that date.

FORWARD-LOOKING STATEMENTS

Certain statements in this AIF are prospective in nature, constituting forward-looking information and/or forward-looking statements within the meaning of applicable securities laws (collectively, "**forward-looking statements**"). Forward-looking statements include, but are not limited to: statements concerning the completion and proposed terms of, and matters relating to, the expected operations, financial results and condition of NextPoint Financial including such things as future business strategy, competitive strengths, goals, operational synergies, product integration, cost savings, expansion and growth of NextPoint Financial's business, operations and plans; expansion into additional products and markets; expectations of market size and growth in the jurisdictions in the U.S. and Canada in which NextPoint Financial operates or contemplates future operations; expectations for regulatory and/or competitive factors related to the industry in which NextPoint Financial operates generally; general economic trends; NextPoint Financial's future objectives and strategies to achieve those objectives; the listing or continued listing of the Common Shares and the Warrants; as well as other statements with respect to management's beliefs, plans, estimates and intentions, and similar statements concerning anticipated future events, results, circumstances, performance or expectations that are not historical facts. Forward-looking statements generally can be identified by the use of forward-looking terminology such as "outlook", "objective", "may", "expect", "intend", "estimate", "anticipate", "believes", "should", "plans" or "continue", or similar expressions suggesting future outcomes or events.

Forward-looking statements reflect management's current beliefs, expectations and assumptions and are based on information currently available to management, management's historical experience, perception of trends and current business conditions, expected future developments and other factors which management considers appropriate. With respect to the forward-looking statements included in this AIF, NextPoint Financial has made certain assumptions with respect to, among other things: that no unforeseen changes in the legislative and operating frameworks for NextPoint Financial will occur; that NextPoint Financial will meet its future objectives and priorities; that NextPoint Financial will have access to adequate capital to fund its future projects and plans; that NextPoint Financial's future projects and plans will proceed as anticipated; taxes payable; customer growth and pricing; as well as assumptions concerning legislative framework, general economic and industry growth rates, prices, currency exchange, interest rates and competitive intensity and the anticipated ongoing impact of COVID-19.

Readers are cautioned not to place undue reliance on forward-looking statements, as there can be no assurance that the future circumstances, outcomes or results anticipated or implied by such forward-looking statements will occur or that plans, intentions or expectations upon which the forward-looking statements are based will occur. By their nature, forward-looking statements involve known and unknown risks and uncertainties and other factors that could cause actual results to differ materially from those contemplated by such statements. Factors that could cause such differences include, but are not limited to: U.S. and Canadian regulatory landscape, including political risks; risks relating to anti-money laundering laws and regulation; other governmental and environmental regulation; reliance on the expertise and judgment of senior management of NextPoint Financial; and other factors discussed under "*Risk Factors*".

All forward-looking statements included in and incorporated into this AIF are qualified by these cautionary statements. Unless otherwise indicated, the forward-looking statements contained herein are made as of the date of this AIF and, except as expressly required by applicable law, NextPoint Financial undertakes no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Readers are cautioned that the actual results achieved will vary from the information provided herein and that such variations may be material. Consequently, there are no representations by NextPoint Financial that actual results achieved will be the same in whole or in part as those set out in the forward-looking statements.

NON-IFRS MEASURES

This AIF makes reference to certain non-IFRS measures. These measures are not recognized measures under IFRS and do not have a standardized meaning prescribed by IFRS and are therefore unlikely to be comparable to similar measures presented by other companies. Rather, these measures are provided as additional information to complement those IFRS measures by providing further understanding of our results of operations from management's perspective. Accordingly, these measures should not be considered in isolation nor as a substitute for analysis of the Company's financial information reported under IFRS. The Company uses non-IFRS measures including EBITDA, Adjusted EBITDA, Systemwide Revenue, Net Change in Number of Office Locations, Number of Returns Prepared, Number of Tax Settlement Products Obtained by U.S. Customers, Average Net Fee per Return and Gross Loan Originations, which may be calculated differently by other companies. Such non-IFRS measures and metrics are used to provide investors with supplemental measures of our operating performance and thus highlight trends in our business that may not otherwise be apparent when relying solely on IFRS measures. NextPoint Financial also believes that securities analysts, investors and other interested parties frequently use non-IFRS measures in the evaluation of companies in similar industries. Management also uses non-IFRS measures and metrics to facilitate operating performance comparisons from period to period, to prepare annual operating budgets and forecasts and to determine components of executive compensation. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable IFRS measure. For definitions and reconciliations of these non-IFRS measures to the relevant reported measures, please see the "Non-IFRS and Other Financial Measures" section of the Company's Management's Discussion and Analysis ("**MD&A**") dated January 15, 2023 for the year ended December 31, 2021 and for the period from July 16, 2020 (inception) to December 31, 2020. A copy of the MD&A can be accessed under the Company's profile on SEDAR at www.sedar.com.

CORPORATE STRUCTURE

Name, Address and Incorporation

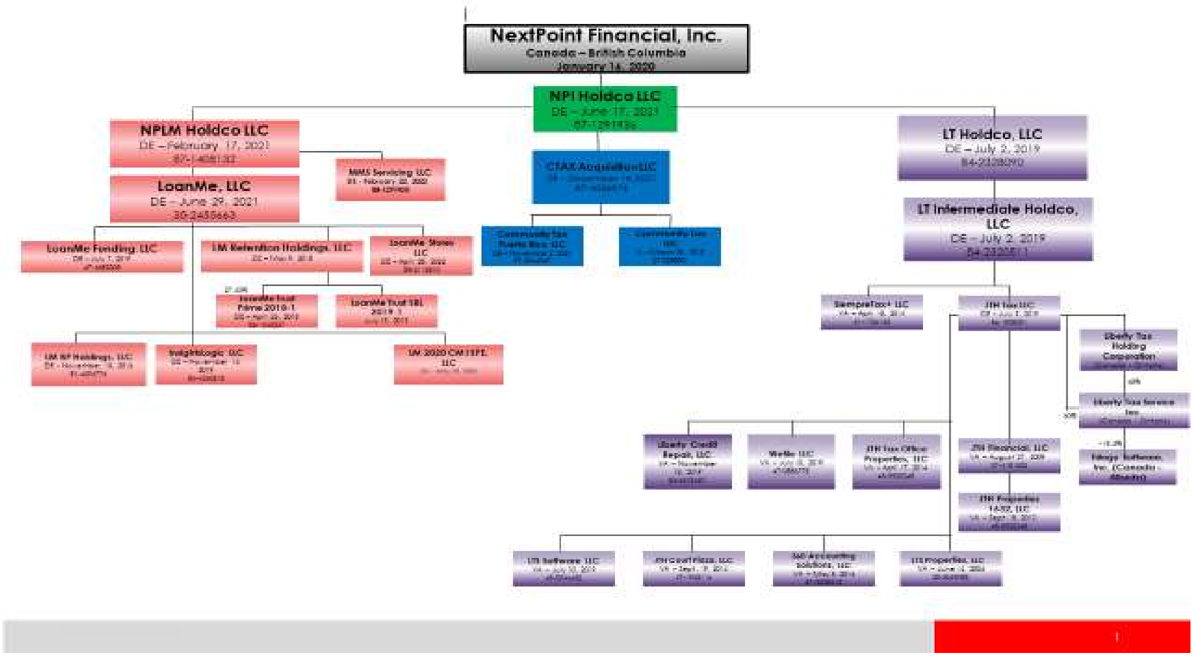
NextPoint Financial was incorporated under the *Business Corporations Act* (British Columbia) on July 16, 2020 under the name NextPoint Acquisition Corp. ("**NAC**") as a special purpose acquisition corporation for the purpose of effecting an acquisition of one or more businesses or assets, by way of a merger, amalgamation, arrangement, share exchange, asset acquisition, share purchase, reorganization or any other similar business combination.

On February 22, 2021, NAC announced that it had entered into definitive transaction agreements to acquire all of the equity of each of Franchise Group Intermediate L 1, LLC ("**Liberty**") and LoanMe, Inc. ("**LoanMe**"). The acquisition of Liberty and LoanMe constituted the Company's qualifying acquisition (the "**Qualifying Acquisition**"). The Qualifying Acquisition was completed on July 2, 2021 and Liberty and LoanMe became wholly-owned subsidiaries of the Company. In connection with the closing of the Qualifying Acquisition, the Company changed its name to "NextPoint Financial Inc." On December 30, 2021, NextPoint Financial completed the acquisition of the issued and outstanding membership interests in Chicago based Community Tax LLC ("**Community Tax**"), a fast-growing leader in tax debt resolution and other tax-related services.

NextPoint Financial's head office is located at 500 Grapevine HWY, Suite 402, Hurst, TX 76054 and the registered office is located at 666 Burrard St, Vancouver, BC V6C 2Z7.

Intercorporate Relationships

The following organization chart indicates the intercorporate relationships of the Company and its subsidiaries, together with the jurisdiction of formation, incorporation or continuance of each entity. All lines represent 100% ownership of outstanding securities of the applicable subsidiary unless otherwise noted.



GENERAL DEVELOPMENT OF THE BUSINESS

The following is a summary of the business operations of the Company for the periods shown.

<u>Year ended December 31, 2020</u>

Initial Public Offering

On August 11, 2020, the Company closed its initial public offering of 20,000,000 Class A restricted voting units of the Company (the "**Class A Restricted Voting Units**") at a price of US$10.00 per Class A Restricted Voting Unit for gross proceeds of US$200,000,000 (the "**IPO**") and the Company commenced trading on the Toronto Stock Exchange (the "**Exchange**") under the symbol "NAC.V". The gross proceeds of the IPO were placed in an escrow account with TSX Trust Company (the "**Escrow Agent**") and released upon consummation of the Qualifying Acquisition in accordance with the terms of the escrow agreement. Each Class A Restricted Voting Unit consisted of one Class A restricted voting share of the Company (a "**Class A Restricted Voting Share**") and one-half of a share purchase warrant of the Company (a "**Warrant**"). The Warrants were issued pursuant to the terms of a warrant agency agreement between the Company and the Warrant Agent, dated August 11, 2020, as it may be amended from time to time ("**Warrant Agreement**"). On September 21, 2020 the Class A Restricted Voting Shares and the Warrants comprising the Class A Restricted Voting Units, commenced trading separately on the Exchange under the symbols "NAC.U" and "NAC.WT.U", respectively.

Prior to closing of the IPO, NextPoint Acquisition Sponsor LLC (the "**Sponsor**") and certain of the Company's directors (collectively with the Sponsor, the "**Founders**"), purchased 5,913,125 Class B shares of the Company ("**Class B Shares**") (such Class B Shares issued to the Founders referred to as the "**Founders' Shares**"), for an aggregate price of US$25,000 of which 763,125 of the Founders' Shares were subsequently relinquished. In addition, concurrent with closing of the IPO, the Sponsor purchased 600,000 Class B units of the Company ("**Class B Units**") (each consisting of one Class B Share and one-half of a Warrant) for a purchase price of US$10.00 per Class B Unit (for an aggregate purchase price of US$6,000,000).

The IPO was undertaken by the Company pursuant to the terms of an underwriting agreement (the "**Underwriting Agreement**") dated August 5, 2020 among the Company, the Sponsor and Canaccord Genuity Corp. (the "**Underwriter**"). Pursuant to the Underwriting Agreement, the Company paid $2,000,000 to the Underwriter on the closing of the IPO, being part of the Underwriter's fee. The balance of the Underwriter's fee, being US$6,325,000, was deferred and paid to the Underwriter upon the closing of the Qualifying Acquisition in cash from the funds held in the escrow account and securities.

Year ended December 31, 2021

Qualifying Acquisition

On February 22, 2021, the Company announced it had entered into (i) a definitive agreement (the "**Liberty Agreement**") by and between the Company and Franchise Group Intermediate L, LLC ("**Liberty Seller**"), pursuant to which the Company would acquire all of the equity interests of Liberty; and (ii) a definitive agreement by and among the Company, NPLM Holdco LLC, a Delaware limited liability company and wholly-owned subsidiary of the Company ("**MergerSub**"), and LoanMe and certain of its affiliates, pursuant to which the Company would acquire, directly or indirectly, all of the equity of LoanMe (the "**LoanMe Agreement**" and together with the Liberty Agreement, the "**Transaction Agreements**"). The Company also announced that (i) it had received commitments to purchase US$25 million worth of common share equivalents of the Company at a price of US$10.00 per share (the "**Private Placement**"), the issuance of which would occur in conjunction with the closing of the Qualifying Acquisition; and (ii) that it had obtained a commitment for a new US$200 million revolving credit facility (the "**Credit Facility**") from a private specialty finance lender. The acquisition of Liberty and LoanMe constituted the Company's qualifying acquisition pursuant to the Exchange Company Manual.

The Company, in accordance with applicable rules, filed a non-offering preliminary prospectus dated April 15, 2021 and a final non-offering prospectus dated June 3, 2021 (the "**Final Prospectus**") with the securities regulatory authorities in each of the provinces and territories of Canada (other than Quebec) in respect of the Qualifying Acquisition.

On July 2, 2021, the Company completed the Qualifying Acquisition which constituted its qualifying acquisition in accordance with the Exchange Company Manual. Pursuant to the Company's articles, upon closing of the Qualifying Acquisition (i) all outstanding Class A Restricted Voting Shares of the Company not submitted for redemption were converted into common shares of the Company ("**Common Shares**") on a one for one basis, and (ii) all outstanding Class B Shares of the Company were converted into Proportionate Voting Shares of the Company on the basis of one hundred (100) Class B Shares for one (1) Proportionate Voting Share. Additionally, in connection with the closing of the Qualifying Acquisition, the outstanding warrants of the Company ("**Warrants**") now represent a share purchase warrant to acquire a Common Share.

After processing the redemptions of Class A Shares and closing of the Qualifying Acquisition and the private placement, there were 16,538,170 Common Shares and 168,550 Proportionate Voting Shares issued and outstanding. In connection with the completion of the Qualifying Acquisition, the Company's name was changed to "NextPoint Financial Inc." and trading in the Common Shares and Warrants commenced on the Exchange under the symbols "NPF.U" and "NPF.WT.U", respectively, on July 6, 2021.

Liberty Agreement

Pursuant to the terms of the Liberty Agreement, the Company directly purchased all limited liability company interests of Liberty owned by its sole member and, immediately thereafter, Liberty became a wholly-owned subsidiary of the Company. In connection with the closing, Liberty shareholders received aggregate consideration of approximately U.S.$182,055,000 in cash and 67,400 Proportionate Voting Shares.

LoanMe Agreement

Pursuant to the terms of the LoanMe Agreement, on closing of the Qualifying Acquisition, MergerSub merged with and into the sole stockholder of LoanMe, with MergerSub continuing as the surviving entity as a wholly-owned subsidiary of the Company. In connection with the closing, LoanMe shareholders received aggregate consideration of approximately U.S.$18,000,000 in cash and the equivalent of 48,500 Proportionate Voting Shares.

Private Placement

Prior to closing of the Qualifying Acquisition, the Company upsized the Private Placement from U.S.$25 million to U.S.$112.6 million which closed concurrently with the Qualifying Acquisition and the funding of the Credit Facility. The Private Placement was completed by way of the issuance of 11.26 million non-voting shares ("**Non-Voting Shares**") of a wholly-owned subsidiary of the Company ("**Placement Sub**") at a price of US$10.00 per Non-Voting Share. Upon closing of the Qualifying Acquisition, investors in the Private Placement received one Common Share in respect of each Non-Voting Share purchased under the Private Placement. The proceeds from the Private Placement were used in connection with the Qualifying Acquisition and for the Company's general corporate purposes.

Credit Facility

In connection with the Qualifying Acquisition on July 2, 2021 the Company entered into the Credit Facility from affiliates of BasePoint Capital LLC (the "**Lenders**" or "**BasePoint**"). Draws under the Credit Facility were used to fund the cash portion of the purchase prices payable in the Qualifying Acquisition and may be used for working capital and general corporate purposes, including to finance future acquisitions. The terms of the Credit Facility described below refer to the original Credit Facility agreement, which has been amended. See "*2022 to Date*" section below for additional Credit Facility activity that occurred in fiscal 2022 and section "*Description of Material Indebtedness*" for the terms under the amended facility.

The draw period under the Credit Facility will terminate on the earlier of (i) two years after the July 2, 2021 and (ii) the occurrence of certain triggering events, including the failure of the Company and its subsidiaries to perform their respective obligations under the Credit Facility, and the draw period can be extended for successive incremental one (1) year periods upon agreement of the Company and Lenders. All principal and interest under the Credit Facility will be due and payable on the earlier to occur of (i) the date that is two years following the end of the draw period and (ii) the ten year anniversary of July 2, 2021. Amounts outstanding under the Credit Facility accrue interest at a rate per annum equal to 13%, which interest rate will increase by 4.5% upon an event of default. Interest will be payable monthly. A commitment fee of $2 million was due upon the date of the first draw from the Credit Facility.

The obligations under the Credit Facility are guaranteed by all existing and newly acquired subsidiaries of the Company, including LoanMe, Liberty and their respective subsidiaries, subject to certain exceptions and are secured by substantially all of the assets of the Company and the subsidiary guarantors, subject to certain exceptions, and are structurally subordinated to certain existing and prospective warehouse facilities secured by receivables originated by the Company and its subsidiaries in the normal course of business. Due to the structure of the financing for the Community Tax acquisition, Community Tax is excluded from this credit facility and is not a part of the guarantee described above, and the Community Tax assets are not a part of the Company's assets that secure the Credit Facility. Amounts outstanding under the Credit Facility may be prepaid at any time without any prepayment penalty and the Credit Facility may be terminated at any time so long as the aggregate outstanding balance of all draws has been repaid in full.

Investor Rights Agreement

Upon closing of the Qualifying Acquisition, NextPoint Financial, Liberty Seller and Bliksum, LLC ("**Bliksum**") entered into an investor rights agreement (the "**Investor Rights Agreement**"), pursuant to which they were granted certain registration rights in respect of the Proportionate Voting Shares (and the Common Shares into which such Proportionate Voting Shares convert) received by them pursuant to the Qualifying Acquisition.

The Investor Rights Agreement with Liberty Seller provides: (a) that NextPoint Financial take such actions as are reasonable and necessary to permit one individual to serve on the Board subject to satisfaction and compliance with the requirements regarding service as a member of the Board under applicable law, the rules and policies of the Exchange and the practices and policies of Board; (b) for demand registration rights so long as Liberty Seller holds 10% of the issued and outstanding Common Shares (including Common Shares issuable upon conversion of any Proportionate Voting Shares); provided, however, that NextPoint Financial will be required to effect no more than three (3) such demand registrations and each such registration must be reasonably expected to result in aggregate gross proceeds of greater than the lesser of (i) $35 million and (ii) such amount as would enable Liberty Seller to sell all of its remaining Common Shares; (c) customary piggy back registration rights in the event NextPoint Financial files a prospectus or registration statement relating to an offering of Common Shares; (d) a requirement that NextPoint Financial file a short form base shelf prospectus at least 45 days prior to the expiration of the period set forth in the Liberty Seller Lock-Up Agreement; and (e) a requirement that NextPoint Financial file a Form S-3 or Form F-3 registration statement in the event the Common Shares are listed on a national securities exchange in the United States and NextPoint Financial is eligible to file such registration statement.

The Investor Rights Agreement with Bliksum provides for substantially the same terms as those contained in the Investor Rights Agreement with Liberty Seller except that Bliksum does not have the right to designate any of our directors.

Acquisition of Community Tax LLC

Pursuant to the membership interest purchase agreement dated December 30, 2021 (the "**Community Tax Purchase Agreement**"), the Company, through a newly formed subsidiary, CTAX Acquisition LLC, ("**CTAX Acquisition**"), acquired all of the issued and outstanding membership interests of Community Tax for approximately US$90 million in cash and stock, subject to certain closing adjustments. The cash consideration was funded with US$70 million in borrowings made under new credit facilities entered into by CTAX Acquisition which holds all the equity interests of Community Tax. The credit facilities are secured by CTAX Acquisition and substantially all of its assets. NextPoint Financial also issued the equivalent of US$20 million of Common Shares, priced at US$4.6881 per share, to the former owners of Community Tax. Each of the parties to the Community Tax Purchase Agreement made certain customary representations and warranties in the Community Tax Purchase Agreement. In connection with the Acquisition, the former owners of Community Tax entered into customary lock-up agreements which provide that that they would not transfer 50% of the Consideration Shares for a period of 12 months following the closing of the Acquisition.

As part of the Community Tax acquisition, the Company also entered into employment agreements with key executives of Community Tax including Jacob Dayan, Esq., Co-Founder and Chief Executive Officer of Community Tax, who has assumed the role of Chief Revenue Officer and will be responsible for monetization strategies across the Company.

<u>2022 to Date</u>

LoanMe

On June 21, 2022, NextPoint Financial announced that LoanMe would cease loan originations but would continue to service outstanding loans that were previously originated. However, due in part to an unsustainable debt load related to the LoanMe acquisition and the cessation of LoanMe's operations, the Company determined to restructure its business to refocus its resources solely on its Liberty Tax and Community Tax businesses and unwind its LoanMe business. On September 30, 2022, NextPoint Financial completed a financial and organizational restructuring with one of its secured lenders that provided debt financing to certain special-purpose subsidiaries of LoanMe.

Cease Trade Order

On March 17, 2022, NextPoint Financial announced its application to the Ontario Securities Commission (the "**OSC**") for the imposition of a management cease trade order (a "**MCTO**") in connection with the Company's inability to file its financial statements for the year ended December 31, 2021, the related MD&A and CEO and CFO certificates and its annual information form for the year ended December 31, 2021 (such filings, collectively, the "**Required**

Documents") before the March 31, 2022 deadline.

On April 1, 2022, NextPoint Financial announced that the OSC granted the MCTO.

On May 25, 2022, NextPoint Financial announced that the OSC issued a cease trade order (the "**CTO**") as a result of the Company's inability to file the Required Documents. The CTO revoked the MCTO.

Community Tax Debt Refinancing

On June 6, 2022, CTAX Acquisition refinanced and consolidated its $25.0 million loan from Republic Bank and Trust Company and $45.0 million loan from PCIP Credit IV, LLC into a new $70.0 million term loan. The new loan bears interest ranging from 9.0% to 11.0% per annum, requires monthly interest payments beginning on September 1, 2022, and matures on December 30, 2027.

Credit Facility

On November 4, 2022, NextPoint Financial announced an amendment to the Credit Facility, which provides for a new $74.4 million term loan to LT Holdco, LLC, a subsidiary of the Company. Proceeds from the term loan will be drawn in two advances and will be used to pay down borrowings under an existing revolving credit facility and to provide additional working capital for NextPoint Financial and its Liberty Tax business. See "*Description of Material Indebtedness*" below for additional Credit Facility activity that occurred in fiscal 2022.

Significant Acquisitions

Other than as stated herein, the Company did not complete any significant acquisitions during its most recently completed financial year for which disclosure is required under Part 8 of NI 51-102.

DESCRIPTION OF THE BUSINESS

NextPoint Financial is positioned as a one-stop financial services destination for consumers and small businesses, a customer demographic that NextPoint Financial believes is currently underserved by traditional financial institutions. The combination of Liberty and Community Tax establishes a tax services platform that NextPoint Financial intends to expand with complementary financial products and services designed for its customers. By increasing the opportunities for financial connectivity with customers, including the significant legacy customer bases of Liberty and Community Tax, NextPoint Financial expects to strengthen and expand customer relationships, diversify and grow revenue sources, and drive value for its shareholders.

NextPoint Financial provides retail federal and state income tax preparation services and related tax settlement products in the United States and Canada through its Liberty operating division and offers tax debt resolution services in the United States through its Community Tax operating division. NextPoint Financial's core businesses have over 1.6 million combined historical customers and our distribution infrastructure consists of 2,500 locations across North America as well as our robust digital platforms.

Tax Preparation Services

NextPoint Financial, through its Liberty operating division, provides retail federal and state income tax preparation services and related tax settlement products in the United States and Canada. We are focused on growing the number of Liberty offices, increasing the number of tax returns prepared by those offices, and enhancing our profitability by offering other complementary services and products that continue to build our brand and increase revenue. Our initiatives include adding complementary products and services in our brick-and-mortar offices as well as adding to our online offerings. These services include all-season programs such as consumer lending, debt settlement services, tax debt resolution services, credit repair, bookkeeping services, debit cards and deposit accounts, and other products. In addition, we have made investments in our technology platforms, including the roll out of our new mobile app, to increase customer engagement leading to higher retention rates and increases in new customer acquisition. Through our mobile app, customers are able to seamlessly choose how they engage with us, via our brick-and-mortar locations, mobile or online.

The tax return preparation market is divided into two primary sectors: paid tax preparation and do-it-yourself ("**DIY**") preparation. Per the United States Internal Revenue Service ("**IRS**"), approximately 56% of e-filed U.S. tax returns during the 2021 tax season were prepared by paid tax preparers. Through Liberty's franchised and company-owned offices, we will offer tax preparation services and related financial products to our tax return preparation customers. These services and products are designed to provide streamlined tax preparation services for taxpayers who, for reasons of complexity, convenience, or the need for prompt tax refunds, seek assisted tax preparation services.

At Liberty, we intend to continue to rely on a franchise model to facilitate growth. Although our competitors rely more heavily on company-owned offices, we believe our best growth prospects can be achieved by increasing our franchisee base and the number of offices operated by franchisees. Under Liberty's franchise model, we intend to focus on marketing, franchisee coaching and support, financial product development and other initiatives that we believe drive our overall success. Among other benefits, Liberty's franchise model allows us to grow our market share with relatively minimal capital expenditures or fixed cost investments.

We also expect to benefit from anticipated industry consolidation as we believe many independent tax preparers will look to exit the industry as they confront increased costs, regulatory requirements and demands to provide tax settlement products. We believe we will be a beneficiary of this consolidation as a result of our ability to efficiently address regulatory change and our intention to offer an array of financial products designed for our customers.

Lending Products and Services

NextPoint Financial, through its LoanMe operating division, operated as an online lender and loan marketer that facilitated bank product installment loans, originated unsecured consumer and small business installment loans in the United States.

On June 21, 2022, NextPoint Financial announced that LoanMe would cease loan originations but would continue to service outstanding loans that were previously originated. However, due in part to an unsustainable debt load related to the LoanMe acquisition and the cessation of LoanMe's operations, the Company determined to restructure its business to refocus its resources solely on its Liberty Tax and Community Tax businesses and unwind its LoanMe business.

On October 11, 2022, Liberty Tax entered into marketing agreement with FlexShopper, Inc., wherein FlexShopper would be allowed to offer its consumer loans in Liberty Tax locations and online.

Tax Debt Resolution Services

Community Tax principally provides tax debt resolution services aligned with IRS administrative processes. To enroll as a Community Tax customer, a prospect must contact Community Tax to discuss their tax situation with an enrollment analyst. During the initial conversation, the enrollment analyst will determine whether or not the client has a liability that warrants engaging professional representation. Clients engaging Community Tax electronically sign a customer service agreement at the conclusion of the initial consultation.

Community Tax's introductory service, the investigation program or "Phase 1", involves Community Tax contacting the IRS or state taxing authority to obtain the client's tax history, and evaluating a customer's tax transcripts along with their financials in order to determine the most affordable and efficient tax resolution program possible for the customer's unique situation. This process takes roughly 1-7 business days and undergoes a review by multiple experienced tax practitioners prior to delivery of the findings to the customer. The customer will then decide whether or not to proceed with the resolution service, or "Phase 2."

"Phase 2" generally involves preparation of prior year unfiled returns and negotiation with the IRS or state taxing authority into a number of programs offered by the IRS or state taxing authority. Among these programs are installment agreements, which can include streamlined, no documentation agreements, or full documentation agreements. Installment agreements are often full repayment obligations, however, there are also circumstances in which a partial payment agreement can be achieved. In situations where the client is unable to afford any repayment, or has limited assets, it is possible to obtain an offer-in-compromise, or remain in a non-collectible status with the IRS until the statue of limitations expires.

Strategic Advantages

Complementary product and service offering

We expect our complementary array of financial products and services to allow for continued and expanded engagement with our customer base, thereby driving year-round diversified fee and lending revenue.

Extensive cross-selling opportunities and synergies

The combination of Liberty and Community Tax creates the opportunity to become a one-stop financial services destination for our consumers, with omni-channel solutions reaching the approximately 1.6 million customers of our core businesses. We have the ability to offer our full suite of existing and new products and services to our legacy customer base, many of whom we believe currently obtain certain of such products and services from our competitors. We also believe that offering our suite of products and services at our brick-and-mortar locations will drive new customer growth. In addition to these revenue synergies, we expect to achieve significant cost savings as we integrate Liberty and Community Tax.

The "mobilization" of tax services and financial products requires an integrated, multi-channel platform to meet the demands of a dynamic and rapidly changing consumer and marketplace. We are positioned to meet the consumer on their terms, allowing them to decide "how they want" to work with us. Through the Liberty Tax Service mobile app and client portal, clients will be able to schedule appointments directly from their mobile device with the location for the appointment determined by zip code, current location, or default office based on their previous year's return. Within the app and the online portal Liberty's "Fast Track" software allows the client to enter information currently provided on the client data sheet and upload documents, and the preparer will then have access to those inputs, streamlining the process end-to-end.

Robust and scalable technology platform

NextPoint Financial has invested in technology, including to accommodate multi-platform accessibility, rapid tax time loan funding, real-time processing and analytics, and to fully-integrate datastores. Our digital platforms are hosted on premier, cloud-based platforms designed to serve customers conveniently online, through mobile applications or in-person. We believe our IT infrastructure is readily scalable to accommodate our growth.

Strong risk management and compliance

Our operating businesses are compliance-focused and actively manage regulatory risk.

Veteran leadership team

Senior management of NextPoint consists of veteran executives with significant experience in tax preparation, franchise sales, tax debt resolution, and consumer financial services. These management teams, which will lead our continued operation and growth initiatives, also benefit from the guidance of our Board, members of which bring significant expertise in finance, retail, and franchising.

Our Growth Strategy

Significant growth potential both organic and through acquisitions

Liberty and Community Tax together constitute a financial services platform that we intend to expand with complementary financial products and services designed for our customers. In addition to growth through the cross-selling opportunities discussed above, we intend to grow our customer base and revenues by introducing complementary financial products and services, either developed internally or acquired. Complementary products and services could include point of sale lending, lines of credit, mobile application subscription services, auto finance, mobile banking, debt settlement services and financial health services.

We intend to grow our brick-and-mortar footprint as well our digital platforms. For example, the Liberty Wallet digital application (which was launched in early 2021) is expected to drive growth and customer retention by allowing customers to interact with Liberty both online and in physical office locations.

We intend to facilitate our growth both through development and marketing of our own products and services as well as through strategic acquisitions. Our acquisition strategy will focus on products, organizations and management teams that are well-known to management and complementary to our existing business lines and product and service offerings.

Market Overview

Tax Preparation Market

The tax return preparation business operates in two distinct sectors: paid tax preparation and DIY preparation. Approximately 56% of U.S. e-filed tax returns during the 2021 tax season were prepared by paid preparers, according to estimates from Liberty informed by IRS data.

Although digital DIY has gained significant market share among DIY filers, assisted returns continue to account for more than half of the total tax preparation market. Paid tax preparation has retained its share of the market due to the continued demand for expert assistance and certainty in filing taxes. Affordable, early access to tax refunds and complementary services is a core part of the paid tax preparation value proposition.

We expect industry consolidation as we believe many independent tax preparers will look to exit the industry as they confront increased costs, regulatory requirements and demands to provide tax settlement products. We believe that, as a consolidator, we will be a beneficiary of this process and will be able to more efficiently address changing regulatory requirements due to scale and a fully competitive mix of financial products attractive to our customers.

Paid Tax Preparation Market

The paid tax preparation market is highly competitive, with tens of thousands of paid tax return preparers, including H&R Block, Jackson Hewitt, regional and local tax return preparation companies, most of which are independent and some of which are franchised, regional and national accounting firms, and financial service institutions that prepare tax returns as part of their businesses. Independent "mom and pop" businesses comprise the majority of the paid tax preparation market (and present a large market of potential franchisees).

Many tax return preparation firms are involved in providing refund transfers, refund advances or similar services to the customers and tax return preparation firms are highly competitive with regard to both price and service, while some firms offer services that may include preparation of tax returns at no charge at all.

Competitive challenges stem from the online and software self-preparer market, which include the Free File Alliance ("**FFA**"), a consortium of the IRS and online preparation services which provides free online tax return preparation, and from volunteer and certain state organizations that prepare tax returns at no cost for low-income and other qualified taxpayers. The ability to compete in the tax return preparation business depends on product mix, price for services, customer service, the specific office site locations, local economic conditions, quality of franchisees and their employees, the ability to file tax returns electronically with the IRS, and the availability of tax refund transfer products to offer to customers.

Competition also exists for the sale of tax return preparation franchises with H&R Block, Jackson Hewitt, and other regional franchisors. In addition, franchisors of other high-margin services outside of the tax preparation industry that attract entrepreneurs seeking to become franchisees provide competition in the industry. An ability to continue to sell franchises is dependent on brand image, the products and services to be provided through the network, the relative costs of financing and start-up costs, reputation for quality, and marketing and advertising support. However, we believe that it would be difficult for an additional national competitor to emerge in the market for the foreseeable future as there are no existing smaller competitors in the retail tax preparation market that could challenge the market position of Liberty on a national scale due to the expense and length of time required to develop the infrastructure, systems and software necessary to create and support a nationwide network of tax preparation offices.

Do-It-Yourself Preparation

Online tax business also competes with a number of companies. Intuit, Inc., the maker of Turbo Tax, is the largest supplier of tax preparation software for online tax preparation services. H&R Block and Blucora, Inc., the owner of TaxAct, also have substantial online and software-based products.

Tax Return Market Size[1]

The market size of the tax preparation services industry in 2023, measured by revenue, is $14.4 billion and has grown 1.6% per year on average between 2017 and 2022. Tax return growth is relatively insulated from economic downturns and higher unemployment rates as both unemployed and part-time employees are required to file tax returns.

Customer Profile

Low-income earners comprise a large proportion of tax return filers, as over half of all U.S. federal income tax return filers earn less than $50,000 annually; such filers make up approximately 80% of Liberty's customer base.

Tax Preparation Regulatory Environment

The U.S. federal government, various state, local, provincial and foreign governments, and some self-regulatory organizations have enacted statutes and ordinances, or adopted rules and regulations, regulating aspects of Liberty's business. These aspects include, but are not limited to, commercial income tax return preparers, income tax courses, the electronic filing of income tax returns, the offering of refund transfer products, privacy and data security, consumer protection, advertising, franchising, antitrust and competition, sales methods and banking. These laws require continued monitoring for developments in the regulatory environment.

Federal tax return preparation regulation.

Federal law in the U.S. requires tax preparers to, among other things, set forth their signatures and identification numbers on all tax returns prepared by them and retain for three years all tax returns prepared. U.S. federal laws also subject tax preparers to accuracy-related penalties in connection with the preparation of tax returns. Preparers may be enjoined from further acting as tax preparers if they continually or repeatedly engage in specified misconduct. Additionally, all authorized IRS e-file providers must adhere to IRS e-file rules and requirements to continue participation in IRS e-file. Adherence to all rules and regulations is expected of all providers regardless of where they are published and includes, but is not limited to, those described in IRS Publication 1345, Handbook for Authorized

[1] *Source: IBIS World, Tax Preparation Services in the US – Market Size 2003-2028.*

IRS e-file Providers. Various IRS regulations also require tax return preparers to comply with certain due diligence requirements to investigate factual matters in connection with the preparation of tax returns. The IRS conducts audit examinations of authorized IRS e-file providers and tax return preparers, reviewing samples of prepared tax returns to ensure compliance with regulations in connection with tax return preparation activities. From time to time, certain of our franchisees and company-owned offices are the subject of IRS audits to review their tax return preparation activities.

The IRS published final regulations in 2010 that would have imposed mandatory tax return preparer regulations, but federal courts have ruled that the IRS did not have authority to implement those regulations. The IRS has created a voluntary tax preparer certification regime.

In Canada, the provision of income tax return preparation services is generally not subject to the same level of regulatory requirements as in the U.S. In Canada, preparers that file more than 10 federal income tax returns for a fee in a calendar year are required to register and file them electronically with the CRA. The CRA evaluates prospective and existing electronic filers and imposes responsibilities on participants in the electronic filing system, including the need for preparers to annually renew their participation in the electronic filing system, to protect the confidentiality of taxpayer information, and to ensure the accuracy of public communications/advertising. Tax preparers and advisors may also be subject to penalties in connection with their services, especially in connection with the making of false statements that could be used for income tax purposes. Further, the "discounting" of Canadian federal income tax returns (for example, the calculation and payment of part of an anticipated tax refund to a customer before the filing of the corresponding tax return) is subject to specific Canadian federal laws. Among other things, those tax discounting laws limit the consideration a tax discounter may receive in acquiring rights to a taxpayer's tax refund, impose disclosure, filing, and recordkeeping obligations in connection with the discounting transaction, and create a deemed trust for a portion of refunds paid directly to the tax discounter in certain circumstances. Individuals or organizations must also register with the CRA and abide by CRA administrative rules in order to provide tax return discounting services.

State and provincial tax return preparation regulation.

Tax return preparation is also subject to regulation at the U.S. state level. The scope and substance of these regulations vary from state to state, but states also conduct examinations and take enforcement action against tax return preparers. From time to time, certain of Liberty's franchisees and company-owned offices are the subject of state-level audits to review their tax preparation activities. In addition, particularly in the absence of effective IRS regulations imposing mandatory tax return preparer requirements, several states have begun to fill this void by imposing state-level preparer regulatory requirements. We believe Liberty's in-house certification program exceeds these regulatory requirements. In Canada, provincial regulation also exists in certain provinces, in addition to or in parallel with the Canadian federal regulations and rules. The scope and substance of provincial regulation and administrative rules vary across provinces. While most Canadian rules pertaining to tax preparation and tax return discounting are centralized at the federal level with the CRA administering most Canadian annual income tax returns, certain provincial regulators also administer specific provincial regulations and rules.

Financial Privacy Regulation

The Gramm-Leach-Bliley Act and related United States Consumer Financial Protection Bureau ("**CFPB**") and United States Federal Trade Commission ("**FTC**") regulations require income tax preparers to (1) adopt and disclose consumer privacy notices, (2) provide consumers a reasonable opportunity to control (via "opt-out") whether their non-public personal information is disclosed to unaffiliated third-parties (subject to certain exceptions), and (3) implement reasonable safeguards to protect the security and confidentiality of non-public personal information. In addition, the IRS generally prohibits the use or disclosure of taxpayer information by tax return preparers for purposes other than tax return preparation without the prior written consent of the taxpayer. The CFPB or state regulators may issue regulations that apply to our subsidiaries, or certain of our third-party service providers that provide consumer financial services and products. The CFPB or state regulators may examine, and take enforcement actions against, our subsidiaries or our third-party service providers.

Certain states have privacy laws and regulations in addition to the U.S. federal regulations described above. All states have now passed data security breach notice laws, which may require notice to impacted individuals and others if there is unauthorized access to certain sensitive personal information. Several states require income tax return preparers to, among other things, register as a return preparer and comply with certain registration requirements such as testing and continuing education. State regulations may also subject income tax return preparers to accuracy-related penalties in connection with the preparation of income tax returns, and may prohibit preparers from continuing to act as income tax return preparers if they engage in specified misconduct. Certain states have regulations and requirements relating to offering income tax courses. These requirements may include licensing, bonding and certain restrictions on advertising.

In Canada, robust privacy regulation exists at the federal, and in certain cases, the provincial level, in addition to the specific rules that apply in the tax return preparation and discounting context.

Franchise Regulations

Franchising activities in the U.S. are subject to the rules and regulations of the FTC, potential enforcement by the CFPB, and various state laws regulating the offer and sale of franchises. Franchising is not as heavily regulated in Canada and is a purely provincial matter, and similar to the U.S., various Canadian provinces have laws regulating the offer and sale of franchises. The FTC and various U.S. state and Canadian provincial laws require Liberty to furnish to prospective franchisees a franchise disclosure document containing certain prescribed information. This model of mandated disclosure to prospective franchisees is coupled with a duty of good faith and fair dealing owed by each party to the other. In the U.S., a number of states in which we are currently franchising regulate the sale of franchises and require registration of the franchise disclosure document with certain state authorities. Liberty operates under exemptions from registration in several of these states based on net worth and experience. Substantive state and provincial laws regulating the franchisor/franchisee relationship presently exist in a large number of U.S. states and certain Canadian provinces. From time to time in the U.S., bills have been introduced in Congress that would provide for federal regulation of the franchisor/franchisee relationship in certain respects. The state laws often limit, among other things, the duration and scope of non-competition provisions, the ability of a franchisor to terminate or refuse to renew a franchise and the ability of a franchisor to designate sources of supply. From time to time, Liberty may make appropriate amendments to its franchise disclosure document to comply with disclosure obligations under U.S. federal and state laws as well as Canadian provincial laws.

The CFPB Rule discussed above may also apply to loan products offered through Liberty locations.

Consumer & Small and Medium-Sized Enterprises Finance Market

Consumer Finance Market

The consumer market is large and growing. In the third quarter of 2020, total U.S. household debt reached $14.4 trillion, an increase of 21.2% since the third quarter of 2010, according to the New York Federal Reserve's Quarterly Report on Debt and Credit. Among the various types of consumer debt, personal loans were the fastest growing type of consumer debt, growing at a cumulative annual growth rate of 11.7% since third quarter of 2010 according to TransUnion. Despite this rapid growth, a large number of consumers still lack access to adequate credit. According to The Financial Health Network's U.S. Financial Health Pulse study, there are as many as 178 million Americans who are currently underserved by financial services companies, representing 71% of U.S. consumers.

We believe the demand for and the lack of access to credit is fueled by several demographic and socioeconomic trends. Due to wage stagnation over the past several decades, the continued impact of the last decade's financial crisis as well as the onslaught of the COVID-19 pandemic, these consumers are increasingly faced with lack of savings and significant income volatility. According to a May 2019 report from the Federal Reserve, 39% of respondents could not cover an emergency expense of $400 or would cover it by selling something or borrowing money. According to GOBankingRates's annual savings survey published in 2019, 69% of respondents said they have less than $1,000 in a savings account, up from 58% in 2018. Another study by JPMorgan Chase Institute based on its 40 million U.S. customers reported that the median level customer experienced a 36% change in income month-to-month.

Given many consumers' limited savings and lack of credit history, they often do not have access to mainstream, competitively-priced banking products. Currently, a wide variety of consumer finance providers including online and branch-based consumer lenders often fail to address the financial needs of these customers. These companies include consumer loan and finance companies, CSOs, credit card companies, auto title lenders, pawn shops and other financial institutions that offer loans on an unsecured as well as on a secured basis. The loan products offered by such institutions may be too expensive relative to the borrower's ability to pay. Many lenders may sell add-on products, such as credit insurance, that further increase the cost of the loan. Available financing solutions are often structured in a way that force borrowers to become overextended and may have prepayment penalties and balloon payments. There is also indirect competition including bank overdraft facilities and banks' and retailers' insufficient funds policies, many of which may be more expensive for consumers to cover their bills and expenses.

A growing number of fintech lenders are reaching out to these underserved consumers offering easier access to credit, convenience and more transparency than traditional lenders. According to the Federal Reserve, the rapid growth in unsecured personal loans in recent years can be attributed to the arrival of the fintech lenders. While traditional institutions continue to play an important role in consumer lending, much of the growth since 2013 is driven by loans originated by fintech firms. TransUnion estimates that fintech lenders generated over 38% of all personal loans as of Q3 2020 in a dramatic increase from mere 5% in 2013.

We believe the opportunity for future growth of consumer credit products and services remains very substantial given the size of the underserved market.

SME Finance Market

Small businesses form the backbone of the U.S. economy. According to SBA, there are more than 32 million small and medium-sized enterprises ("**SMEs**") in the U.S. today, representing close to 99.9% of all businesses. Nearly half of the people who work in the United States own or work for a small business, according to a 2021 SBA report.

Despite their importance in the economy, SMEs have long struggled to obtain financing, with 42% of small business bank loan applicants being denied credit or given less than sought, according to the 2014 Independent Business Survey by the Institute of Local Self-Reliance. According to an April 2020 survey of the Federal Reserve's 12 regional banks, only 35% of small businesses with at least one employee and annual revenue between $100,000 and $1 million had received bank funding in the past five years. For firms with $100,000 or less in annual revenue, the figure dropped to 24%. In 2007, banks held $286 billion in commercial and industrial loans under $250,000, according to the FDIC, however this dropped to $237 billion by 2012 once the effects of the financial crisis translated into steep defaults and tighter credit conditions prevailed. Since then, small business lending has steadily risen, with commercial and industrial loans under $250,000 reaching $286 billion in 2019, finally matching the same level reached over a decade before.

There are several reasons for the widening chasm in credit. Thousands of community banks disappeared since the financial crisis of 2007-2008, both as a result of the strain on the credit system at the time and increasing pressures faced by subscale deposit institutions with brick-and-mortar business models. This has decreased the availability of financing available to many businesses in many small communities across the country. According to the FDIC, the number of FDIC insured banks dropped to just over 5,000 from over nearly 8,000 in 2010. The recent COVID-19 pandemic has exacerbated the situation for many small businesses, with lenders pulling back credit and tightening underwriting standards for small businesses in 2020 to similar degrees seen during the financial crisis.

The importance of fintech lenders was especially highlighted during the recent financial assistance provided to small businesses by the Federal Reserve, called the Paycheck Protection Program ("**PPP**"). Many businesses have complained that mainstream banks have shied away from considering applications from businesses that were not existing customers, and those that non-customer businesses did manage to secure funding only did so after significant delays. Many such businesses were, however, able to find assistance through a fintech company. Fintech lenders reacted quickly to deliver funds to small businesses across the nation processing PPP loans at scale and gaining new customers.

Similar to the entrance of consumer fintech lenders, nonbank and SME fintech lenders have ramped up their lending to small businesses over the past five years, filling a void left by banks that backed away from the sector following heavy losses during the financial crisis. Fintech companies, like us, bring a wider reach to a broad network of customers not tied to a physical branch presence. Additionally, fintech lenders can often process applications at lower costs given their tech-enabled nature and leverage alternative data for more sophisticated underwriting.

More broadly, the small-business market continues to grow. Despite initial setbacks and major liquidity challenges faced by SMEs at the outset of the COVID-19 pandemic, SMEs have been resilient. Leading indicators such as business applications show a surge in SME formations in the 3rd and 4th quarters of 2020, underpinned by innovators capitalizing on the rapid shifts towards a digital economy that the pandemic has accelerated. We believe the opportunity for our future growth remains very substantial in the SME financial markets given the size of the market for these types of financings.

U.S. Consumer Lending Regulatory Environment

U.S. federal, state and local laws directly and indirectly regulate the alternative financial services industry. Alternative lenders are required to hold lending licenses in various states in which its consumer and small business products are available and must comply with legal and regulatory regimes at the state and federal level applicable to credit transactions and marketing. Certain state laws may, if applicable, regulate interest rates and other charges and require certain disclosures, and may also require licensing for certain activities. All licensing jurisdictions have the authority to supervise and examine the activities of an alternative lender to the extent it holds a license issued by such jurisdiction.

In addition, state laws, public policy and general principles of equity relating to the protection of consumers, including laws addressing debt collection practices and prohibitions against unfair, deceptive and abusive acts or practices may apply to origination, servicing, and collection of loans; such business (including the marketing of bank product loans, origination, servicing and administration of both consumer and business loans) is also subject to other laws, see "*The Business of LoanMe – Regulatory Matters*".

Small Business Lending Regulatory Environment

Federal laws and regulations impacting our commercial lending business include, among others, portions of the Dodd-Frank Wall Street Reform and Consumer Protection Act, or the Dodd-Frank Act, the Equal Credit Opportunity Act, the FCRA, Economic and Trade Sanctions rules, the Electronic Signatures in Global and National Commerce Act, the Service Members Civil Relief Act, the Telephone Consumer Protection Act of 1991 ("**TCPA**"), and Section 5 of the FTC Act prohibiting unfair and deceptive acts or practices. In addition, there are other federal laws that do not directly govern our business but with respect to which we have established certain procedures, including procedures designed to protect our platform from being used to launder money.

State legislatures have begun focusing on disclosure requirements for small business finance transactions. California enacted a commercial financing disclosure law in 2018 requiring non-bank providers of commercial loans that are not secured by real property to provide certain disclosures including an annual percentage rate. This law will become effective once the DFPI adopts implementing regulations. New York enacted similar disclosure legislation in 2020, which became effective on Jan. 1, 2022. Legislatures in Connecticut, New Jersey, Missouri, North Carolina, and Virginia have previously introduced similar commercial finance disclosure legislation that would impact commercial loans if adopted.

In addition, the newly enacted California Consumer Financial Protection Law has empowered the DFPI to define and police unfair, deceptive and abusive acts and practices in small business finance. This expansion of unfair, deceptive, or abusive acts or practices authority will impact providers of commercial finance to California small businesses.

We cannot provide any assurances that additional federal, state, provincial or local statutes or regulations will not be enacted in the future in any of the jurisdictions in which we operate. It is possible that future changes to statutes or regulations will have a material adverse effect on our results of operations or financial condition.

THE BUSINESS OF LIBERTY

Liberty was founded in 1997 and is one of the leading providers of tax preparation services in the United States and Canada with approximately 2,500 locations. Although Liberty operates a limited number of Liberty-owned offices each tax season, its tax preparation services and related tax settlement products are offered primarily through franchised locations. The majority of Liberty's offices are operated under the "Liberty Tax Service" brand. Liberty also provides an online digital Do-It-Yourself ("**DIY**") tax program in the United States. Liberty's business involves providing retail federal and state income tax preparation services and related tax settlement products in the United States and Canada.

General

Key Business Lines and Products

Liberty's principal market is providing tax preparation services for customers in the U.S and Canada through its franchise program and Company-owned operations utilizing special marketing techniques and operating procedures, and platform.

The tax return preparation market is divided into two primary sectors: paid tax preparation and DIY preparation. Approximately 56% of U.S. e-filed tax returns during the 2021 tax season were prepared by paid preparers, Liberty's primary channel of business. Through Liberty's franchise and company-owned offices, it offers tax preparation services and related financial products to its tax customers. Liberty's services and products are designed to provide streamlined tax preparation services for taxpayers who, for reasons of complexity, convenience, or the need for prompt tax refunds, seek assisted tax preparation services. In the 2021 tax season, Liberty and its franchisees accounted for approximately 1.25 million individual tax returns filed through Liberty's Franchisee U.S. retail offices and Company-owned U.S. retail offices, approximately 0.4 million individual tax returns filed through its Canadian retail offices, and approximately 0.04 million individual tax returns through its online (DIY) tax programs.

Paid Tax Preparation

Through Liberty-owned offices and franchised locations, customers can utilize tax professionals for federal and state income tax preparation. From simple tax returns to intricate returns for small businesses, Liberty offers customers a professional service to assist with their tax return filing needs.

Do-It-Yourself Preparation

Although online tax preparation, through Liberty's digital online tax services, represents a small portion of tax returns prepared and the associated revenue, Liberty believes there is a market for customers who wish to prepare their own tax returns using moderately-priced online tax preparation products, and the continued availability of these products may be a part of Liberty's long-term growth, particularly if Liberty is able to successfully integrate its online and retail tax services. Liberty seeks to grow this portion of its business through the integration of mobile tax preparation and bi-directional SMS messaging.

Impact of COVID-19

The COVID-19 pandemic has affected, and is likely to continue to affect, Liberty's financial condition and results of operations for the foreseeable future however in most states, Liberty was deemed an essential business and, therefore, a majority its offices have remained open during the pandemic. Of Liberty's approximately 2,500 total offices (owned or franchised), as of December 31, 2021, none of Liberty's offices were closed due to the COVID-19 pandemic.

Corporate Strategy

We believe industry consolidation will continue to occur as many independent tax preparers look to exit the industry as they are confronted with increased costs, regulatory requirements and demands to provide tax settlement products. We believe our scale will allow us to be a beneficiary of consolidation due to its ability to efficiently address changing regulatory requirements and its ability to provide a fully competitive mix of financial products that are attractive to our customers. We also believe that Liberty has the best-in-class compliance and risk management programs which distinguishes Liberty from the independent tax preparers.

Our focus for Liberty is on growing the number of its franchised offices, increasing the number of tax returns prepared by those offices, and enhancing profitability by offering other complementary services and products that continue to build the brand and increase revenue and profitability both at a corporate and individual level. Liberty's current and future initiatives include adding complementary products and services in certain offices in its brick-and-mortar footprint. These services may include full calendar programs such as consumer lending, insurance products, bookkeeping services and other products. In addition, we expect that recent investments in Liberty's technology platform, including the roll out of its new mobile app, inclusive of the Liberty Wallet, will increase customer engagement leading to higher retention rates, increased product distribution and increased new customer acquisition. For example, through Liberty Mobile, customers can seamlessly choose how they engage with Liberty, via its brick-and-mortar locations, mobile or online.

Franchise Model

Liberty relies on a franchise model for its growth. Under its franchise model, Liberty is able to focus on marketing, franchisee coaching and support, financial product development and other initiatives that assist in driving overall success. In addition, Liberty's franchise model allows it to grow its retail offices with minimal capital expenditures and low fixed costs. Liberty's current number of franchised locations is 2,349. The number of franchised locations at the end of 2021 and 2020 and 2019 was 2,336, 2,510, and 2,968, respectively.

Franchise Territories and Agreements

Under the terms of Liberty's standard franchise agreement, each franchisee receives the right to operate a tax return preparation business under the Liberty Tax Service brand within a designated geographic territory. Liberty divides the United States into approximately 10,000 potential franchise territories. Each territory has a target population of approximately 30,000 people.

Franchise agreements have an initial term of five years and are renewable. The agreements impose various performance requirements on franchisees, require franchisees to use Liberty provided software and equipment designated by it, and obligate Liberty's franchisees to operate in their offices in accordance with standards it establishes. Liberty's agreements require its franchisees to comply with applicable state and federal legal requirements. Although Liberty does not control and is not responsible for any compliance issues that could be caused by its franchisees or their tax preparers, Liberty provides guidance to its franchisees regarding their compliance obligations, including the provision of standard advertising templates, training materials that include detailed compliance information, and systems that alert them to unusual activity. Liberty also uses a variety of means in an attempt to identify potential franchise and tax law compliance issues and require franchisees to address any concerns, including the continued enhancement of a Compliance Department which helps to examine and prevent non-compliance, fraud and other misconduct among its franchisees and employees.

Franchise Fees and Royalties

Franchisees presently have several options for acquiring a new undeveloped territory and are permitted to open more than one office in a territory. The typical franchise fee is $40,000. Liberty may offer special financing programs to qualified franchisees. Its franchise agreement requires franchisees to pay Liberty a base royalty equal to 14% of the franchisee's tax preparation revenue, subject to certain specified minimums. Franchisees are also required to pay Liberty an advertising fee of 5% of their tax preparation revenue.

Franchisee Support

Liberty provides substantial support to its franchisees in a variety of ways. Liberty's franchise agreement requires its franchisees to adhere to certain minimum standards, including the use of tax preparation software Liberty provides, the use of computers and other equipment that Liberty selects (but does not sell), training requirements, and other criteria. Liberty makes substantial training opportunities available to its franchisees and their prospective employees, and requires each franchisee to send representatives to a three day-long Initial Owners Training seminar before they are allowed to operate a franchise location. Liberty also makes intermediate and advanced training available to franchisees, offers "Tax School" classes for franchisees and prospective tax preparers, and provides substantial phone and internet-based support, particularly during the tax season. During the tax season, Liberty maintains a fully-staffed operations center with extended hours at its corporate headquarters. During the peak tax season, daily conference calls are held in which Liberty shares and allows other franchisees to share recommendations and techniques for improving office performance, and in which Liberty emphasizes the importance of implementing the marketing plan recommended as part of its franchisee training. As a result of the COVID-19 pandemic, many franchisee trainings and operational support are now offered virtually.

Company-Owned Offices

During the 2021 tax season, Liberty operated 134 company-owned offices, 21 of which were seasonal offices. Liberty prefers to operate through franchise locations, and most of the Liberty-owned offices it operates are offices that have been previously owned by former franchisees who have ceased operations or failed to meet Liberty's performance standards. Rather than close offices that it believes have the potential to be successful, Liberty operates them as Liberty-owned offices and may re-franchise them at a later date. Liberty's current mix of franchise and company-owned offices reflects this philosophy.

Financial Products

Liberty expends considerable effort to ensure that its franchisees are able to offer a complete range of tax settlement products to its customers, and to provide its customers choices in these products. Liberty offers these products because it believes that a substantial portion of its prospective customers place significant value on the ability to monetize their expected income tax refund more quickly than filing their tax return without utilizing the services of a paid tax preparer. Liberty offers two types of tax settlement products: refund transfer products and refund-based loans.

- **Refund Transfer Products**. Many of Liberty's tax customers seek products that will enable them to obtain access to their tax refunds more quickly than they might otherwise be able to receive those funds. Liberty believes that many of its customers are unbanked, in that they do not have access to a traditional banking account, and therefore, cannot make such an account available to the IRS and other tax authorities for the direct deposit of their tax refunds. Additionally, customers may have access to a traditional banking account, but for personal reasons, may prefer not to utilize that account for the deposit of their tax refunds. A refund transfer product involves direct deposit of the customer's tax refund into a newly established temporary bank account in the customer's name that Liberty establishes with one of its banking partners that have contracted with one of Liberty's subsidiaries, JTH Financial, LLC ("**JTH Financial**"). The balance of the customer's refund, after payment of tax preparation and other fees will be delivered to the customer by paper check, prepaid card, or a direct deposit into a customer's existing bank account. When the prepaid card option is elected, the card is issued through one of Liberty's financial product partners and is branded with the Liberty logo. When Liberty delivers a physical refund check to a customer, Liberty is generally able to print the check in one of its retail tax offices on check stock paper within a matter of hours after the electronic deposit of the customer's refund has been made to the customer's temporary account. Liberty also enters into check-cashing arrangements with a number of retail establishments, which facilitate the ability of its customers to monetize their tax refund checks even when they do not have traditional banking relationships. Liberty believes the continued availability of refund transfers will enable it to continue to offer an adequate mix of tax settlement products to its customers.

- **Refund-Based Loans**. Liberty partners with certain banks to make available a refund-based loan to its customers ("**Refund Advance**"). Approved customers have historically been charged a fee of approximately 36% annual percentage rate for the Refund Advance. Currently, there are no additional requirements for the customer to pay for any additional products, such as a refund transfer, to receive a Refund Advance.

Liberty believes its ability to offer refund transfers and refund-based loans will enable it to continue to meet its customer's needs. The number of customers in Liberty's U.S. offices receiving its refund transfer products was 43%, for the 2021 tax season.

Online Tax Preparation

Although online tax preparation, through Liberty's digital online tax services, represents a small portion of tax returns prepared and associated revenue, Liberty believes there is a market for customers who wish to prepare their own tax returns using moderately priced online tax preparation products, and the continued availability of these products may be a part of Liberty's long-term growth, particularly if it is able to successfully integrate its online and retail tax services. Leading with a mobile first strategy, it is expected that this portion of Liberty's business will grow through the integration of mobile tax preparation and bi-directional SMS messaging.

Seasonality

The tax return preparation business is highly seasonal, and Liberty historically generates most of its revenues during the period from January 1st through April 30th. Liberty generally operates at a loss during the period from May 1st through year-end, during which it incurs costs associated with preparing for the upcoming tax season. The 2021 tax filing deadline was extended from April 30 to June 15, 2021 for Texas and Oklahoma and May 15, 2021 for all other states.

Information Technology

Liberty directly or through its designated third party, licenses to franchisees tax preparation computer software for tax return preparation and transmittal of individual and business federal tax and related state tax returns, via electronic filing and the provision of financial products through the Liberty brand to franchisees. Liberty maintains a Disaster Recovery and Business Continuity plan in the event of interruption. Liberty utilizes two separate data centers to host all technology, and those data centers are replicated real-time to minimize downtime in the event of a disaster. Additionally, Liberty adheres to data privacy and cyber security industry best practices, standards, and laws including, but not limited to, IRS Trusted Customer, PCI, NIST, California Consumer Privacy Act ("**CCPA**") and STAR. Liberty continually monitors cybersecurity risks and addresses those risks with multiple layers of risk detection and remediation tools and processes.

Specialized Skill and Knowledge

Liberty's tax professionals provide personal and business tax preparation assistance though its company-owned and franchise operations.

New Products

Liberty offers other relatively new products and services to its customers through third-party providers or affiliates such as consumer lending, identity theft protection, credit restoration services, roadside assistance, telemedicine services.

Employees

As of December 31, 2021, Liberty had 633 employees, consisting of 354 employees in its corporate operations, primarily located in Virginia Beach, Virginia and Hurst, Texas offices and 279 employees at Liberty's company-owned offices. Many of Liberty's employees are seasonal and Liberty has 291 corporate employees and 464 employees at Liberty's company-owned offices as of the date hereof. Liberty considers its relationships with its employees to be good.

Competition

The paid tax preparation market is highly competitive. Liberty competes with tens of thousands of paid tax return preparers, including H&R Block, Jackson Hewitt, regional and local tax return preparation companies, most of which are independent and some of which are franchised, regional and national accounting firms, financial service institutions that prepare tax returns as part of their businesses and online preparation services. Liberty's ability to compete in the tax return preparation business depends on its product mix, price for services, customer service, the specific site locations of its offices, local economic conditions, quality of on-site office management, the ability to file tax returns electronically with the IRS and state tax authorities, and the availability of tax settlement products to offer to its customers.

Liberty also competes for the sale of tax return preparation franchises with H&R Block, Jackson Hewitt, and other regional franchisors. In addition, Liberty competes with franchisors of other high-margin services outside of the tax preparation industry that attract entrepreneurs seeking to become franchisees. Liberty's ability to continue to sell franchises is dependent on its brand image, the products and services to be provided through its network, the relative costs of financing and start-up costs, its reputation for quality, and its marketing and advertising support.

Intellectual Property

Liberty's intellectual property includes its branding, franchise base, customer lists and proprietary software. Liberty regards its intellectual property as critical to its success and it relies on trademark, copyright, and trade secret laws in the United States to protect its proprietary rights. Liberty pursues the protection of its service mark and trademarks by applying to register key trademarks in the United States. The initial duration of federal trademark registrations is ten years. Most registrations can be renewed perpetually at 10-year intervals. In addition, Liberty seeks to protect its proprietary rights through the use of confidentiality agreements with employees, consultants, vendors, advisors, and others. Liberty is the owner of several federal service mark registrations including the Lady Liberty logo, "Liberty Tax," "Liberty Tax Service," "Liberty Income Tax," and "Liberty Canada."

Regulatory Matters

Liberty and its franchisees must comply with laws and regulations relating to its businesses. Regulations and related regulatory matters specific to its tax businesses are:

- Tax Return Preparation Regulation;
- State and provincial tax return preparation regulation;
- Financial Privacy Regulation; and
- Franchise Regulations.

See “*Market Overview - Tax Preparation Regulatory Environment*”.

Liberty engages in significant efforts to enhance tax compliance by its franchisees and their preparers, including the use of a franchisee alert system that identifies anomalous patterns, compliance audits of selected offices and returns, additional training requirements and actions taken against problematic preparers (including blacklisting to prevent their hiring by other franchisees and reporting to the IRS).

In December 2019, Liberty entered into a global settlement with the United States Department of Justice (the “**DOJ**”) that resolved their prior investigation of Liberty’s policies, practices and procedures in connection with its tax return preparation activities and tax compliance program. In connection with the settlement, Liberty agreed to make a compliance payment to the IRS in the amount of $3.0 million to be paid in installments over four years, starting with an upfront payment of $1.0 million, followed by a $0.5 million payment on each anniversary thereafter. Liberty also agreed to retain an independent compliance monitor to oversee the implementation of required enhancements to the compliance program. Since entering into the settlement, Liberty has continued to enhance its Compliance Department which is tasked with examining and preventing non-compliance, fraud and other misconduct among Liberty’s franchisees and their employees and is required to fully cooperate with the independent monitor to ensure Liberty meets the terms of the settlement.

In addition, in the past Liberty’s tax preparation business has been the subject of litigation alleging violations of state-specific refund anticipation loan and other consumer statutes alleging that a refund transfer product represents a form of refund anticipation loan because the taxpayer is “loaned” the tax preparation fee, and that a refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating refund anticipation loans. Although this litigation was resolved through a settlement, the underlying issue may be the subject of additional regulation and litigation in the future. See “*Risk Factors – Risks Relating to the Tax Return Preparation Business*” in this AIF for a discussion of the risks associated with these matters.

THE BUSINESS OF LOANME

LoanMe was an online lender and loan marketer that facilitated bank product installment loans, originated unsecured consumer and small business installment loans, and offered Merchant Cash Advances (“**MCAs**”) in the United States. LoanMe conducted its business principally through its mobile-friendly website, www.loanme.com, which allowed consumers and businesses to apply for all financial products offered by LoanMe. LoanMe was incorporated in the State of Nevada in 2012 and commenced operations in May 2014. As previously set forth, the Company is in the process of winding down the LoanMe segment.

Products

To obtain a consumer loan, small business loan, or an MCA from or via LoanMe, consumers or businesses first completed an application either electronically submitted at www.loanme.com or by calling the LoanMe call center and having a LoanMe agent assist. During the application process, LoanMe used proprietary credit decisioning and risk grading algorithms to evaluate and segment the applicant’s risk profile. Applications for MCAs were submitted via dedicated portal.

After the applicant selected their desired product, LoanMe used an advanced bank verification system, provided by a third-party service provider, enabling lenders to instantly verify a potential borrower’s last 90 days of banking information online and in real-time. This also served as a form of fraud protection because it required the applicant to successfully log into their bank account with their financial institution. If the applicant’s banking institution was not compatible with the third-party service provider, the applicant was required to provide copies of their bank statements, including a recent transaction history for transaction dates that are not yet available via a bank statement.

LoanMe used a variety of third-party analytical tools to assess the threat of fraud with respect to each applicant and based on the results of that assessment, could take additional steps. Pursuant to red flag guidelines, certain applications were escalated for a manual fraud department review in addition to automated fraud checks and underwriting.

Once an installment loan application was approved, the applicant was required to sign a promissory note or purchase agreement via an e-signature. The loan applicant did so by logging into LoanMe's mobile-friendly website with their user name and password. Often, there was a LoanMe agent on the telephone with the applicant as they reviewed the promissory note and completed the e-signature. After the promissory note was signed, the file was sent to the funding department for review. The funding department reviewed the borrower's banking information to ensure that no additional steps needed to be taken for successful disbursement of loan proceeds. For non-business products, the funding department would perform a verification of employment before disbursing funds. Typically, this was done by calling the employer listed on the application and verifying employment prior to funding. Funds were disbursed either via a fed wire Monday through Friday or, when possible, pushed to the consumer's debit card any day or time of the week.

Credit Criteria and Underwriting

Across its lending products, LoanMe utilized a proprietary credit analysis model that used a logistical regression methodology to predict the probability of borrower default.

Small Business Loan Products

Unsecured small business installment loans were offered by LoanMe to applicants who meet the Small Business Loan Credit Criteria (as defined below). Loans originated in amounts ranging from $3,500 to $200,000 with terms of up to 120 months.

Small Business Loan Credit Criteria

LoanMe offered small business loans to applicants who satisfied certain underwriting guidelines and credit criteria. LoanMe's risk management team periodically reviewed and revised its underwriting guidelines and credit criteria, generally based on analytic and portfolio monitoring results. Any changes to LoanMe's underwriting guidelines and credit criteria were required to go through internal approval.

Small Business Origination Fees & Interest Rate

Borrowers paid origination fees out of the proceeds of the loan at the time of funding. Origination fees ranged from 5% to 10% were charged and retained by LoanMe and included in the principal balance of the loan. LoanMe small business loans were offered with stated interest rates from 39% to not more than 159%.

Small Business Merchant Cash Advance Products

MCAs were offered to applicants who satisfied certain purchase criteria.

MCA Factor Rates

MCAs were offered with a factor rate (being the money factor that is multiplied against the amount purchased, with the resulting calculation determining the business owner's total repayment amount) of at least 1.15 and not more than 1.59.

Consumer Loan Products

Unsecured consumer installment loans were offered by LoanMe to applicants who met certain credit criteria (as defined below). Loans were originated in amounts ranging from $1,000 to $20,000 with terms of up to 84 months, and were categorized in the following product tiers: Near Prime Home Owner, Near Prime Non Home Owner and Flex. LoanMe's Near Prime consumer products were offered at interest rates at or below 36% and Flex products allowed borrowers to tailor the amount borrowed.

Consumer Loan Origination Fees & Interest Rate

Borrowers paid origination fees out of the proceeds of the loan at the time of funding. The origination fees ranged from $0 to $75 for the Near Prime product tiers and 0% to 10% of the principal balance for the Flex product tier. The origination fee was advanced to the borrower and included in the principal balance of the related loan.

LoanMe consumer loans were offered with a stated interest rate of at least 17.9% and not more than 98%.

Bank Products

LoanMe acted as a loan finder and marketing agent for a state-chartered bank. A wholly-owned subsidiary of LoanMe, InsightsLogic, a Delaware limited liability company, provided back office services for the bank, including applying the bank's underwriting criteria to loan applications. The credit criteria, fees, and interest rates were set by the bank and were proprietary to the bank.

Servicing Policies and Procedures of LoanMe

Loan Collections

LoanMe continues to service certain previously originated loans. LoanMe contracts with sub-servicers that provide transaction functions. Payments on serviced loans are primarily collected through Automated Clearing House debits from a borrower's bank account, although payments are also accepted by check, wire, debit card, MoneyGram Express Payment, "Check by Phone", Western Union Speedpay, Pay Near Me, remotely created checks, and customer walk-ins. All payments received on serviced loans are posted within 24 hours of receipt.

Delinquent loans are either collected by the sub-servicer or a third party collection agency. Subject to accepted servicing practices and specific contractual restrictions, LoanMe's policies with respect to any delinquent or defaulted loan include: (i) pursuing modifications in accordance with LoanMe's loss mitigation policy; (ii) restructuring the debt; (iii) waiving late fees and other charges; (iv) forgiving interest or otherwise reducing the amount owed on the loan; (v) pursuing legal action to enforce remedies for default; and (vi) charging off such loan in accordance with LoanMe's charge-off policy.

Principal Markets

Through LoanMe's own offerings or bank products, LoanMe was able to originate or facilitate a loan or advance product in all 50 states.

LoanMe small business loan products were offered in Alabama, Arizona, California, District of Columbia, Delaware, Hawaii, Iowa, Idaho, Illinois, Indiana, Kansas, Kentucky, Louisiana, Maryland, Maine, Missouri, Mississippi, North Carolina, Nebraska, New Hampshire, New Jersey, New Mexico, Ohio, Oregon, South Carolina, Utah, Washington, Wisconsin, Wyoming and Virginia.

LoanMe MCAs were offered in Alaska, Arkansas, Colorado, Connecticut, Florida, Georgia, Massachusetts, Michigan, Minnesota, Montana, Nevada, New York, North Dakota, Oklahoma, Pennsylvania, Rhode Island, South Dakota, Tennessee, Texas, Vermont and West Virginia.

LoanMe facilitated loans on behalf of a Utah state-chartered bank in Arizona, Delaware, Florida, Idaho, Indiana, Kentucky, Michigan, Minnesota, Missouri, Mississippi, Montana, Nebraska, New Mexico, Ohio, Oklahoma, Tennessee, Utah and Virginia.

LoanMe offered high interest consumer loans in California and South Carolina. It offered a Near Prime interest rate loan in Arizona, California, Delaware, Florida, Idaho, New Mexico, Missouri, Utah, and South Carolina.

LoanMe also offered a credit access business product in Texas.

Regulatory Matters

U.S. federal, state and local laws directly and indirectly regulated LoanMe's activities. LoanMe was required to hold lending licenses in various states in which its consumer and small business products were available. In conducting its business, LoanMe was required to comply with legal and regulatory regimes at the state and federal level applicable to credit transactions and marketing. Certain state laws may, if applicable, regulate interest rates and other charges and require certain disclosures, and may also require licensing for certain activities. All licensing jurisdictions have the authority to supervise and examine the activities of LoanMe to the extent it holds a license issued by such jurisdiction.

In addition, state laws, public policy and general principles of equity relating to the protection of consumers, including laws addressing debt collection practices and prohibitions against unfair, deceptive and abusive acts or practices may apply, or may have applied, to LoanMe's origination, servicing, and collection of loans. LoanMe's business (including the marketing of bank product loans, origination, servicing and administration of both LoanMe consumer and business loans) was also subject to other United States laws, including but not limited to:

- the Federal Truth-in-Lending Act and Regulation Z promulgated thereunder, which require certain disclosures to borrowers regarding the terms of their loans and also prohibit mortgage loan originators from, among other things, receiving compensation based upon the relative profitability of a mortgage loan;
- the Federal Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination in the extension of credit on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act;
- the Federal Fair Housing Act, which prohibits discrimination in the sale or rental of housing, including against individuals seeking a mortgage, based on race, color, national origin, religion, sex, familial status, and disability;
- the Americans with Disabilities Act of 1990, which prohibits discrimination against individuals with disabilities in all areas of public life, including a lack of an accessible website for products (including loans and other extensions of credit) offered online;
- the Federal Fair Credit Reporting Act and Regulation V promulgated thereunder, and similar state laws, including but not limited to the California Consumer Credit Reporting Agencies Act, which regulate the use and reporting of information related to each applicant's credit history and imposes restrictions on the marketing of credit products through prescreened solicitations based on consumer report information;
- the Federal Fair Debt Collection Practices Act, which regulates debt collection practices by "debt collectors" and prohibits debt collectors from engaging in certain practices in collecting, and attempting to collect, outstanding consumer loans;
- the TCPA, which prohibits the use of automated telephone dialing systems to contact mobile devices (including via text messages) without the prior express consent of the called party, to the extent that LoanMe uses telephones to contact borrowers in connection with the servicing or collection of loans;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1036 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which prohibits unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service and analogous state laws prohibiting unfair, deceptive or unconscionable trade practices;
- the Federal Holder in Due Course Rule (under the Federal Trade Commission Act), which permits borrowers of certain loans to assert any claims and defenses that they would have against the originator of a loan against subsequent purchasers of such loan;
- the Federal Credit Practices Rule (under the Federal Trade Commission Act), which prohibits creditors from using certain contract provisions that the Federal Trade Commission found to be unfair to consumers (including confessions of judgment, waivers of exemption, wage assignments, and security interests in household goods), requires creditors to advise consumers who cosign obligations about their potential liability if the other person fails to pay, and prohibits late charges in some situations;
- the CCPA, which provides consumer rights with respect to personal information, imposing obligations to disclose the categories and uses of personal information a business collects and providing consumers a right to access that information, a right to opt out of the sale of personal information and a right to request that a

business delete personal information about the consumer subject to certain exemptions. Other states and possibly the federal government may adopt laws similar to the CCPA;

- the Federal CAN-SPAM Act and the Telemarketing Sales Rule, and analogous state laws;
- the privacy provisions of the Gramm-Leach-Bliley Act and the Federal Affiliate Marketing Rule, and analogous state laws, such as the California Financial Information Privacy Act, which include limitations on financial institutions' disclosure of nonpublic personal information about a consumer to affiliated and nonaffiliated third parties and other privacy laws and regulations;
- the Bankruptcy Code, which limits the extent to which creditors may seek to enforce debts against parties who have filed for bankruptcy protection;
- the Servicemembers Civil Relief Act, which allows military members to suspend or postpone certain civil obligations and limits interest rates on certain obligations of servicemembers to 6% per annum;
- the Military Lending Act, which caps the maximum annual percentage rate on loans to active duty military servicemembers and their dependents at 36% and exempts such borrowers from mandatory arbitration requirements;
- the Federal Electronic Fund Transfer Act and Regulation E promulgated thereunder, as well as rules of payment networks and the National Automated Clearing House Association, which require separate customer authorization for a loan servicer to use preauthorized recurring electronic transfers for customer payments and provide disclosure requirements, guidelines and other restrictions on the electronic transfer of funds to and from consumers' bank accounts;
- the CFPB Rule (Regulation OO), which restricts certain loan repayment practices. The compliance date of Regulation OO is currently stayed pursuant to a court order issued in *Community Financial Services Association v. CFPB*, No. 1:18-cv-00295 (W.D. Tex. Nov. 6, 2018). As a result, lenders have no obligation to comply with the Rule until the court-ordered stay is lifted;
- the Electronic Signatures in Global and National Commerce Act and similar state laws, including, without limitation, the Uniform Electronic Transactions Act, which authorize the creation of legally binding and enforceable agreements utilizing electronic records and signatures and govern the circumstances in which a person may electronically provide disclosures otherwise required to be in writing;
- the Bank Secrecy Act and the USA PATRIOT Act, which relate to compliance with anti-money laundering, customer due diligence and record-keeping policies and procedures;
- certain state licensing and/or registration requirements;
- other state-specific regulations; and
- state and federal securities laws.

THE BUSINESS OF COMMUNITY TAX

General

The Company's Community Tax segment is a market leader in the tax debt resolution industry with a mission to make quality tax help affordable and accessible to everyday people so that they can take control of their lives. The business combines discipline-specific expertise in tax resolution with a commitment to operational discipline and innovative human capital frameworks to provide clear client value at acceptable price points for most American households. Community Tax delivers services in English and Spanish by way of seamlessly bi-lingual operations, with Spanish speaking staff present across departments in a fully-integrated fashion.

Community Tax has historically driven customer growth by leveraging direct response marketing which ultimately results in a telephone call to the company's inbound call centers, or via a visit to one of the business' web properties, including www.communitytax.com. The business's primary website provides a broad array of information about Community Tax's programs and allows the prospective customer to fill out a brief form which results in such prospects receiving a service call shortly thereafter, during business hours.

Community Tax was incorporated and began operations in 2010 in the State of Illinois. Since its founding, Community Tax has resolved nearly $1 billion in IRS and state tax delinquencies, and enrolled over 100,000 customers.

Key Business Lines and Products

Community Tax principally provides tax debt resolution services aligned with IRS administrative processes. The business provides these services through a two-phase process calculated to right-size solutions to the particulars of the client's tax matter, thereby ensuring both clear value delivery and price acceptability.

To enroll as a Community Tax customer, a prospect must contact Community Tax to discuss their tax situation with an enrollment analyst. During the initial conversation, the enrollment analyst will determine whether or not the client has a liability that warrants engaging professional representation. Clients engaging Community Tax electronically sign a customer service agreement at the conclusion of the initial consultation.

Community Tax's introductory service, the investigation program or "Phase 1", involves Community Tax's contacting the IRS or state taxing authority to obtain the client's tax history, and evaluating a customer's tax transcripts along with their financials in order to determine the most affordable and efficient tax resolution program possible for the customer's unique situation. This process takes roughly 1-7 business days and undergoes a review by multiple experienced tax practitioners prior to delivery of the findings to the customer. The customer will then decide whether or not to proceed with the resolution service or "Phase 2."

"Phase 2" generally involves preparation of prior year unfiled returns and negotiation with the IRS or state taxing authority into a number of programs offered by the IRS or state taxing authority. Among these programs are installment agreements, which can include streamlined, no documentation agreements, or full documentation agreements. Installment agreements are often full repayment obligations, however, there are also circumstances in which a partial payment agreement can be achieved. In situations where the client is unable to afford any repayment, or have limited assets, it is possible to obtain an offer-in-compromise, or remain in a non-collectible status with the IRS until the statue of limitations expires.

In addition to IRS resolution services, Community Tax offers on-going tax preparation services to consumers, tax extension services, as well as a monthly IRS monitoring program. The monitoring program involves Community Tax retaining access to customer transcripts and receiving customer mail to monitor for default of any IRS resolution program. This enables the customer to re-engage Community Tax to prevent any collection actions. The program includes a tax return at year end to help protect any settlement in place with the IRS.

Principal Markets

Community Tax prepares tax returns for customers in all 50 US States. Community Tax also offers IRS resolution services in each state, other than Minnesota and North Dakota. At the present time, Community Tax offers state tax resolution services in California and New York exclusively.

Corporate Strategy

Community Tax has grown its business by continuously evolving its marketing mix and human capital structures, and by maintaining a commitment to continuous improvement in operational discipline. In order to grow its core resolution services, Community Tax must continue to find new ways to obtain new clients in a cost-effective manner. Community Tax intends to diversify beyond traditional marketing efforts and leverage its partnership with Liberty Tax to build a channel partnership platform. Additionally, resources are continually spent searching for new ways to secure clients at affordable price points. Community's marketing channels include direct mail, social media, affiliates, search engine optimization, search engine marketing, radio and television. Community Tax additionally enjoys a first mover advantage, and retains a strong, segmented foothold, as a leader in providing tax resolution services to Spanish speakers. Continued refinement of Community Tax's marketing, sales, and operational approach to this market segment will be key to future growth. Future revenue growth will additionally be dependent upon the business further developing ancillary synergistic services to offer its existing clients, by way of a network of trusted third-party referrals.

Information Technology

Community Tax leverages a highly customized version of SugarCRM as a Customer Relationship Management tool to deliver its services to its client base. Community has built a number of customer applications interfaces which are used in conjunction with the CRM. Community Tax leverages several third-party systems for telephony, marketing tracking, and business intelligence.

Community Tax backs up continuously, and stores backups, both on-premise, as well as in geographically redundant cloud locations. Community Tax also leverages hosted web services via Amazon and Digital Ocean. Community Tax utilizes market standard information security, anti-virus and anti-malware software to protect against advanced threats such as business email compromise and credential phishing. Community Tax scans all inbound and outbound email messages by leveraging the Mimecast enterprise email security program. Community Tax's physical network is protected behind an enterprise grade firewall with Intrusion Detection and Prevention enabled. The firewall is constantly scanning all traffic entering and exiting our network.

Community Tax expects full integration into the larger NextPoint Financial IT infrastructure in fiscal 2023.

Specialized Skill and Knowledge

Community Tax has dozens of licensed tax practitioners on staff consisting of state licensed attorneys, IRS enrolled agents, and Certified Public Accountants. Beyond professional certification, this professional staff offers over a decade of institutional experience in the specific discipline of tax resolution practice before the IRS and state-specific tax authorities.

Employees

As of the date hereof, Community Tax has approximately 126 full-time employees. Community Tax also leverages offshore labor via third party call centers.

Competition

The tax debt resolution market is highly competitive and fragmented. We estimate that there are a small group of competitors that generate revenues in excess of thirty million annually, and a number of other competitors in the $10-$30 million range of annual revenues. Additionally, there are a number of smaller operations, and small CPA firms, or IRS enrolled agents that perform resolution services for their clients as the need arises.

Intellectual Property

Community Tax relies on a combination of copyright, trade secret, trademark and other rights, as well as confidentiality procedures and contractual provisions to protect its proprietary technology, internal processes, and other intellectual property.

Regulatory Matters

U.S. federal, state and local laws directly and indirectly regulate Community Tax's activities. Representation before the IRS is governed under IRS Circular 230. In addition, state laws, public policy and general principles of equity relating to the protection of consumers, including laws addressing prohibitions against unfair, deceptive and abusive acts or practices may apply to Community Tax's service offering. Community Tax's sales, marketing, and service functions are also subject to other laws, which many include but are not limited to:

- the Americans with Disabilities Act of 1990, which prohibits discrimination against individuals with disabilities in all areas of public life, including a lack of an accessible website for products (including loans and other extensions of credit) offered online;

- the Federal Fair Credit Reporting Act and Regulation V promulgated thereunder, and similar state laws, including but not limited to the California Consumer Credit Reporting Agencies Act, which regulate the use and reporting of information related to each applicant's credit history and imposes restrictions on the marketing of credit products through pre-screened solicitations based on consumer report information;
- the Federal Fair Debt Collection Practices Act, which regulates debt collection practices by "debt collectors" and prohibits debt collectors from engaging in certain practices in collecting, and attempting to collect, outstanding consumer loans;
- the TCPA, which prohibits the use of automated telephone dialing systems to contact mobile devices (including via text messages) without the prior express consent of the called party;
- Section 5 of the Federal Trade Commission Act, which prohibits unfair and deceptive acts or practices in or affecting commerce, and Section 1036 of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which prohibits unfair, deceptive or abusive acts or practices in connection with any consumer financial product or service and analogous state laws prohibiting unfair, deceptive or unconscionable trade practices;
- the CCPA, which provides consumer rights with respect to personal information, imposing obligations to disclose the categories and uses of personal information a business collects and providing consumers a right to access that information, a right to opt out of the sale of personal information and a right to request that a business delete personal information about the consumer subject to certain exemptions. other states and possibly the federal government may adopt laws similar to the CCPA;
- the Federal CAN-SPAM Act and the Telemarketing Sales Rule, and analogous state laws;
- the privacy provisions of the Gramm-Leach-Bliley Act and the Federal Affiliate Marketing Rule, and analogous state laws, such as the California Financial Information Privacy Act, which include limitations on financial institutions' disclosure of non-public personal information about a consumer to affiliated and non-affiliated third parties and other privacy laws and regulations; and
- other state-specific regulations.

DESCRIPION OF CAPITAL STRUCTURE

*The following description of the Company's share capital summarizes certain provisions to be contained in the Company's articles of amendment (the "**Articles**"). These summaries do not purport to be complete and are subject to, and are qualified in their entirety by reference to, all of the provisions of the Articles which are available on SEDAR at www.sedar.com.*

General

The Company's authorized share capital consists of (i) an unlimited number of Common Shares and (ii) an unlimited number of Proportionate Voting Shares. As at the date hereof, an aggregate of 20,565,849 Common Shares are issued and outstanding and 168,550 Proportionate Voting Shares are issued and outstanding.

Generally, the Common Shares and Proportionate Voting Shares (together, the "**Shares**") have the same rights, are equal in all respects and are treated by NextPoint Financial as if they were shares of one class only.

Conversion Rights and Transfers

Issued and outstanding Proportionate Voting Shares, including fractions thereof, may at any time, subject to the FPI Condition (as defined below), at the option of the holder, be converted into Common Shares at a ratio of one hundred (100) Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio. Further, the Board may determine in the future that it is no longer advisable to maintain the Proportionate Voting Shares as a separate class of shares and may cause all of the issued and outstanding Proportionate Voting Shares to be converted into Common Shares at a ratio of one hundred (100) Common Shares per Proportionate Voting Share with fractional Proportionate Voting Shares convertible into Common Shares at the same ratio and the Board shall not be entitled to issue any more Proportionate Voting Shares under the Articles thereafter.

The Proportionate Voting Shares are not transferrable without Board approval, except to Permitted Holders and in compliance with U.S. securities laws.

Conversion Conditions

The right of the Proportionate Voting Shares to convert into Common Shares is subject to certain conditions in order to maintain NextPoint Financial's status as a "foreign private issuer" under U.S. securities laws. Unless otherwise waived by NextPoint Financial, the right to convert the Proportionate Voting Shares is subject to the condition that the aggregate number of Common Shares and Proportionate Voting Shares (calculated as a single class) held of record, directly or indirectly, by residents of the United States (as determined in accordance with Rules 3b-4 and 12g3-2(a) under the Securities Exchange Act of 1934) may not exceed forty percent (40%) of the aggregate number of Common Shares and Proportionate Voting Shares issued and outstanding after giving effect to such conversions (calculated as a single class) (the "**FPI Condition**").

A holder of Common Shares may at any time, at the option of the holder and with the consent of NextPoint Financial, convert such Common Shares into Proportionate Voting Shares on the basis of one hundred (100) Common Shares for one (1) Proportionate Voting Share.

No fractional Common Shares will be issued on any conversion of any Proportionate Voting Shares and any fractional Common Shares will be rounded down to the nearest whole number.

As of June 30, 2022, the Company concluded that it no longer satisfied the requirements to qualify as a "foreign private issuer", as determined in accordance with Rule 3b-4 under the Exchange Act. Nevertheless, based on the number of holders of record of the Company's outstanding voting securities (as determined in accordance with Rule 12g5-1 under the Exchange Act), the Company is not required to register its securities under Section 12(g) of the Exchange Act and is not subject to the reporting requirements of Section 13(a) of the Exchange Act.

For the purposes of the foregoing:

"**Affiliate**" means, with respect to any specified Person, any other Person which directly or indirectly through one or more intermediaries controls, is controlled by, or is under common control with such specified Person.

"**Permitted Holders**" means (i) the initial holders of Proportionate Voting Shares, as applicable, on closing of the Qualifying Acquisition; and (ii) any Affiliate or Person controlled, directly or indirectly, by one or more of the Persons referred to in clause (i) above.

"**Person**" means any individual, partnership, corporation, company, association, trust, joint venture or limited liability company.

A Person is "**controlled**" by another Person or other Persons if: (i) in the case of a company or other body corporate wherever or however incorporated: (A) securities entitled to vote in the election of directors carrying in the aggregate at least a majority of the votes for the election of directors and representing in the aggregate at least a majority of the participating (equity) securities are held, other than by way of security only, directly or indirectly, by or solely for the benefit of the other Person or Persons; and (B) the votes carried in the aggregate by such securities are entitled, if exercised, to elect a majority of the board of directors of such company or other body corporate; or (ii) in the case of a Person that is not an individual or a company or other body corporate, at least a majority of the participating (equity) and voting interests of such Person are held, directly or indirectly, by or solely for the benefit of the other Person or Persons; and "controls", "controlling" and "under common control with" shall be interpreted accordingly**.**

Voting Rights

All holders of Shares will be entitled to receive notice of any meeting of shareholders of NextPoint Financial, and to attend, vote and speak at such meetings, except those meetings at which only holders of a specific class of shares are entitled to vote separately as a class under the BCBCA. A quorum for the transaction of business at a meeting of shareholders is present if at least two Persons who are, or who represent by proxy, shareholders who in the aggregate hold at least 25% of the issued shares entitled to be voted at the meeting.

On all matters upon which holders of Shares are entitled to vote:

- each Common Share is entitled to one (1) vote per Common Share; and
- each Proportionate Voting Share is entitled to one hundred (100) votes per Proportionate Voting Share, and each fraction of a Proportionate Voting Share is entitled to the number of votes calculated by multiplying the fraction by one hundred (100).

The number of votes represented by fractional Proportionate Voting Shares will be rounded down to the nearest whole number. Unless a different majority is required by law or the Articles, resolutions to be approved by holders of Shares require approval by a simple majority of the total number of votes of all Shares cast at a meeting of shareholders at which a quorum is present based on the voting entitlements of each class of Shares described above.

Dividend Rights

Holders of Shares are entitled to receive dividends out of the assets available for the payment or distribution of dividends at such times and in such amount and form as the Board may from time to time determine, on the following basis, and otherwise without preference or distinction among or between the Shares: each Proportionate Voting Share will be entitled to one hundred (100) times the amount paid or distributed per Common Share (including by way of share dividends, which holders of Proportionate Voting Shares will receive in Proportionate Voting Shares, unless otherwise determined by the Board) and each fraction of a Proportionate Voting Share will be entitled to the applicable fraction thereof. See "*Conversion Rights and Transfers*" above.

Liquidation Rights

In the event of the liquidation, dissolution or winding-up of NextPoint Financial or any other distribution of its assets among its shareholders for the purpose of winding-up its affairs, whether voluntarily or involuntarily, the holders of Shares will be entitled to receive all of NextPoint Financial's assets remaining after payment of all debts and other liabilities, on the basis that each Proportionate Voting Share will be entitled to one hundred (100) times the amount distributed per Common Share (and each fraction of a Proportionate Voting Share will be entitled to the amount calculated by multiplying the fraction by the amount otherwise payable in respect of a whole Proportionate Voting Share), and otherwise without preference or distinction among or between the Shares. See "*Conversion Rights and Transfers*" above.

Pre-emptive and Redemption Rights

Holders of Shares will not have any pre-emptive or redemption rights.

Subdivision or Consolidation

No subdivision or consolidation of any class of Shares may be carried out unless, at the same time, the Common Shares and Proportionate Voting Shares, as the case may be, are subdivided or consolidated in the same manner and on the same basis, so as to preserve the relative rights of the holders of each class of Shares.

Certain Amendments

In addition to any other voting right or power to which the holders of Common Shares and Proportionate Voting Shares shall be entitled by law or regulation or other provisions of the Articles from time to time in effect, but subject to the provisions of the Articles, holders of Common Shares and Proportionate Voting Shares shall each be entitled to vote separately as a class, in addition to any other vote of shareholders that may be required, in respect of any alteration, repeal or amendment of our Articles which would adversely affect the rights or special rights of the holders of

Common Shares or Proportionate Voting Shares, or which would affect the rights of the holders of the Common Shares and the holders of Proportionate Voting Shares differently, on a per share basis, including an amendment to the terms of the Articles that provide that any Proportionate Voting Shares sold or transferred to a Person that is not a Permitted Holder shall be automatically converted into Common Shares.

Pursuant to the Articles, holders of Shares will be treated equally and identically, on a per share basis, in certain change of control transactions that require approval of our shareholders under the BCBCA, unless different treatment of the shares of each such class is approved by a majority of the votes cast by the holders of the Common Shares and Proportionate Voting Shares, each voting separately as a class.

Issuance of Additional Proportionate Voting Shares

NextPoint Financial may issue additional Proportionate Voting Shares upon the approval of the Board. Approval is not required in connection with a subdivision or consolidation on a pro rata basis as between the Common Shares and the Proportionate Voting Shares.

Take-Over Bid Protection

If an offer is being made for Proportionate Voting Shares (a "**PVS Offer**") where: (i) by reason of applicable securities legislation or stock exchange requirements, the offer must be made to all or substantially all of the holders of Proportionate Voting Shares in a province or territory of Canada to which the requirement applies; and (ii) no equivalent offer is made for the Common Shares, the holders of Common Shares have the right, pursuant to the Articles, at their option, to convert their Common Shares into Proportionate Voting Shares for the purpose of allowing the holders of the Common Shares to tender to such PVS Offer, provided that such conversion into Proportionate Voting Shares will be solely for the purpose of tendering the Proportionate Voting Shares to the PVS Offer in question and that any Proportionate Voting Shares that are tendered to the PVS Offer but that are not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

In the event that holders of Common Shares are entitled to convert their Common Shares into Proportionate Voting Shares in connection with a PVS Offer pursuant to (ii) above, holders of an aggregate of Common Shares of less than one hundred (100) (an "**Odd Lot**") will be entitled to convert all but not less than all of such Odd Lot of Common Shares into an applicable fraction of one Proportionate Voting Share, provided that such conversion into a fractional Proportionate Voting Share will be solely for the purpose of tendering the fractional Proportionate Voting Share to the PVS Offer in question and that any fraction of a Proportionate Voting Share that is tendered to the PVS Offer but that is not, for any reason, taken up and paid for by the offeror will automatically be reconverted into the Common Shares that existed prior to such conversion.

Advance Notice Requirements for Director Nominations

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

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

Warrants

10,300,000 Warrants are outstanding as of the date hereof. Each Warrant represents a share purchase warrant to acquire a Common Share at an exercise price of US$11.50 per share.

The Warrants will expire at 5:00 p.m. (Toronto time) on the day that is five years after the completion of the Qualifying Acquisition or may expire earlier upon our Winding-Up or if the expiry date is accelerated.

Pursuant to the terms of the Warrant Agreement, NextPoint Financial may accelerate the expiry date of the outstanding Warrants (excluding the Warrants issued as part of the Class B Units but only to the extent still held by the Sponsor at the date of public announcement of such acceleration and not transferred prior to the accelerated expiry date, due to the anticipated knowledge by the Sponsor of material undisclosed information which could limit their dealings in such securities) by providing 30 days' notice if, and only if, the closing price of the Common Shares equals or exceeds US$18.00 per Common Share (as adjusted for stock splits or combinations, stock dividends, extraordinary dividends, reorganizations and recapitalizations and the like) for any 20 trading days within a 30-trading day period. In the event that the foregoing conditions are satisfied, it is expected that NextPoint Financial will accelerate the expiry date of the Warrants by providing such notice.

If NextPoint Financial accelerates the expiry of the Warrants as described above, the Board will have the option to require all holders that wish to exercise Warrants to do so, in whole or in part, on a cashless basis. In determining whether to require all holders to exercise their Warrants, in whole or in part, on a cashless basis, the Board will consider, among other factors, NextPoint Financial's cash position and the number of Warrants that are outstanding and the dilutive effect on NextPoint Financial's shareholders of issuing the maximum number of Common Shares issuable upon the exercise of the Warrants. A cashless exercise means the holder, in lieu of making a cash payment on exercise, will instead surrender its Warrants and receive the number of Common Shares that is equal to the quotient obtained by multiplying (i) the number of Common Shares for which the Warrant is being exercised by (ii) the difference, if positive, between the volume weighted average price of the Common Shares on the Exchange for the 20 trading days immediately prior to (but not including) the date of exercise of the Warrant and the exercise price in effect on the date immediately prior to (but not including) the date of exercise of the Warrant, and dividing such product by the volume weighted average price of the Common Shares on the Exchange for the 20 trading days immediately prior to (but not including) the date of exercise.

The right to exercise will be forfeited unless the Warrants are exercised prior to the date specified in the notice of acceleration of the expiry date. On and after the acceleration of the expiry date, a record holder of a Warrant will have no further rights.

The exercise price and number of shares issuable on exercise of the Warrants may be adjusted in certain circumstances, including in the event of a stock dividend, extraordinary dividend, or our recapitalization, reorganization, merger or consolidation. The Warrants will not, however, be adjusted for issuances of shares at a price below their exercise price.

Warrants may be exercised only for a whole number of Common Shares. No fractional Common Shares will be issued upon exercise of the Warrants. If, upon exercise of the Warrants, a holder would be entitled to receive a fractional interest in a Common Share, it will, upon exercise, be rounded down to the nearest whole number of Common Shares to be issued to the Warrant holder.

The exercise of the Warrants by any holder in the United States, or that is a U.S. Person, may only be effected in compliance with an exemption from the registration requirements of the U.S. Securities Act and applicable State "blue sky" securities laws.

In no event would the Warrants be entitled to escrow account proceeds. The Warrant holders do not have the rights or privileges of holders of Shares and any voting rights until they exercise their Warrants and receive corresponding Common Shares. After the issuance of corresponding Common Shares upon exercise of the Warrants, each holder will be entitled to one vote for each Common Share held of record on all matters to be voted on by shareholders. On the exercise of any Warrant, the Warrant exercise price will be US$11.50, subject to adjustments as described herein.

The Warrant Agent shall, on receipt of a written request of NextPoint Financial or holders of not less than 25% of the aggregate number of Warrants then outstanding, convene a meeting of holders of Warrants upon at least 21 calendar days' written notice to holders of Warrants. Every such meeting shall be held in Toronto, Ontario or at such other place as may be approved or determined by the Warrant Agent. A quorum at meetings of holders of Warrants shall be two persons present in person or represented by proxy holding or representing more than 20% of the aggregate number of Warrants then outstanding.

From time to time, NextPoint Financial and the Warrant Agent, without the consent of the holders of Warrants, may amend or supplement the Warrant Agreement for certain purposes including curing defects or inconsistencies or making any change that does not adversely affect the rights of any holder of Warrants. Any amendment or supplement to the Warrant Agreement that adversely affects the interests of the holders of Warrants may only be made by an "extraordinary resolution", which is defined in the Warrant Agreement as a resolution either (i) passed at a meeting of the holders of Warrants by the affirmative vote of holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants represented at the meeting and voted on such resolution, or (ii) adopted by an instrument in writing signed by the holders of Warrants representing not less than two-thirds of the aggregate number of the then outstanding Warrants.

DIVIDENDS AND DISTRIBUTIONS

As of the date of this AIF, the Company has not declared any dividends or made any distributions. Any decision to pay dividends on its Common Shares in the future will be at the discretion of the Board and will depend on, among other things, the Company's results of operations, current and anticipated cash requirements and surplus, financial condition, any future contractual restrictions and financing agreement covenants, solvency tests imposed by corporate law and other factors that the Board may deem relevant.

MARKET FOR SECURITIES

Trading Price and Volume

The Common Shares commenced trading on the Exchange under the trading symbol "NPF.U" on July 6, 2021. Prior to closing of the Qualifying Acquisition, the Class A Restricted Voting Shares were listed and traded on the Exchange under the symbol "NAC.U". Upon closing of the Qualifying Acquisition, all Class A Restricted Voting Shares not submitted for redemption were converted into Common Shares. The following table sets forth the high and low intraday trading prices and monthly trading volumes of the Class A Restricted Voting Shares and Common Shares on the Exchange for the financial year ended December 31, 2021.

Month	**Share Price ($ per Common Share)(1)**		**Volume (# of Common Shares) (1)**
	High	**Low**	
January 2021	US$10.41	US$9.80	602,325
February 2021	US$10.43	US$9.80	1,196,980
March 2021	US$10.00	US$9.80	1,202,010
April 2021	US$10.00	US$9.85	312,120
May 2021	US$9.99	US$9.80	440,052
June 2021	US$10.94	US$9.84	698,726
July 2021	US$11.29	US$9.51	30,296
August 2021	US$9.61	US$8.63	8,584
September 2021	US$9.20	US$7.50	164,846
October 2021	US$8.50	US$7.19	28,640

November 2021	US$8.11	US$6.04	21,795
December 2021	US$6.62	US$3.90	14,112

(1) Represents Class A Restricted Voting Shares Prior to July 6, 2021

Prior to closing of the Qualifying Acquisition, the Warrants were listed and traded on the Exchange under the symbol "NAC.WT.U". Commencing on July 6, 2021, the Warrants are listed and traded on the Exchange under the trading symbol "NPF.WT.U". The following table sets forth the high and low intraday trading prices and monthly trading volumes of the Warrants on the Exchange for the financial year ended December 31, 2021:

Month	**Share Price ($ per Warrant)**		**Volume (# of Warrants)**
	High	**Low**	
January 2021	US$0.75	US$0.63	263,099
February 2021	US$1.20	US$0.75	74,567
March 2021	US$1.10	US$0.65	683,945
April 2021	US$1.30	US$0.76	1,032,650
May 2021	US$1.44	US$0.85	40,500
June 2021	US$1.25	US$0.9	657,360
July 2021	US$1.40	US$0.86	315,900
August 2021	US$1.12	US$0.9	2,902
September 2021	US$1.12	US$0.8	138,700
October 2021	US$1.00	US$0.75	20,490
November 2021	US$1.00	US$0.63	47,700
December 2021	US$0.70	US$0.4	77,550

The CTO prohibits the trading by any person of any securities of NextPoint Financial in each jurisdiction in Canada in which the Company is a reporting issuer, including trades in the Common Shares made through the TSX, for as long as the CTO remains in effect; however, the CTO provides an exception for beneficial securityholders of the Company who are not currently (and who were not as of May 24, 2022) insiders or control persons of the Company and who sell securities of the Company acquired before May 24, 2022 if both of the following criteria are met: (i) the sale is made through a "foreign organized regulated market", as defined in section 1.1 of the Universal Market Integrity Rules of the Investment Industry Regulatory Organization of Canada and (ii) the sale is made through an investment dealer registered in a jurisdiction of Canada in accordance with applicable securities legislation.

Prior Sales

The following table sets forth securities of the Company that are outstanding but not listed or quoted on a marketplace that were issued in the financial year ended December 31, 2021:

Date of Issuance	**Type of Security**	**Number of Securities Issued**	**Price per Security**
July 2, 2021	Proportionate Voting Shares(1)	168,550	N/A(1)

(1) Issued in exchange for outstanding Class B Shares and as part of consideration paid for the Qualifying Acquisition.

SECURITIES SUBJECT TO CONTRACTUAL RESTRICTION ON TRANSFER

The following securities of the Company are subject to contractual restrictions as at December 31, 2021:

Designation of Class	**Number of securities that are subject to a contractual restriction on transfer**	**Percentage of Class**

Common Shares	682,574[(1)]	3.3%

Notes:

(1) Reflects common shares issued to the vendors of Community Tax which shall not be transferred by such holders prior to December 30, 2022.

DESCRIPTION OF MATERIAL INDEBTEDNESS

The following is a summary of certain provisions of agreements and instruments evidencing the Company's material indebtedness as at the date of this AIF. This summary does not purport to be complete, and is subject to, and is qualified in its entirety by reference to, all of the provisions of such agreements and instruments, including the definitions of certain terms therein that are not otherwise defined in this AIF.

NextPoint Financial Corporate Credit Facility

In connection with the Qualifying Acquisition, the Company entered into the Credit Facility with the Lenders. Draws under the Credit Facility were used to partially fund the cash portion of the purchase prices payable pursuant to the Transaction Agreements, and could be used for working capital and general corporate purposes, including to finance future acquisitions.

On November 1, 2022, the Company and BasePoint entered into a Waiver and Amendment to the Revolving Credit Agreement (the "**Credit Facility Amendment**"), which, among, others, set the maximum revolving Credit Facility commitment at $130.0 million and provided for a new $74.4 million term loan to LT Holdco, LLC.

The draw period under the original Credit Facility commenced on the closing of the Qualifying Acquisition and terminated on the earlier of: (a) (i) in the event Andrew Neuberger is no longer a member of the Company's Board of Directors, (ii) in the event Brent Turner is no longer the Chief Executive Officer of the Company two years after the closing of the Qualifying Acquisition, or (iii) in the event Jonathan Williams is no longer the President of Lending of the Company (or equivalent position), and, in each case the Company fails to replace such applicable person(s) with one or more individuals acceptable to the administrative agent in its sole discretion within 90 days; (b) the occurrence of certain triggering events, including the Company's failure (including the failure of any of our subsidiaries) to perform its respective obligations under the Credit Facility; and (c) two years after the closing of the Qualifying Acquisition, provided that the draw period can be extended for successive incremental one (1) year periods upon agreement of the Company and Lenders. All principal and interest under the Credit Facility were due and payable on the earlier to occur of (i) the date that is two years following the end of the draw period, (ii) the ten-year anniversary of the closing of the Qualifying Acquisition, or (iii) the acceleration of obligations following an event of default under the Credit Facility. Effective December 15, 2021, Jonathan Williams resigned as President of Lending of the Company and had been replaced by Eric Norona. The Company received approval from BasePoint on December 15, 2021, that Eric Norona was an acceptable replacement as President of Lending.

Amounts outstanding under the Credit Facility accrued interest at a rate per annum equal to 12%, which interest would increase by 4.5% upon an event of default. Interest was payable monthly. A one-time commitment fee of $2.25 million was paid upon the first draw from the Credit Facility. As of December 31, 2021, the Company had drawn down $158.0 million from the Credit Facility.

The obligations under the Credit Facility were guaranteed by all of the Company's existing and certain newly acquired subsidiaries, including LoanMe, Liberty and their respective subsidiaries, subject to certain exceptions and were also secured by all of the assets of NextPoint Financial and its subsidiaries, subject to certain exceptions, and were subordinated only to certain existing and prospective warehouse facilities secured by receivables originated by the Company and subsidiaries in the normal course of business. Due to the structure of the financing for the Community Tax acquisition, Community Tax was excluded from the Credit Facility and not part of the guarantee described above, and the Community Tax assets are not part of the Company's assets that secure the Credit Facility.

Amounts outstanding under the Credit Facility may be prepaid at any time without any prepayment penalty and the Credit Facility may be terminated at any time so long as the aggregate outstanding balance of all draws has been repaid in full. As of September 30, 2021, the Company was not in compliance with the tangible net worth covenant as defined in the Credit Facility. On November 23, 2021, the Company obtained a waiver and amended the Credit Facility to waive the tangible net worth covenant until March 31, 2022, increasing the interest rate on the facility from 12% per annum to 13% per annum beginning in June 2022. The Company paid a $2.0 million fee as part of obtaining the covenant waiver and amending the Credit Facility in April 2022. As of December 31, 2021, this amount is included in accounts payable and accrued expenses on the consolidated balance sheets.

On November 4, 2022, the Company announced the completion of an amendment to the Credit Facility. Under the Credit Facility Amendment dated November 1, 2022 among BP Commercial Funding Trust, Series SPL-X, an affiliate of BasePoint, the Company and BasePoint agreed to set the maximum revolving credit facility commitment at $130.0 million. Additionally, BasePoint and LT Holdco, LLC, a subsidiary of the Company, executed a Term Loan Agreement in the amount of $74.4 million. The Company paid a $1.9 million fee upon executing the agreement and received $49.0 million of the principal balance. The remaining $25.4 million is expected to be disbursed in January 2023. Proceeds will be used to pay the restructuring and debt issuance fees, provide additional working capital and to pay-down the outstanding principal balance drawn under the existing Credit Facility. The new $74.4 million term loan bears interest at the SOFR Reference Rate plus 9.50% per annum, and draw-downs on the $130.0 million amended credit facility bear interest at 13% per annum. Both the term loan and Credit Facility mature on July 2, 2025. Beginning on June 30, 2024, LT Holdco, LLC is required to make amortization payments of $0.7 million on the term loan on June 30 and December 31 of each year, and as from that same date, may be required to make prepayments based on a calculation of excess cash flow. Additionally, as from June 30, 2022, the Company had breached a number of the covenants associated with the Credit Facility. As part of the amendment to the Credit Facility, BasePoint provided waivers for all of the breached covenants, and a revised set of financial covenants became effective beginning on November 1, 2022.

Structured Entity

As part of the Company's overall funding strategy and as part of its effort to support its liquidity from varying sources, the Company has established a securitization program through several facilities, LoanMe Trust Prime 2018-1 (the "**2018 Securitization**"), LoanMe Trust SBL 2019-1 (the "**2019 Securitization**") and LoanMe 2014 BP II SPE LLC, LoanMe 2014 BP III SPE LLC and LoanMe 2020 CM I SPE LLC, collectively (the "**BasePoint Securitization**"). The Company transferred certain loan receivables to these entities, which issue notes backed by the underlying loan receivables to an unrelated third-party lender.

BP SLL Trust (BasePoint) Credit Facility

As part of the BasePoint Securitization, LoanMe entered into two credit facility agreements during 2014 with maximum borrowing capacity totaling $420.0 million with BasePoint to fund consumer loans originated by the Company. Such credit facilities were secured by the related consumer loans, bore interest ranging from 12.5% to 15.5% per annum and required weekly payments of principal and interest as defined in the agreements. The unpaid principal balance due on such credit facilities totaled $162.8 million on December 31, 2021. The covenants included portfolio covenants, affirmative covenants, and financial covenants. The performance triggers included loan collections, first payment default, delinquency, and charge-off. On December 31, 2021, the Company was in compliance with all covenants and performance triggers.

Under the facility agreements, the borrowing capacity was set to mature at various dates through December 2022. On the borrowing capacity maturity date for each facility, the Company would no longer be able to draw on that facility and the unpaid principal balance on each facility on the date the borrowing capacity matures would be due in monthly payments of principal and interest, required to be repaid in full two years from the borrowing capacity maturity date.

On September 30, 2022, the Company and BasePoint entered into two Assignment of Interest and Foreclosure Consent Agreements, under which BasePoint received 100% of the equity in the two LoanMe special purpose entities ("**SPEs**") for consideration.

Chilmark Administrative, LLC

As part of the BasePoint Securitization, LoanMe entered into a loan and security agreement in June 2020 for $11.0 million with Chilmark Administrative, LLC (the “Chilmark Loan Agreement”) to fund consumer loans originated by LoanMe. The Chilmark Loan Agreement is secured by the related consumer loans, bears interest at 11% per annum and matured in June 2022. The unpaid principal balance due on the Chilmark Loan Agreement totaled approximately $10.8 million on December 31, 2021. On December 12, 2022, the Company extended the maturity date of the Chilmark Loan Agreement to January 22, 2024. The effective date of the extension was June 1, 2022, the Chilmark Loan Agreement’s original maturity date.

CC Bank Revolver

On July 26, 2021, the Company entered into a one year revolving business loan agreement (the “**Business Loan Agreement**”) with Capital Community Bank (“**CC Bank**”) with borrowing capacity totaling $5.0 million to fund near prime loans originated by the Company. The revolver is secured by the related near prime loans, bears interest at 6.25% and requires monthly payments of accrued interest. The borrowing capacity matured on July 5, 2022. On November 1, 2021, the Company and CC Bank amended the Business Loan Agreement, increasing the borrowing capacity to $7.0 million. All other terms and conditions remained the same, including the maturity date for the principal balance of November 5, 2022. As of December 31, 2021, the unpaid principal balance due was approximately $5.1 million.

Frontier Capital LLC Line of Credit

On October 29, 2021, the Company entered into a two year revolving line of credit with Frontier Capital, LLC with a borrowing capacity totaling $10.0 million to fund near prime loans originated by the Company. The line of credit is secured by the related near prime loans, bears interest at 12% per annum and requires monthly interest payments beginning November 28, 2021, and continuing on the same day of each successive month thereafter, until October 28, 2023 at which point the outstanding principal balance under the facility is due in full. The Company is able to prepay the outstanding principal balance and any accrued unpaid interest under the facility at any time with no prepayment penalty. As of December 31, 2021, the unpaid principal balance due was approximately $6.1 million. On December 12, 2022, the Company extended the expiration date, maturity date, and the repayment period of the $10.0 million revolving line of credit with Frontier Capital, LLC. The expiration date of when the Company can borrow off the revolving line of credit was extended to January 2, 2024. The maturity date of when all outstanding principal becomes due was extended to January 2, 2029. Beginning on January 28, 2024, the Company will begin making amortization payments in equal consecutive monthly installments in amounts sufficient to repay the outstanding principal balance of the note by the maturity date.

Republic Bank and Trust Company Loan

On December 30, 2021, the Company entered into a six month, senior, single-advance term loan with an initial aggregate principal balance of $25.0 million which was used to finance the Community Tax acquisition. The term loan bears interest at 8% per annum, matures June 30, 2022, and requires monthly interest payments beginning February 1, 2022. The Company is able to prepay principal amounts as part of the monthly payments, without penalty but principal payments are not required. The total outstanding principal balance plus any accrued interest was due in full on June 30, 2022, however, the Company refinanced the loan on June 6, 2022.

PCIP Credit IV, LLC Loan

On December 30, 2021, the Company entered into a three-year $45.0 million term loan with PCIP Credit IV, LLC to fund the acquisition of Community Tax. The term loan bears interest at 11% per annum and required monthly interest payments beginning February 1, 2022, until January 2023, at which point the Company would have to make monthly principal and interest payments until the loan matured in December 2024, however the Company refinanced the loan on June 6, 2022.

DIRECTORS AND EXECUTIVE OFFICERS

Directors

On December 8, 2022, the Company announced that it would decrease the size of the Board from nine to eight directors, and on January 5, 2023, Jean Birch, Andrew Neuberger and John Lederer resigned from the Company's Board. Don Turkelson and Maryann Bruce will be presented as nominees to the Board at the next annual meeting of the shareholders of the Company. All directors are elected by shareholders at each annual meeting of the Company's shareholders and hold office for a term expiring at the close of the next annual meeting or until their respective successors are elected or appointed. The following table sets forth the name, province and country of residence, positions held with the Company, principal occupations and duration of service of the current directors of the Company. The table also identifies the members of each committee of the Board. Additional biographical information for each individual is provided below.

Applicable corporate law permits the Board to appoint directors to fill any casual vacancies that may occur. The Board is permitted to add additional directors between successive annual meetings of holders of Common Shares so long as the number appointed does not exceed more than one-third of the number of directors appointed at the previous annual meeting. Individuals appointed as directors to fill casual vacancies on the Board or added as additional directors hold office like any other director until the next annual meeting at which time they may be re-elected or replaced.

Name and Province/State and Country of Residence	Present Principal Occupation
Andrew Neuberger(4) *New York, U.S.A.*	Private Investor
Brent Turner *Texas, U.S.A.*	Chief Executive Officer
John Lederer(2)(3)(4) *Ontario, Canada*	Corporate Director
Jean Birch(2) (3)(4) *Arizona, U.S.A.*	Corporate Director
William Minner(1) *New Jersey, U.S.A.*	Corporate Director
Dan Shribman(1) *Connecticut U.S.A.*	Chief Investment Officer, B. Riley Financial
Logan Powell(1) *Rhode Island, U.S.A.*	Dean of Admission, Brown University
Nik Ajagu(3) *California, U.S.A.*	Private Investor
Alicia Morga(2) *California, U.S.A.*	Chief Executive Officer, No. 8 Media, Inc.

Notes:

(1) Audit Committee Member.
(2) Compensation Committee Member.
(3) Nominating and Corporate Governance Committee Member.
(4) Resigned from the Board effective January 5, 2023.

Executive Officers

The following table sets forth the name, province and country of residence and position held with the Company of each current executive officer of the Company. Additional biographical information for each individual is provided below.

Name and Residence	Position with NextPoint Financial
Brent Turner *Texas, U.S.A.*	Chief Executive Officer, Director
Scott Wright(1) *Virginia, U.S.A.*	Chief Financial Officer
Ted DeMarino *Texas, U.S.A.*	President of Tax
Scott Terrell *Texas, U.S.A.*	Chief Information Officer & Chief Operating Officer
Ghazi Dakik *Texas, U.S.A.*	Chief Legal & Compliance Officer
Jacob Dayan *Florida, U.S.A.*	Chief Revenue Officer

Note:

(1) Scott Wright will be replaced as Chief Financial Officer by Raymond "Randy" Guba effective January 17, 2023, and will remain with the Company as Chief Accounting Officer through February 2023.

Biographies

The following are brief profiles of the directors and executive officers of the Company, including a description of each individual's principal occupation within the past five years.

Directors

Andrew Neuberger

Andrew Neuberger founded NAC in 2020 and was its Chief Executive Officer and Chairman until completion of the Qualifying Acquisition. Mr. Neuberger spent most of his early career at Morgan Stanley (1994 – 2008) including as the Global Head of Warehouse Lending for the Securitized Products Group. While at Morgan Stanley, Mr. Neuberger helped grow the warehouse lending business to a $30 billion commitment level at its peak in asset classes such as real estate loans, non-investment grade RMBS/CMBS and other asset-backed products. Mr. Neuberger left Morgan Stanley to form BasePoint in 2009 as he recognized a void and an opportunity in the lending market created by traditional lenders vacating the alternative lending sector following the financial crisis, and as a response to newly created bank regulations that imposed restrictions on bank lending behavior. This situation presented an opportunity for BasePoint to lend to sound companies with better protections and at yields significantly higher than in the past. Throughout Mr. Neuberger's tenure as chief executive officer of BasePoint, the firm deployed over $4 billion of capital into the specialty finance space (over 73 transactions) in respect of which no participant experienced a loss of principal, while providing a net annual return of approximately 11%. Prior to Morgan Stanley, Mr. Neuberger was an Assistant District Attorney in Richmond County, New York. He has a BA from Lafayette College and a JD from Brooklyn Law School.

Brent Turner

Brent Turner has over 27 years of professional experience in the tax industry. Mr. Turner has served as Chief Executive Officer at Liberty since 2019 and previously served as Executive Vice President, Head of Consumer Lending at MetaBank, a subsidiary of Meta Financial Group, Inc., from 2016 to 2018. In 2011 and 2012, Mr. Turner led the roll-up of several financing businesses that were eventually sold to MetaBank in 2016. From 2005 to 2011, Mr. Turner served as Vice President of Financial Services at Rent-A-Center, a furniture and electronics rent-to-own company, where he led the development of financial services centers and the e-commerce channel of the company. Mr. Turner's previous roles also include Chief Operating Officer at Financial Payments, LP, Assistant Vice President at Ace Cash Express and President at Quickcash, Inc. Mr. Turner holds a Master of Business Administration from the Cox School of Business at Southern Methodist University and a Bachelor of Arts from West Texas A&M University.

John Lederer

John Lederer brings merger and acquisition expertise, as well as both Canadian and U.S. public and private company experience to our board. He is the Executive Chairman of Staples, Inc. and a Senior Advisor at Sycamore Partners LLC, a private equity firm (since September 2017). Mr. Lederer was previously associated with Oak Hill Capital, advising it on acquisitions in the retail and consumer goods sectors, and serving on the board of several of its portfolio companies. From 2010 to 2015, he served as the Chief Executive Officer and President of US Foods, Inc., one of the largest food service distributors in the United States where he led a comprehensive rebranding of the company. He served as the Chairman and Chief Executive Officer of Duane Reade Holdings, Inc. from 2008 to 2010, until its sale to Walgreens Boots Alliance, Inc. Prior to Duane Reade Holdings, Inc., he spent 30 years at Loblaw Companies Limited, Canada's largest food retailer, and held several senior leadership positions including President from 2000 to 2006. He currently serves on the boards of US Foods, Inc., Maple Leaf Foods Inc., and Walgreens Boots Alliance, Inc. He has an undergraduate degree in Economics from York University.

Jean Birch

Jean Birch is the chair of the Board and brings broad experience as an independent public company director in addition to being a veteran C-level operating executive with experience in the consumer sector to our board. Ms. Birch brings more than 20 years of consumer retail experience running large restaurant companies, such as IHOP, Macaroni Grill and Corner Bakery Cafe. Ms. Birch has served as a director of Charlotte's Web Holdings, a producer of hemp-based cannabidiol wellness products, since July 2020, Jack in the Box, a quick service restaurant chain, since May 2019, a director of CorePoint Lodging, a hotel real estate investment trust, since September 2018, and a Director of Forrester Research, a research and advisory firm, since February 2018. Prior thereto, Ms. Birch served as director of Papa Murphy's Inc., a restaurant chain, from 2015 through 2019, director of Darden Restaurants, a restaurant chain company, from 2014 through 2016 and director of Cosi, Inc., a restaurant chain, from 2013 through 2016. Ms. Birch is a Board Leadership Fellow, as certified by the National Association of Corporate Directors. In addition, Ms. Birch received an M.B.A. from Southern Methodist University and an B.A. in Economics from the University of Arizona.

William Minner

William Minner brings sector expertise, as well as corporate finance experience to our board. Mr. Minner served as a director of Franchise Group, Inc. from March 2018 to May 2021 and during such time served as chair of the audit committee. Since 1996, Mr. Minner has served as a contract Chief Financial Officer and consultant with responsibilities for finance and administration to over 25 companies. From June 1991 to December 1995, Mr. Minner served as Chairman, President and Chief Executive Officer of Suburban Federal Savings Bank in Collingdale, Pennsylvania. From December 1988 to May 1991, Mr. Minner served in various positions with Atlantic Financial Savings, F.A., including Senior Vice President - Credit and First Vice President - Loan Workout. Previously, Mr. Minner served as Audit Manager and Controller for the mortgage subsidiary of Magnet Bank, FSB from July 1984 to December 1988. Mr. Minner is a Certified Public Accountant. Mr. Minner has substantial experience in the financial services industry, including banking, lending, risk management, treasury management, financial analysis, SEC reporting, taxation, accounting and commercial real estate development. Mr. Minner qualifies as an audit committee financial expert under SEC rules. Mr. Minner received an M.B.A. and M.S. in Accounting from Marshall University.

Dan Shribman

Dan Shribman has served as chief investment officer of B. Riley Financial and president of B. Riley Principal Investments since September 2019 and September 2018, respectively. Mr. Shribman helps oversee the asset base of B. Riley Financial alongside chief executive officer Bryant Riley. This asset base consists of several cash flow generating operating businesses in addition to cash and investments which includes bilateral loans and small cap equity positions in both public and private markets. In virtually all investments, B. Riley Financial is involved at the board level and active in business and capital allocation decisions. Mr. Shribman brings experience in both public and private equity. Prior to joining B. Riley Financial, Mr. Shribman was a Portfolio Manager at Anchorage Capital Group, L.L.C., a special situation asset manager, from 2010 to 2018. During Mr. Shribman's tenure at Anchorage Capital Group, L.L.C., he led investments in dozens of public and private opportunities across the general industrial, transportation, automotive, aerospace, gaming, hospitality and real estate industries. These investments ranged from public equities and bonds to deeply distressed securities, par bank debt, minority owned private equity and majority owned private equity. Mr. Shribman worked in close collaboration with management teams and boards to maximize shareholder value in the form of both operational turnarounds, capital market financing and capital deployment initiatives. Prior to Anchorage Capital Group, L.L.C., Mr. Shribman worked at Tinicum Capital Partners, a private equity firm, and in the restructuring advisory group at Lazard (NYSE: LAZ). Mr. Shribman holds an AB in Economics and History from Dartmouth.

Logan Powell

Logan Powell brings strategic leadership and experience in attracting talented, creative, driven and diverse individuals to our board. Mr. Powell is the Marilyn and Charles H. Doebler IV Dean of Admission at Brown University. He is responsible for the identification, recruitment and selection of all undergraduates seeking entrance to Brown. He leads all related strategic initiatives including data analysis, communications, and process innovation. Mr. Powell is chair of the council of Ivy deans of admission and also serves on several national non-profit advisory boards. Prior to joining Brown, Powell worked as the director of admission at Princeton University. Previously, he served as senior associate dean of admission at Bowdoin College and senior admissions officer at Harvard University. He earned a Master of Business Administration from MIT, a Masters in Education from Harvard University and a Bachelor of Arts from Bowdoin College.

Nik Ajagu

Nik Ajagu is a Bay Area-based investor and entrepreneur. Mr. Ajagu worked at Facebook from 2007 to 2019 where he built out the company's direct sales operations in the United States, Canada, and Latin America as Head of Media Solutions Americas, and later served as the Facebook's Global Head of Advertising Technology Partnerships. Prior to Facebook, Mr. Ajagu helped to launch Ecosystem Ventures where he worked from 2005 to 2007, contributing to the growth and development of companies such as Autonet Mobile (acquired by Lear corporation in 2015) and Playspan (acquired by Visa in 2011). Mr. Ajagu has co-founded various companies, including Code and Canvas, a San Francisco-based co-working and arts space in 2013, and Barrel and Ink, a Napa-based company focused on wine and design that launched in 2014. He also previously served on the board of Kabuni, a Vancouver-based e-commerce company from 2015 to 2016. Mr. Ajagu graduated from Princeton University in 2005 with a B.A. in Anthropology and a certificate in African American Studies. He currently lives in San Francisco with his partner and two daughters and is passionate about early childhood education, serving on the board of directors of the New School of San Francisco since 2021, and as President of the San Francisco Council for Parent Participation Nursery Schools since 2020.

Alicia Morga

Alicia Morga is the founder and Chief Executive Officer of No. 8 Media, Inc., which she started in 2016. Formerly, she was the founder and Chief Executive Officer of Consorte Media, Inc., a venture-backed digital marketing company. Prior to Consorte, Ms. Morga worked in venture capital for The Carlyle Group and Hummer Winblad Venture Partners, she was a corporate attorney for Wilson Sonsini Goodrich & Rosati, and an investment banker at Goldman, Sachs & Co. Ms. Morga has been named a Young Global Leader by the World Economic Forum and one of the Most Influential Women in Technology by Fast Company. She holds a J.D. from Stanford Law School and a B.A. from Stanford University.

Executive Officers

Scott Wright

Scott Wright has served as Senior Vice President, Controller and Director of Accounting and Financial Reporting since joining Liberty in 2017. Mr. Wright began his professional career at Deloitte. Mr. Wright holds a BBA in Business Management from James Madison University and a Master of Accountancy from Raymond Mason School of Business at William & Mary. Mr. Wright is also a Certified Public Accountant.

Ted DeMarino

Ted DeMarino has served as Chief Operating Officer of Liberty since 2019. Mr. DeMarino spent most of his career at Rent-A-Center, where he served as Executive Vice President, Shared Services from 2012 to 2013, Executive Vice President, Operations from 2009 to 2012, and Divisional Vice President from 2003 to 2009. Mr. DeMarino also led the operations teams at other finance services companies.

Scott Terrell

Scott Terrell has over 20 years of professional experience in leading, building and transforming technology teams in a variety of companies and industries. Mr. Terrell served as Chief Information Officer at Liberty and previously served as Chief Information Officer at Chesapeake Life Insurance Company. Prior to joining Chesapeake Life Insurance Company in 2006, Mr. Terrell served as a director at Capgemini Energy. Mr. Terrell holds a Bachelor of Science in Computer Science from Texas Tech University.

Ghazi Dakik

Ghazi Dakik serves as Chief Legal and Compliance Officer Prior for NextPoint Financial. Prior to holding this role, Mr. Dakik spent four years at MetaBank, where he served as Senior Vice President and Legal Counsel and subsequently as Senior Vice President and General Counsel. Mr. Dakik has previously served in a variety of legal positions at financial services companies, including at Specialty Consumer Services, L.P. and EZCorp. Mr. Dakik holds a Juris Doctor from St. Mary's University School of Law and a Bachelor of Arts from The University of Texas.

Jacob Dayan

Mr. Dayan serves as Chief Revenue Officer for NextPoint Financial. After graduating with a Bachelor's in Business Administration from the University of Michigan's Ross School of Business, he moved to New York City, where he began a career as a financial analyst at Bear Stearns' industry leading Financial Analytics and Structured Transactions group. At Bear, Mr. Dayan was tasked with managing a team of analysts responsible for financial modeling and the securitization of mortgage and asset backed securities. Shortly before Bear Stearns was acquired by JP Morgan, Mr. Dayan was promoted into a role as a trader on the Proprietary Foreign Exchange Trading Desk. When Bear Stearns was acquired by JP Morgan, Mr. Dayan left to join Millennium Partners, a large Multi-Strategy hedge fund. There, he worked as an analyst in a Global Macro Options Trading group assisting with the research and implementation of options strategies. In early 2009, Mr. Dayan returned to Chicago to be with his family and pursue a career assisting consumers and small businesses with various financial needs. In 2010, he co-founded Community Tax, a tax company dedicated to helping customers nationwide with tax resolution, tax preparation, bookkeeping and accounting services. He also assisted in the launch of Consumer Law Group, LLC, an Illinois Law firm focused on offering legal services to the Hispanic Community. Services offered include immigration law, criminal defense, employment and labor law, personal injury, and family law. Mr. Dayan's involvement at Consumer Law inspired his return to law school at Mitchell Hamline School of Law, where he graduated Magna Cum Laude and received his Juris Doctor degree. He is licensed to practice law in Illinois.

Ownership Interest

The directors and executive officers of the Company, as a group, either directly or indirectly, own 6,060,368 common shares, representing approximately 29.47% of the issued and outstanding common shares as of the date of this AIF. Additionally, the directors and executive officers of the Company, as a group, either directly or indirectly, own 45,296 proportionate voting shares, representing approximately 26.87% of the issued and outstanding proportionate voting shares as of the date of this AIF.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Corporate Cease Trade Orders and Bankruptcies

Except as disclosed below, none of the directors or executive officers of the Company, and to the best of the Company's knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company is, as at the date of this AIF, or has been within the 10 years before the date of this AIF: (a) a director, chief executive officer or chief financial officer of any company that was subject to an order that was issued while the director or executive officer was acting in the capacity as director, chief executive officer or chief financial officer; (b) was subject to an order 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; or (c) a director or executive officer of any company that, while that person was acting in that capacity, or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except that each of the current directors or executive officers of the Company , were directors and officers while the Company was subject to the CTO. For the purposes of this paragraph, "order" means 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, in each case, that was in effect for a period of more than 30 consecutive days.

Jean Birch was a director of Cosi, Inc. prior to and through its Chapter 11 bankruptcy process in 2016. Cosi, Inc. subsequently emerged as a reorganized private company.

Individual Bankruptcies

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has, within the 10 years prior to the date of this AIF, 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 that individual.

Penalties or Sanctions

None of the directors or executive officers of the Company, and to the best of its knowledge, no shareholder holding a sufficient number of securities to affect materially the control of the Company, has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor making an investment decision.

Conflicts of Interest

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

TRANSACTIONS WITH RELATED PARTIES

M. Brent Turner

As of December 31, 2021, Mr. Turner held approximately 2% of the Company's Common Shares, directly or through entities under his control.

Private Placement

On July 2, 2021, Mr. Turner purchased 100,000 Common Shares for $1.0 million pursuant to the Private Placement. As of December 31, 2021, Mr. Turner exercised direction or control over approximately 2% of the Common Shares.

Chilmark Administrative, LLC.

In June 2020, LoanMe entered into the Chilmark Loan Agreement. Mr. Turner is a participant in the Chilmark Administrative, LLC. The amount of his investment totals approximately $1.4 million.

Revolution Financial, Inc.

Mr. Turner, through an affiliate, owns a 34% equity interest in Revolution Financial, Inc. ("**Revolution**"). The material assets of Revolution were recently sold to a third party on December 1, 2022. Subsidiaries of the Company are party to the following agreements with Revolution:

Revolution Financial Tax Program Agreement. The Company is party to a one-year Tax Program Agreement (the "**Revolution Tax Program Agreement**") with Revolution effective as of November 20, 2020. Effective November 20, 2021, the Company extended the Revolution Tax Program Agreement for another year under the same terms and conditions discussed below. The Revolution Tax Program Agreement allows Revolution to use Liberty Tax's tax preparation systems, certain identified intellectual property licensed from Liberty Tax, and other expertise from Liberty Tax to offer tax preparation services to consumers in Revolution locations. Pursuant to the terms provided in the Revolution Tax Program Agreement, (i) Revolution will pay to the Company 60% of the Gross Receipts (as defined in the Revolution Tax Program Agreement) generated by the tax preparation services provided as part of the program, (ii) the Company will pay up to five thousand dollars ($5,000) per Revolution location towards the cost associated with replacing the exterior signage of Revolution locations with Liberty branded signage, and (iii) the Company will pay 60%, and Revolution will pay 40%, of the costs associated with local store marketing materials. As of December 31, 2021, the Company had earned less than $0.1 million in royalties related to the Revolution Tax Program Agreement.

Revolution Financial Loan Program Agreement. The Company is party to a one-year Loan Program Agreement (the "**Revolution Loan Program Agreement**") with Revolution effective as of December 2, 2020. Effective December 2, 2021, the Company extended the Revolution Loan Program Agreement for another year under the same terms and conditions discussed below. The Revolution Loan Program Agreement provides that Revolution will use its lending platform and expertise to offer consumer lending in Liberty Tax locations. Pursuant to the terms provided in the Revolution Loan Program Agreement, the Company and/or its franchisees will pay to Revolution a one-time fee of ten thousand dollars ($10,000) software license fee for each location that participates in the program. Revolution shall pay a management fee to the Company and/or franchisee in an amount equal to fifty percent (50)% of the monthly Net Revenue (as defined in the Revolution Loan Program Agreement) during each calendar month (or portion thereof). The Company did not earn any fees or incur any expenses related to the Revolution Loan Program Agreement during the period of July 2, 2021 (being the date of Qualifying Acquisition) through December 31, 2021.

Revolution Financial Canada Loan Program Agreement. The Company entered into a Loan Program Agreement with Revolution (the "**Revolution Canada Loan Program Agreement**") on January 31, 2021 and continuing until April 30, 2021. Under the Revolution Canada Loan Program Agreement, the Company (i) arranged for Revolution to provide up to $20.0 million of loans to its Canadian franchisees to fund the tax rebate discounting services, and (ii) agreed to provide various services in connection with loans, including facilitating repayment of loans from the tax refund proceeds. In addition to providing loan servicing, the Company paid Revolution $0.2 million as a facility arrangement fee. At the conclusion of the term of the Revolution Canada Loan Program Agreement, Revolution paid the Company a servicing fee in an amount equal to the difference between $0.2 million minus the aggregate interest and origination fees received by Revolution from participating franchisees in connection with the loans; provided, however, that (i) if such difference was a negative number, Revolution shall pay Liberty $0.2 million, and (ii) if there existed any principal loan losses at such time, Revolution may offset such principal loan losses against any servicing fee due to the Company. The Company did not earn any fees or incur any expenses related to this agreement during the period of July 2, 2021 (being the date of Qualifying Acquisition) through December 31, 2021.

Revolution Financial MSA. On July 22, 2022, JTH Financial, LLC, a subsidiary of the Company, entered into a Management Services Agreement with Revolution (the "**Revolution MSA**") pursuant to which it will provide: (i) retail management services involving the oversight and operation of certain store locations; (ii) underwriting and analytics services, and other technology tools and services; (iii) treasury management and accounting services; (iv) collection management and call-center strategies and services; and (v) legal, compliance and marketing services. As compensation for these services, Revolution will pay JTH Financial, LLC, a monthly fee of $1,000 through maturity of the Revolution MSA on December 31, 2022. Once expired, the Revolution MSA is not expected to be extended or renewed.

M. Andrew Neuberger

M. Andrew Neuberger was the Chairman of the Board of Directors of the Company until May 17, 2022, at which time he was replaced by Ms. Jean Birch. Mr. Neuberger also served as the Company's Chief Executive Officer from July 16, 2020 (inception) until July 2, 2021. As of December 31, 2021, Mr. Neuberger exercised direction or control over approximately 11.81% of the Common Shares.

LoanMe

At the time of the Qualifying Acquisition, Mr. Neuberger beneficially owned, directly or indirectly, or exercised control or direction over, 64.3% of Chilmark Ventures LLC ("**Chilmark**"), which held an 8.33% economic and voting interest in BP SLL JV LLC ("**BPJV**"). In April 2019, in an arm's length transaction with a third party, BPJV acquired an option to purchase 90.1% of the sole shareholder of LoanMe, Bliksum. Chilmark was entitled to receive 45% of the proceeds realized by BPJV on the sale of LoanMe once investors in BPJV received a 12% return on their investment above their invested capital. As a result of the interests held, Mr. Neuberger, or his affiliates or family members, received approximately 17% of the consideration paid in connection with the LoanMe acquisition. At the time of the Qualifying Acquisition, Mr. Neuberger did not control BPJV, the consent of which was required for LoanMe to approve the LoanMe acquisition. In connection with obtaining such consent, Chilmark voted in favor of the LoanMe acquisition.

In September 2020, in determining to consider a possible transaction with LoanMe, Mr. Neuburger advised the Board, all the members of which other than Mr. Neuberger were free of any conflict of interest with respect to LoanMe, of his and Mr. Amato's indirect interest in LoanMe. With the advice of counsel, the Board determined that a transaction with LoanMe would not constitute a "related party transaction" under Multilateral Instrument 61-101 - *Protection of Minority Security Holders in Special Transactions* ("**MI 61-101**").

Nonetheless, to ensure independent oversight of the potential transaction and to avoid any suggestion of bias, the Board determined that Ms. Wendy Lane, an unconflicted director, would oversee negotiation of the LoanMe acquisition with full access to LoanMe's management team and diligence materials as well as to NAC's financial and legal advisors. The Board also determined that, due to the potential appearance of a conflict, Mr. Neuberger would recuse himself from all Board deliberations and voting with respect to the LoanMe acquisition and Mr. Amato would also not participate or vote in connection with any Board deliberations or voting with respect to the LoanMe acquisition.

Over the succeeding months, in parallel with negotiation of the Liberty acquisition, NAC's management team, with the involvement of Ms. Lane and the assistance of NAC's legal and financial advisors, conducted its diligence review of LoanMe and negotiated and documented the structure, terms and conditions of the LoanMe acquisition. Throughout this period, the members of the Board were kept apprised of the status and terms of the transactions through formal meetings and informal discussions and with access to NAC's legal and financial advisors. Ultimately, on February 18, 2021, the Board met to consider and approve the Transaction Agreements. In connection with the meeting, the Board was presented with substantially final drafts of the Transaction Agreements and supporting materials prepared by NAC's legal and financial advisors. After substantial review and discussion, the Board unanimously determined, with Mr. Neuberger recusing himself from deliberations and voting with respect to the LoanMe acquisition, that the Qualifying Acquisitions were in the best interest of NAC and resolved to approve the Qualifying Acquisition and Transaction Agreements.

BasePoint Credit Facility.

Mr. Neuberger owns a 2% subordinated indirect equity interest in, and serves in an advisory capacity to BasePoint, a specialty finance firm he founded in 2009 and later sold. In February 2020, NAC sought additional financing for the Qualifying Acquisition. Management met with two US-based banks and subsequently enlisted Jefferies LLC, its exclusive financial advisor, to solicit alternative sources of financing but indicative rates were not in a range that were acceptable to management and the Board. Mr. Neuberger then approached BasePoint concerning its potential interest in providing financing in connection with the Qualifying Acquisition. On February 18, 2021 Mr. Neuberger advised the Board of his interest in BasePoint and of the terms that BasePoint was willing to offer, which were more favourable to NextPoint than those management determined were otherwise available in the market. It was determined that, even though the Credit Facility did not constitute a "related party transaction" for NAC under the terms of MI 61-101 due to Mr. Neuberger's minimal interest in BasePoint, to ensure independent oversight of the potential transaction and to avoid any suggestion of bias, Ms. Lane would review the final form of the credit facility and Mr. Neuberger would recuse himself from deliberations and voting with respect to the approval of the final form of the credit facility. The Board determined that the Credit Facility was in the best interest of NAC and resolved to approve the entry into same.

On July 2, 2021, the Company obtained the Credit Facility from BasePoint.

Revolution Financial, Inc.

Mr. Neuberger, through affiliates, indirectly holds a minority equity interest in Revolution. As stated above, on December 1, 2022, the material assets of Revolution were sold to a third party. See above for description of agreements between the Company and Revolution.

M. Frank Amato

M. Frank Amato served as the Company's Chief Financial Officer from July 16, 2020 to July 2, 2021.

LoanMe

At the time of the Qualifying Acquisition, Mr. Amato beneficially owned, directly or indirectly, or exercised control or direction over, 2% of Chilmark, which held an 8.33% economic and voting interest in BPJV. In April 2019, in an arm's length transaction with a third party, BPJV acquired an option to purchase 90.1% of the sole shareholder of LoanMe, Bliksum. Chilmark was entitled to receive 45% of the proceeds realized by BPJV on the sale of LoanMe once investors in BPJV received a 12% return on their investment above their invested capital. As a result of the interests held, Mr. Amato, or his affiliates or family members, received approximately 1% of the consideration paid in connection with the LoanMe acquisition. At the time of the Qualifying Acquisition, Mr. Amato did not control BPJV, the consent of which was required for LoanMe to approve the LoanMe acquisition. In connection with obtaining such consent, Chilmark voted in favor of the LoanMe acquisition. See above for a discussion of Mr. Amato's participation in the negotiations and approvals of the Qualifying Acquisition.

BasePoint Credit Facility

Mr. Amato serves in an advisory capacity to BasePoint. On July 2, 2021, the Company obtained the Credit Facility from BasePoint in connection with the Qualifying Acquisition.

Revolution Financial, Inc.

Mr. Amato indirectly holds a minority equity interest in Revolution. As stated above, on December 1, 2022, the material assets of Revolution were sold to a third party. See above for description of agreements between the Company and Revolution.

Dan Shribman

Debt Financing Advisory Engagements

Mr. Shribman is a member of the Company's Board of Directors and is an employee of B. Riley Financial ("**B. Riley**"). During the year ended December 31, 2021, the Company engaged B. Riley to act as its financial advisor in respect of certain potential transactions for an aggregate fee of approximately $0.7 million.

Private Placement

B. Riley acquired 2.0 million Common Shares under the Private Placement. As part of the commitment, the Company paid B. Riley a $2.0 million underwriting fee.

Guaranty in Connection with Community Tax Acquisition

CTAX Acquisition obtained credit facilities to complete the acquisition of Community Tax on December 30, 2021. B. Riley provided a written guaranty to the lender of the credit facilities to further incentivize the lender to provide financing in exchange for a $0.8 million guarantee fee that the Company paid in January 2022.

M. Ghazi Dakik

Revolution Financial, Inc.

Mr. Dakik has served as the Company's Chief Legal and Compliance Officer since July 2, 2021 and is a minority equity holder in Revolution. As stated above, on December 1, 2022, the material assets of Revolution were sold to a third party. See above for description of agreements between the Company and Revolution.

Private Placement

The Private Placement was exempt from the requirements of MI 61-101 as neither the fair market value of the subject matter, nor the fair market value of the consideration for the Private Placement exceeded 25% of NAC's market capitalization. The following directors and officers of the Company and their affiliates participated in the Private Placement:

	Number of Common Shares Purchased
Andrew Neuberger	505,000
Brent Turner	100,000
Michael Piper	45,000
Ted DeMarino	10,000
Juliet Diiorio[(1)]	2,500
Scott Terrell	2,500
John Lederer	200,000
B. Riley	2,000,000

Note:

(1) Chief Marketing Officer prior to leaving the Company in August 2021.

RISK FACTORS

An investment in the securities of the Company is speculative and involves a number of risks. In addition to the other information contained in this AIF and risks outlined in the Company's other public filings, the risk factors described below should be considered carefully. The events arising from these risks could materially adversely affect the Company's business, financial condition, revenues, profitability or prospects. The following information pertains to the outlook and conditions currently known to the Company that could have a material impact on the financial condition of the Company. Additional risks not currently known to the Company or which are deemed to be immaterial may also impair the business operations, financial condition or prospects of the Company.

Risks Specifically Related to NextPoint Financial’s Business

Risks Relating to the Tax Return Preparation Business

NextPoint Financial’s tax return preparation compliance program may not be successful in detecting all problems in NextPoint Financial’s franchisee network, and franchisee non-compliance, fraud and other misconduct and related enforcement action may damage NextPoint Financial’s reputation and adversely affect its business.

Although NextPoint Financial’s tax return preparation compliance program seeks to monitor the activities of franchisees, it is unlikely to detect every problem. While NextPoint Financial has a variety of measures to enhance tax return preparation compliance as well as its monitoring of these activities, there can be no assurance that franchisees and tax preparers will follow these procedures. From time to time, the federal and/or state authorities may take adverse action against franchisees or preparers related to tax compliance issues, seeking injunctions, damages or even criminal sanctions with respect to such behavior. Failure to detect and prevent tax return preparation compliance issues could expose NextPoint Financial to the risk of government investigation or litigation, result in bad publicity and reputational harm, and could subject NextPoint Financial to remedies and loss of customers that could cause its revenues or profitability to decline.

On December 20, 2019, an Order was entered regarding a settlement between Liberty and the DOJ and IRS (the “**Order**”) that resolved their investigation of Liberty and its subsidiaries, including Liberty’s policies, practices and procedures in connection with its tax return preparation activities and tax compliance program. Pursuant to the terms of the Order, Liberty agreed to retain an independent compliance monitor to oversee the implementation of required enhancements to the compliance program. The monitor works with NextPoint Financial’s compliance team and may make recommendations for further refinements to improve its tax compliance program. The monitoring period shall be for no less than 36 months from entry of the Order.

Since entering into the Settlement, Liberty has continued to enhance its Compliance Department which is tasked with examining and preventing non-compliance, fraud and other misconduct among Liberty’s franchisees and their employees and is required to fully cooperate with the independent monitor to ensure Liberty meets the terms of the Settlement. Nonetheless, there can be no assurance that NextPoint Financial’s compliance department, the tax return preparation compliance program, or other efforts will be effective in eliminating non-compliance, fraud and other misconduct among its franchisees and/or employees. Accordingly, any such non-compliance, fraud or other misconduct may have a material adverse effect on NextPoint Financial’s reputation, financial conditions, results of operations.

If NextPoint Financial’s financial product service providers become unable or unwilling to enable NextPoint Financial to offer refund transfer products, NextPoint Financial may be unable to offer tax settlement products to its customers.

NextPoint Financial’s ability to offer refund transfer products (as well as other tax settlement products that require the creation of a customer bank account) is dependent on the ability and willingness of its financial product service providers to make available to its customers the bank accounts into which their tax refunds are deposited. If any of the federal or state regulatory authorities with the power to regulate these service providers prevents or makes it more difficult for NextPoint Financial’s service providers to make these bank accounts available to its customers or if the service providers determine that they no longer wish to participate in these transactions, NextPoint Financial may be unable to find alternative service providers that will be willing to provide the required number of bank accounts to its customers. If NextPoint Financial is unable to make bank accounts available for refund transfer products, it will not be able to enable its customers to utilize these accounts for the direct deposit of their federal and state tax returns, which would materially affect its ability to offer tax settlement products to those customers. In addition, statutes applicable to acceptable refund transfer fees are state specific which may adversely affect how NextPoint Financial conducts its business or has conducted its business in the past and may require change to such business practices to otherwise comply with these statutes and could be subject to fines, penalties, or other payments related to past conduct.

The highly seasonal nature of NextPoint Financial’s tax return preparation business may present a number of financial risks and operational challenges which, if it fails to meet, could materially affect its business.

NextPoint Financial's tax return preparation business is highly seasonal, with the substantial portion of its revenue expected to be earned in the January through April "tax season" in the United States and Canada each year. The concentration of NextPoint Financial's revenue-generating activity during this relatively short period presents a number of challenges for it and its franchisees, including:

(1) cash and resource management during the first eight months of its fiscal year, when it generally expects to operate at a loss and incur fixed costs and costs of preparing for the upcoming tax season;
(2) the availability of seasonal employees willing to work for its franchisees for at or near the minimum wage, with minimal benefits, for periods of less than a year;
(3) the success of its franchisees in hiring, training, and supervising these employees and dealing with turnover rates;
(4) accurate forecasting of revenues and expenses because it may have little or no time to respond to changes in competitive conditions, markets, pricing, and new product offerings by competitors, which could affect its position during the tax season;
(5) disruptions in one tax season, including any customer dissatisfaction issues, which may not be discovered until the following tax season; and
(6) ensuring optimal uninterrupted operations during peak season.

If NextPoint Financial experiences significant business disruptions during the tax season or if it or its franchisees are unable to meet the challenges described above, it could experience a loss of business, which could have a material adverse effect on its business, financial condition, and results of operations.

As a result of the highly seasonal nature of the tax return preparation business, among other factors, NextPoint Financial may experience quarterly variations in revenues and operating income. In addition, because NextPoint Financial's peak tax preparation period straddles the third and fourth quarters, any delay or acceleration in the number of tax returns processed in January may make its year-to-year quarterly comparisons not as meaningful as year-to-year tax season comparisons. To the extent NextPoint Financial's quarterly results vary significantly from year to year, its stock value may be subject to significant volatility. See also "*The Business of Liberty – Seasonality*" and "*The Business of Liberty – General – Impact of COVID-19*".

NextPoint Financial relies on its own proprietary tax preparation software, and any difficulties in deploying or utilizing its software each tax season could adversely affect its business.

NextPoint Financial utilizes its own tax preparation software, with which Liberty has experienced some difficulties during recent tax seasons. If NextPoint Financial is unable to resolve such difficulties or its tax preparation software were to experience technical failure or development delay in the future, this could have a material adverse effect on its business. Additionally, tax changes made by the federal and state governments each year and changes in tax forms require NextPoint Financial to make substantial changes to its software before the beginning of each tax season. Although NextPoint Financial will engage in extensive testing of its software before deploying it in its franchisees' tax preparation offices and online, any delays in the availability of IRS forms or instructions or problems with the rollout of the new software each season could delay the ability to file tax returns at the beginning of the tax season and could adversely affect its business. NextPoint Financial also may outsource a significant portion of its tax preparation software, and any difficulties in deploying or utilizing such outsourced software each tax season could similarly adversely affect its business.

NextPoint Financial's owned offices may not be as successful as its franchised offices.

Historically, almost all Liberty offices have been owned by franchisees, and most Liberty-owned offices operated during a tax season have been offices previously operated by former franchisees. NextPoint Financial's owned offices may be less successful than its typical franchisee-owned offices because they often represent offices transitioned from a less successful franchisee. For this reason, NextPoint Financial will not be able to obtain the continuity of staffing its owned offices that it expects to experience in its franchisee-owned offices. As part of its business strategy, NextPoint Financial may also take back offices previously operated by franchisees who have elected to exit the system and these offices may face operational and financial challenges which could negatively impact the success of the offices.

The provision of health insurance and other insurance products to customers by NextPoint Financial's franchisees and their preparers may subject it and its franchisees to additional claims from customers, as well as increased regulatory risk.

As part of its effort to make information about health insurance options available to tax office customers, NextPoint Financial may encourage its franchisees to make licensed insurance agents available in tax offices. A significant number of franchisees have become or arranged for the availability of insurance agents and participated in the writing of health insurance policies for customers. The provision of these insurance services would subject NextPoint Financial's franchisees to a complex regulatory environment, and to potential claims by customers who may become dissatisfied with the insurance products they obtain. Any failure by NextPoint Financial's franchisees or their employees to comply with applicable insurance laws and regulations could have an adverse effect on its business and subject its franchisees and it to regulatory complaints, and any failure by its franchisees to provide satisfactory insurance services to customers may adversely affect its customer relationships and its business.

NextPoint Financial is dependent on the timing of the tax filing season, and disruptions in the opening of the tax season may have a material adverse effect on its results of operations and liquidity.

Historically, the federal tax filing season has begun in mid-January, and both Liberty and its franchisees have begun to prepare tax returns in early January with the ability to electronically file those returns beginning in mid-January. For both the 2013 and 2014 tax seasons, the IRS postponed the first date on which it generally accepted electronic filings until the end of January, and in 2013, also delayed the availability of a significant number of tax forms. These delays at the beginning of the tax season were also replicated at the state level in 2013, because of the reliance of states on tax forms that are dependent upon or subject to changes in federal tax forms. Similarly, the Protecting Americans from Tax Hikes Act of 2015, enacted in 2015 came into effect in 2017, in which the IRS was required to wait until at least February 15, 2017 to issue refunds to taxpayers who claim the Earned Income Tax Credit or the Additional Child Tax Credit. In addition, due to tax reform and the IRS' modification of forms such as the 1040 and attached schedules, there is the possibility that the IRS' acceptance of tax returns may face, as of now undetermined, delays. In December 2018, the United States government experienced the longest shutdown in history. As a result, IRS funding of tax refunds and refund products were delayed. In 2020, the IRS extended the tax filing due date to July 15, 2020 and it has extended the filing due date to May 15 (June 15 in Oklahoma and Texas) for 2021, in both cases as a result of the effects of COVID-19. Substantial delays in the opening of the tax filing season or the funding of processed returns in future years could likely have an adverse effect on NextPoint Financial's revenue and liquidity.

In addition, the enactment of tax legislation occurring late in the calendar year could result in the beginning of tax filing season being delayed or make it difficult for NextPoint Financial to make necessary changes on a timely basis to the software used by its franchisees to prepare tax returns. Any such delays could impact NextPoint Financial's revenues and profitability in any given year.

NextPoint Financial's brand could be impaired due to actions taken by NextPoint Financial's franchisees, their employees or otherwise.

NextPoint Financial's franchisees operate their businesses under its brand. Because NextPoint Financial's franchisees are independent third parties with their own financial objectives, actions taken by them, including breaches of their contractual obligations, and negative publicity associated with these actions, could adversely affect NextPoint Financial's reputation and brand more broadly. Any actions as a result of conduct by NextPoint Financial's franchisees, their employees or otherwise which negatively impacts its reputation and brands may result in fewer customers and lower revenues and profits for NextPoint Financial.

Failure to maintain sound business and contractual relationships with its franchisees may have a material adverse effect on NextPoint Financial's business and its consolidated financial position, results of operations, and cash flows.

NextPoint Financial's financial success depends in significant part on its ability to maintain sound business relationships with its franchisees. The support of its franchisees is also critical for the success of its marketing programs and any new strategic initiatives it seeks to undertake. Deterioration in NextPoint Financial's relationships with its franchisees or the failure of its franchisees to support its marketing programs and strategic initiatives could have a material adverse effect on its business and its consolidated financial position, results of operations, and cash flows. In addition, the failure of NextPoint Financial's franchisees to timely renew their franchise agreements could have a material adverse effect on its business and its ability to enforce the franchisees' contractual obligations.

An increase in the minimum wage may adversely affect the operations of NextPoint Financial's franchisees.

Many of the seasonal employees expected to be hired by NextPoint Financial's franchisees for each tax season receive compensation at or near the minimum wage. If NextPoint Financial's franchisees experience increases in payroll expenses as a result of government-mandated increases in the minimum wage or overtime requirements, their costs of operation may increase at a rate greater than their ability to raise the prices of the services they offer. If this occurs, NextPoint Financial's franchisees may not be able to maintain seasonal employment at levels that will provide an optimal level of customer service and marketing support, their marketing and advertising programs may be less effective, and their results of operations may be adversely affected, which could, in turn, adversely affect NextPoint Financial's results of operations.

If credit market volatility affects NextPoint Financial's financial partners or franchisees, its business and financial performance could be adversely affected.

In recent years, the credit markets experienced unprecedented volatility and disruption, causing many lenders and institutional investors to cease providing funding to even the most creditworthy borrowers or to other financial institutions. If additional credit market volatility prevents NextPoint Financial's financial partners from providing tax settlement products to its customers, limits the products offered, or results in NextPoint Financial having to incur further financial obligations to support its financial partners, its revenues or profitability could decline. The cost and availability of funds could also adversely impact NextPoint Financial's franchisees' ability to grow and operate their businesses, which could cause its revenues or profitability to decline. In addition, future disruptions in the credit markets could adversely affect NextPoint Financial's ability to sell territories to new or existing franchisees, causing its revenues or profitability to decline.

NextPoint Financial's success may be tied to the growth and effective operations of its owned locations and franchises, and the franchise operations could adversely affect its business.

NextPoint Financial's financial success may depend on how effectively it operates its owned locations and how its franchisees operate and develop their businesses. NextPoint Financial does not exercise direct control over the day-to-day operations of its franchises, and its franchisees may not operate their businesses in a manner consistent with its philosophy and standards and may not increase the level of revenues generated compared to prior years. NextPoint Financial's growth and revenues may, therefore, be adversely affected. There can be no assurance that the training programs and quality control procedures established by NextPoint Financial will be effective in enabling franchisees to run profitable businesses or that it will be able to identify problems or take corrective action quickly enough. In addition, failure by a franchisee to provide service at acceptable levels may result in adverse publicity that can materially adversely affect NextPoint Financial's reputation and ability to compete in the market in which the franchisee is located. Further, franchisees will be required to prepare tax returns solely through the use of NextPoint Financial's authorized software. Franchisees' failure to use the authorized software or conversely, the use of alternative software, could prevent NextPoint Financial from monitoring tax returns prepared by a franchisee for accuracy and may also prevent NextPoint Financial from the opportunity to collect revenue such as royalties.

If NextPoint Financial's franchisees fail to open locations in new territories or if they are not successful in operating their new locations, its franchise-related revenue and results of operation will be adversely affected.

NextPoint Financial anticipates adding locations to its franchise system each year, but the opening of these locations depends on the purchase of additional territories by its franchisees and the opening of offices in territories previously purchased and newly purchased. Many factors go into opening a new location, including obtaining a suitable location, the availability of sufficient start-up capital, and the ability to recruit qualified personnel to work in new locations. If a significant number of locations that NextPoint Financial expects to be open, fail to open, are delayed, or open in unsuitable locations or with insufficient personnel, the revenue NextPoint Financial expects to receive from royalty payments and the repayment of indebtedness to it by its franchisees will be adversely affected. Because NextPoint

Financial will utilize an almost exclusive franchise business model, it may not have the same flexibility to open new offices as its competitors who make greater use of company-owned offices.

NextPoint Financial's operating results may be adversely affected by the default of its franchisees and area developers on loans made by it or third parties.

NextPoint Financial may extend financing to certain franchisees for initial franchise fees as cash advances for their working capital needs and other purposes. The financing may be in the form of promissory notes payable to NextPoint Financial. There can be no assurance that any franchisee will generate revenue sufficient to repay any or all amounts due nor is there any assurance that any franchisee will be able to repay any amounts due through other means. NextPoint Financial may also extend financing to area developers from time-to-time for a portion of their area development fees. Any failure by the franchisees and area developers to pay these amounts, if the amounts are not recoverable by NextPoint Financial through other means, could have a material adverse effect on its financial performance.

Moreover, in some cases, NextPoint Financial may be liable for office leases or other contractual obligations that have been assumed by purchasers of its owned offices and acquired tax practices. If the franchisees default on third-party obligations for which NextPoint Financial continues to have liability, its operating results will be adversely affected.

NextPoint Financial may be held responsible by third parties, regulators, or courts for the action of, or failure to act, by its franchisees and be exposed to possible fines, other liabilities, and bad publicity.

NextPoint Financial may grant its franchisees a limited license to use its registered service marks and, accordingly, there is risk that one or more of the franchisees may be identified as being controlled by NextPoint Financial. Third parties, regulators, or courts may seek to hold NextPoint Financial responsible for the actions or failures to act by its franchisees. The extent to which franchisors should be held responsible for the behavior of their franchisees has become a more significant issue in recent years, with some government agencies taking the position that the extent to which a franchise system establishes requirements for franchisees may justify treating the franchisor as if it "controls" the franchisee's behavior. Thus, the failure of NextPoint Financial's franchisees to comply with laws and regulations may expose it to liability and damages that may have an adverse effect on its business.

Disputes with NextPoint Financial's franchisees may have a material adverse effect on its business.

From time to time, NextPoint Financial may engage in disputes with some of its franchisees, and some of these disputes may result in litigation or arbitration proceedings. Disputes with its franchisees may require NextPoint Financial to incur significant legal fees, subject it to damages, and occupy a disproportionate amount of management's time. A material increase in the number of these disputes, or unfavorable outcomes in these disputes, may have a material adverse effect on NextPoint Financial's business. To the extent NextPoint Financial has disputes with its franchisees, its relationships with its franchisees could be negatively impacted, which could hurt its growth prospects or negatively impact its financial performance.

Federal and state regulators may impose new regulations on non-loan tax settlement products that would make those products more expensive for NextPoint Financial to offer or more difficult for its customers to obtain.

Consumer advocacy organizations and some government officials have asserted that non-loan tax settlement products, such as the refund transfer products NextPoint Financial offers, should be treated as loan products or otherwise be more heavily regulated. These groups assert that refund transfer products and similar products are loans because most customers complete the payment for their tax preparation and related fees at the time their refund is disbursed, and therefore, the customer has received an extension of credit because of a purported deferral of the tax preparation fees until the refund is received. NextPoint Financial is subject to a judgment in the State of California that treats refund transfer products that it will provide in California as if they were extensions of credit. If other state or federal courts or agencies successfully require NextPoint Financial to treat refund transfer products as if they are loans or extensions of credit, it may be subject to the cost of additional regulation, including disclosure requirements that could reduce the demand for these products by potential customers and may be subject to limitations on its ability to offer these products, which could materially adversely affect its operations.

NextPoint Financial may be unsuccessful in future litigation alleging that refund transfer products are loans, which could subject it to damages and additional regulation, and have a material adverse effect on its operations and financial results.

In the past, Liberty's tax preparation business has been the subject of litigation alleging violations of state-specific refund anticipation loan and other consumer statutes alleging that a refund transfer product represents a form of refund anticipation loan because the taxpayer is "loaned" the tax preparation fee, and that a refund transfer product is, therefore, subject to federal truth-in-lending disclosure and state law requirements regulating refund anticipation loans. Although this litigation was resolved through a settlement, the underlying issue may be the subject of additional regulation and litigation in the future. NextPoint Financial may also become subject to existing state regulations governing refund anticipation loans (in the states that have such regulations) and the costs of additional regulation, including disclosure requirements, and it may be subject to limitations on its ability to offer these products. These additional disclosure requirements could reduce the demand for these products by potential customers, and the possible application of state lending and other refund anticipation loan-related statutes and regulations might adversely affect NextPoint Financial's fee income to the extent those statutes or regulations impose limitations on fees that NextPoint Financial charges in connection with refund transfer products. If it becomes more difficult for NextPoint Financial and its franchisees to offer these products to taxpayers, or if NextPoint Financial is subject to damages in future litigation, it could materially and adversely affect its operations and financial results.

The failure by NextPoint Financial, its franchisees, the financial institutions, and other lenders that provide tax settlement products to NextPoint Financial's tax preparation customers through it and its franchisees, to comply with legal and regulatory requirements, including with respect to tax return preparation or tax settlement products, could result in substantial sanctions against NextPoint Financial or require changes to its business practices that could harm its profitability and reputation.

NextPoint Financial's tax return preparation business, including its franchise operations and facilitation of tax settlement products, will be subject to extensive regulation and oversight in the United States by the IRS, the FTC, and by federal and state regulatory and law enforcement agencies and similar entities in Canada. The profitability of the future operations of the tax preparation segment, therefore, depends in large part on NextPoint Financial's continued ability to comply with federal and state franchise regulations, and in Canada, on its continued ability to comply with Canadian and provincial franchise regulations. If governmental agencies with jurisdiction over NextPoint Financial's operations were to conclude that its business practices, the practices of its franchisees, or those of financial institutions and other lenders with which it conducts its business violate applicable laws, NextPoint Financial could become subject to sanctions that could have a material adverse effect on its business, financial condition, and results of operations. These sanctions may include, without limitation: civil monetary damages and penalties, criminal penalties, and injunctions or other restrictions on the manner in which NextPoint Financial conducts its business.

In addition, the financial institutions and other providers of tax settlement products to NextPoint Financial's customers will also be subject to significant regulation and oversight by federal and state regulators, including banking regulators. The failure of these providers to comply with the regulatory requirements of federal and state government regulatory bodies, including banking and consumer protection laws, could affect their ability to continue to provide tax settlement products to NextPoint Financial's customers, which could have a material adverse effect on its business, financial condition, and results of operations.

NextPoint Financial's customers' inability to obtain tax settlement products through NextPoint Financial's tax return preparation offices could cause its revenues or profitability to decline. NextPoint Financial also may be required to change business practices, which could alter the way tax settlement products are facilitated and could cause its revenues or profitability to decline.

Federal and state legislators and regulators have taken an active role in regulating tax settlement products and, because NextPoint Financial's ability to offer these products in future tax seasons may be limited, demand for its tax preparation services may be reduced, it may be exposed to additional credit risk, and its business may be harmed.

Financial institutions that provide or otherwise facilitate tax settlement products are subject to significant regulation and oversight by federal and state regulators, including banking regulators. Federal and state laws and regulations govern numerous matters relating to the offering of consumer loan products, such as Refund Advances and consumer deposit products such as refund transfers. From time to time, government officials at the federal and state levels may introduce and enact legislation and regulations proposing to further regulate or prevent the facilitation of refund-based loans and other tax settlement products and take other actions that have the effect of restricting the availability of these products. In July 2011, the CFPB was created by the Dodd-Frank Act to administer and enforce consumer protection laws and regulations in the financial sector. Certain proposed legislation, regulations, and activities by CFPB or other regulators could increase costs to NextPoint Financial, its franchisees, the financial institutions, and other parties that provide its tax settlement products or could negatively impact or eliminate the ability of financial institutions to provide or facilitate tax settlement products through tax return preparation offices.

Even if NextPoint Financial were to develop relationships that allow its customers to obtain refund-related loans through non-bank lenders, the laws and regulations that apply to those financial institutions and NextPoint Financial may make these products more expensive to offer or limit their availability to NextPoint Financial's customers. In addition, many states have statutes regulating through licensing and other requirements the activities of brokering loans and providing credit services to consumers as well as payday loan laws and local usury laws. Some state regulators are interpreting these laws in a manner that could adversely affect the manner in which tax settlement products are facilitated, or permitted, or result in fines or penalties to NextPoint Financial or its franchisees. Some states are introducing and enacting legislation that would seek to directly apply such laws to the facilitators of refund-based loans. Additional states may interpret these laws in a manner that is adverse to how NextPoint Financial conducts its business or how it has conducted its business in the past, and it may be required to change business practices or otherwise comply with these statutes and could be subject to fines, penalties, or other payments related to past conduct.

Because demand for NextPoint Financial's products is related to the complexity of tax return preparation and the frequency of tax law changes, government initiatives that simplify tax return preparation, reduce the need for a third-party tax return preparer, or lower the number of returns required to be filed may decrease demand for NextPoint Financial's services and financial products.

Many taxpayers seek assistance from paid tax return preparers because of the level of complexity involved in tax return preparation and filing and frequent changes in the tax laws. From time to time politicians and government officials propose measures seeking to simplify the preparation and filing of tax returns. The passage of any measures that significantly simplify tax return preparation or reduce the need for third-party tax return preparers may be highly detrimental to NextPoint Financial's business. In addition, any changes or other initiatives that result in a decrease in the number of tax returns filed or reduce the size of tax refunds could reduce demand for NextPoint Financial's products and services, causing its revenues or profitability to decline.

For example, several members of the United States Congress have proposed legislation that would authorize or require the IRS to allow taxpayers to access web-based tax preparation tools that would include "pre-populated" tax return forms that would presumably include data provided to the IRS from other government agencies, such as the Social Security Administration. If these or similar proposals are enacted, many tax customers might elect those services rather than paid tax preparation or the use of fee-based tax software or online tax preparation.

Initiatives that improve the timing and efficiency of processing tax returns could reduce the attractiveness of the tax settlement products offered to NextPoint Financial's customers and demand for its services.

NextPoint Financial's performance depends on its ability to offer access to tax settlement products that increase the speed and efficiency by which its customers can receive their refunds. The U.S. federal government and various state and local municipalities have, from time to time, announced initiatives designed to modernize their operations and improve the timing and efficiency of processing tax returns. For example, during a prior tax season, the United States Department of Treasury introduced a prepaid debit card pilot program designed to facilitate the refund process. If tax authorities are able to significantly increase the speed and efficiency with which they process tax returns, the value and attractiveness of the tax settlement products offered to NextPoint Financial's customers and demand for its services could be reduced.

Proposals to make fundamental changes in the way tax refunds are processed or to impose price limitations on tax preparation, if enacted, could result in substantial losses of customers and other risks.

Some regulators have suggested that it would be appropriate to allow taxpayers to "split" their tax refunds, in a manner that would separate the payment of tax preparation fees from the balance of a customer's refund. In describing these proposals, some advocates have called for a cap on tax preparation fees that would adversely affect the ability of tax preparers to charge market prices for tax services and could reduce income to NextPoint Financial's franchisees, and therefore, to NextPoint Financial. Other proposals have been advanced that would attempt to reduce tax refund fraud by significantly postponing the speed with which refunds are processed, or even postponing the processing of refunds until after the April 15 federal tax filing deadline. Such a change would likely have the effect of devaluing services that allow tax customers in the early portion of the tax season to receive their refunds on a more expedited basis than is available when electronic filing is not used and could therefore reduce the demand for the services NextPoint Financial and its franchisees provide.

There can be no assurance that these proposals will be enacted at all or in their present form but if enacted, NextPoint Financial's growth and revenues could be adversely affected.

NextPoint Financial's participation in government programs designed to speed up access to tax refunds may result in customer loss when the IRS fails to perform.

The IRS has responded to the increase in electronic filing by developing programs designed to reduce a taxpayer's wait to receive a tax refund. In the past, Liberty participated in some programs offered by the IRS that did not perform as expected, resulting in significant delays in processing refunds for some of its customers. Although NextPoint Financial intends to seek to give its customers quicker access to their refunds, doing so involves the risk of customer dissatisfaction and injury to its reputation in the market if the IRS fails to perform, which is outside its control.

Risks Relating to the Lending Business

NextPoint Financial is subject to the risks of operating the consumer lending business

NextPoint Financial operates in an evolving industry, which makes it difficult to accurately assess our future growth prospects. Although our management team has many years of experience in the consumer lending industry, no one can predict how environments will develop. Assessing the future prospects of our business is challenging in light of both known and unknown risks and difficulties we may encounter. Growth prospects in consumer lending can be adversely affected by a wide variety of factors including:

- Competition from other online and traditional lenders;
- An evolving regulatory landscape that could impose limitations that impact the consumer lending products that may be offered and service;
- Impaired access to important marketing channels such as:
  - Direct mail;
  - TV and mass media;
  - Search engine marketing; and
  - Strategic partnerships with affiliates;
- Changes in consumer behavior, including increasing propensity to prepay loans;
- Inadequate access to financing;
- Inadequate or incompetent management of cash flow leaving NextPoint Financial illiquid;
- Fraudulent borrowing and online theft;
- Over-dependence on our personnel and certain third parties with whom we do business;
- Exposure and risk associated with any hack or compromise of our systems;
- Negative publicity and media attention on NextPoint Financial and the industry;
- Inability for our partners to recruit and retain qualified personnel necessary to operate a lending business; and
- Fluctuations in the credit markets and demand for credit.

We may not be able to successfully address and overcome these risks should they occur.

Borrowers may decide to prepay all or a portion of their loans at any time.

NextPoint Financial is unable to predict if or when a borrower will prepay a loan. Typically, a borrower's decision to prepay depends on its continued positive economic performance and the existence of favorable financing market conditions that permit the borrower to replace its existing financing with less expensive capital. As market conditions change frequently, it is very difficult to predict if or when a borrower may deem market and business conditions to be favorable for prepayment. Prepayment of a loan by a borrower may have the effect of reducing the achievable yield on the prepaid funds to a level below that which was anticipated by NextPoint Financial. Such a reduction may occur when NextPoint Financial is unable to invest the funds prepaid by the borrower in other transactions with an expected yield greater than or equal to the yield NextPoint Financial expected to receive from the prepaying borrower.

Negative publicity could adversely affect NextPoint Financial's business.

Negative publicity about the consumer, bank product, or small business lending industry or NextPoint Financial, including the quality and reliability of NextPoint Financial's partner's lending business, or in the industry generally, ability for consumer lending partners to effectively manage and resolve borrower complaints, privacy and security practices, use of loan proceeds by certain borrowers that have obtained loans through NextPoint Financial or marketplace lending platforms for illegal purposes, litigation, regulatory activity and the experience of borrowers, even if inaccurate, could adversely affect NextPoint Financial's business and operating results. Harm to NextPoint Financial's reputation can arise from many sources, including employee misconduct, misconduct or failure to adhere to regulatory compliance obligations by NextPoint Financial's partners (including consumer lenders and any applicable sub-servicer or third-party collection agent) or partners of those partners, other lenders, outsourced service providers or other counterparties, failure by NextPoint Financial's partners to meet minimum standards of service and quality, inadequate protection of borrower information and compliance failures and claims.

Regulatory Risks

If NextPoint Financial or its franchisees fail to comply with marketing and advertising laws, including with regard to direct marketing, it may face significant damages.

NextPoint Financial may rely on a variety of marketing techniques, including telemarketing, email and social media marketing and postal mailings, and will be subject to various laws and regulations in the United States, Canada and internationally that govern marketing and advertising practices. The retention of customers by NextPoint Financial's business and franchisees, and its ability to attract additional customers franchisees, may depend on the use of these marketing techniques to contact customers and potential franchisees. Legislation in the United States and Canada, including the TCPA, imposes significant restrictions on the ability to utilize telephone calls and electronic messages such as email, SMS and instant messaging, as a means of communication when the prior consent of the person being contacted has not been obtained. This legislation establishes requirements for marketing techniques that may prevent NextPoint Financial from initiating certain types of marketing companies or engaging in select marketing practices, which may limit NextPoint Financial's marketing outreach and product awareness. In addition, if NextPoint Financial fails to ensure that its own telemarketing and telemarketing efforts are compliant with applicable law, or if its franchisees fail to do so and it is held responsible for their behavior, it may incur significant damages.

Risks relating to the tax debt resolution business

Search engine marketing practices could negatively impact NextPoint Financial's ability to grow its tax debt resolution business.

NextPoint Financial utilizes search engine marketing strategies to grow its customer base which are subject to advertising and business restrictions imposed by the search engines. NextPoint Financial's tax debt resolution business may be impacted if the search engines take positions that are adverse to the tax debt resolution business.

IRS Collection Activities may negatively impact NextPoint Financial's business performance in any given year.

IRS collection activity serves as a prompt for many consumers to seek out tax debt resolution services. NextPoint Financial has no control over the timing or level of collection activity undertaken by the IRS in any given year, thus business results may be stronger or weaker depending on the activity conducted by the IRS.

This is a highly competitive industry with services offered by a broad spectrum of service providers that could adversely affect future results of operations.

Tax debt resolution is a competitive and highly fragmented industry with various types of companies offering such services. These companies, both large and small, generally offer tax resolution services, tax filing preparation services, tax representation services and/or negotiation settlement services to individuals and small businesses. NextPoint Financial also competes directly with both regional tax law firms and accounting firms and with large national firms that offer some or all of the same tax resolution services. Larger and smaller competitors may be able to offer their services at lower rates due to scale, reduced overhead expense, or other reasons. Business and results of operations could be adversely affected if NextPoint does not compete effectively.

NextPoint Financial relies on personnel with highly specialized skills and knowledge regarding the IRS, and if it is unable to retain or motivate key personnel or hire additional qualified personnel, it may not be able to grow effectively.

The tax debt resolution business performance is largely dependent on the talents and efforts of personnel who have extensive experience with the IRS, from which they have an outstanding knowledge of IRS practice, procedures and policies as well as specialized skill in navigating the IRS bureaucracy. Future success depends on the continued ability to identify, hire, develop, motivate, and retain such highly skilled personnel for the organization. NextPoint Financial competes for such qualified individuals with numerous tax resolution firms and large tax preparation companies, as well as law firms and accounting firms. Competition for such individuals is intense and a failure to maintain qualified personal could adversely impact business growth.

Government initiatives that simplify tax return preparation could reduce the need for tax debt resolution.

Many taxpayers who have failed to comply with their tax filing requirements seek out assistance from paid tax return preparers or tax resolution firms because of the level of complexity involved in the tax return preparation and filing process. From time to time, government officials propose measures seeking to simplify the preparation and filing of tax returns or to provide additional assistance with respect to preparing and filing such tax returns. The passage of any measures that significantly reduces the need for a third party tax return preparer could also reduce demand for tax debt resolution services causing revenues or earnings to decline.

Insurance coverage may not cover all risks associated with the business, which may harm our financial results.

NextPoint Financial maintains insurance policies related to the risks associated with its business. However, there are no assurances that such insurance coverage will be sufficient or that coverage will be extended to cover matters claimed. The failure of adequate insurance coverage or recovery could have a material adverse effect on the business, financial condition and results of operations.

Failure to comply with laws and regulations that protect customers data could result in significant fines, harm to the brand and reputation of NextPoint Financial, and litigation and resolution costs.

Privacy concerns relating to the disclosure of customers' personal and financial information have drawn increased attention from federal and state governments. The IRS generally prohibits the use and disclosure by tax return preparers of tax return information without the prior written consent of the taxpayer. In addition, the Gramm-Leach-Bliley Act and other FTC regulations require NextPoint Financial to adopt and disclose customer privacy policies and provide customers with a reasonable opportunity to opt out of having personal information disclosed to unaffiliated third parties for marketing purposes. Federal and state law also requires NextPoint Financial to safeguard customers' financial information. Although security procedures to protect against identity theft and the theft of customer financial information have been established, breaches of customer privacy may occur. If measures undertaken prove to be insufficient or inadequate, NextPoint Financial could become subject to litigation or administrative sanctions, which could result in significant fines, penalties or damages and harm to the brand and reputation. In addition, changes in these federal and state legal and regulatory requirements could result in more stringent obligations that require changes in business practices, including how client information is stored and/or disclosed. These changes could have a material adverse effect on the business, financial condition and results of operations.

Tax debt resolution clients may fail to pay their fees as agreed.

NextPoint Financial allows clients the option of paying fees over time through financing arrangements or payment plans. If clients fail to abide by repayment terms, due to unemployment, recession, or otherwise, business revenue may decrease, which would negatively impact results of operations and stock price performance.

General Risks

Risks associated with recent or future acquisitions.

As part of NextPoint Financial's overall business strategy, NextPoint Financial intends to pursue strategic acquisitions which could provide additional product offerings, vertical integrations, additional industry expertise or a stronger industry presence in both existing and new jurisdictions. Future acquisitions may expose NextPoint Financial to potential risks, including risks associated with: (i) the integration of new operations, services and personnel; (ii) unforeseen or hidden liabilities; (iii) the diversion of resources from NextPoint Financial's existing interests and business; (iv) potential inability to generate sufficient revenue to offset new costs; (v) the expenses of acquisitions; or (vi) the potential loss of or harm to relationships with both employees and existing customers resulting from its integration of new businesses. In addition, any proposed acquisitions may be subject to regulatory approval.

There can be no assurance that NextPoint Financial will be able to compete effectively with its current and future competitors and increased competition by larger and better-financed competitors could materially and adversely affect the business, financial condition and results of operations of NextPoint Financial.

The tax return preparation industry is characterized by intense competition. There is potential that NextPoint Financial will compete with H&R Block, which is larger and more widely recognized than NextPoint Financial, Jackson Hewitt and with other national and regional tax services and smaller independent tax return preparation services, small franchisors, regional tax return preparation businesses, accounting firms, and financial service institutions that prepare tax returns as part of their business. Additionally, NextPoint Financial believes that many taxpayers in NextPoint Financial's target market prepare their own returns and in light of recent tax legislation enacted by the US government and any proposed modifications to the Code which simplify tax preparation, may result in even more taxpayers preparing their own returns. The availability of these alternative options may reduce demand for NextPoint Financial's products and limit the fees its franchisees can charge, and competitors may develop or offer more attractive or lower cost products and services than NextPoint Financial, which could erode its consumer base.

There is potential that NextPoint Financial also faces increased competitive challenges from the online and software self-preparer market, including the FFA, a consortium of the IRS, online preparation services that provides free online tax return preparation, and volunteer organizations that assist in preparing tax returns at no cost for low-income taxpayers. In addition, many of NextPoint Financial's direct competitors offer certain free online tax preparation and electronic filing options, and limited in-office promotions of free or nominal cost tax preparation services. Government tax authorities, volunteer organizations, and direct competitors may elect to expand free and reduced cost offerings in the future. Intense price competition, including offers of free service, could result in a loss of market share, lower revenues, or lower margins. NextPoint Financial's ability to compete in the tax return preparation business depends on its product offerings, price for services, customer service, the specific site locations of its offices, local economic conditions, quality of on-site office management, the ability to file tax returns electronically with the IRS, and the availability of tax settlement products to its customers.

NextPoint Financial may be unable to compete effectively with new and existing competitors, which could adversely affect its revenues and results of operations. In addition, investments required to adjust to changing market conditions may adversely affect NextPoint Financial's business and financial performance.

NextPoint Financial is dependent on skilled labour.

The ability of NextPoint Financial to compete and grow is dependent on it and its franchisees having access, at a reasonable cost and in a timely manner, to skilled labour, including a substantial number of seasonal employees for each tax season. The ability of NextPoint Financial and its franchisees to meet their labour needs is subject to many external factors, including competition for qualified personnel, unemployment levels in each of the markets in which it has offices, prevailing wage rates, minimum wage laws, and workplace regulation. NextPoint Financial's and its franchisees require a substantial number of employees who are willing to become trained as tax preparers, and who have the ability to engage in temporary, seasonal employment. Moreover, in addition to its seasonal employees, NextPoint Financial requires a substantial number of full-time employees who are required to have the technical skills necessary to participate in software development, database management, and other highly technical tasks.

From time to time, the federal, state or provincial governments may consider regulations regarding the education, testing, licensing, certification, and registration of tax return preparers. Although the IRS' effort to implement a new model for tax return preparer regulation has been declared invalid by a federal appeals court, congressional action authorizing mandatory regulation may be adopted in the future, and various states have begun to fill the void created by the absence of federal tax return preparer regulation by proposing new or enhanced regulatory requirements at the state level. Although it is expected that NextPoint Financial's training for preparers will already exceed the requirements the IRS had proposed and that states have adopted or have proposed, regulation of tax return preparers could impact NextPoint Financial's ability to find an adequate number of tax return preparers to meet the demands of its customers and impose additional costs on NextPoint Financial and its franchisees to train tax return preparers, which could cause its revenues and profitability to decline.

No assurances can be given that NextPoint Financial will be successful in maintaining its required supply of skilled labour, including as a result of the COVID-19 pandemic. If NextPoint Financial and its franchisees are not able to hire a sufficient supply of qualified seasonal employees, or if NextPoint Financial is not able to secure employees with the technical skills they require for other purposes, NextPoint Financial's ability to serve its customers in its offices, to deploy its marketing programs, and to maintain the services that it and its franchisees require may be compromised This could have an adverse effect on the business, financial condition, results of operations or prospects of NextPoint Financial.

NextPoint Financial's operating results may depend on the effectiveness of its marketing and advertising programs and franchisee support of these programs.

NextPoint Financial's revenues may be heavily influenced by its brand marketing and advertising. If its marketing and advertising programs are unsuccessful, it may fail to retain existing customers and attract new customers, which could limit the growth of its revenues or profitability or result in a decline in its revenues or profitability. NextPoint Financial may be required to devote significant amounts of capital and human resources in marketing efforts to attract and obtain the acceptance of new customers. Moreover, because franchisees of NextPoint Financial's tax preparation business will be required to pay NextPoint Financial marketing and advertising fees based on a percentage of their revenues, NextPoint Financial's marketing fund expenditures may be dependent upon sales volumes of its franchisees.

The support of its franchisees will be critical for the success of NextPoint Financial's marketing programs and any new strategic initiatives it seeks to undertake in connection with its tax preparation business. Although certain actions will be required of NextPoint Financial's franchisees under the franchise agreements, there can be no assurance that its franchisees will continue to support its marketing programs and strategic initiatives. The failure of its franchisees to support its marketing programs and strategic initiatives would adversely affect NextPoint Financial's ability to implement its business strategy and could have a material adverse effect on its business, financial condition, and results of operations.

There can be no assurances that, at any point in time, whether due to changing economic factors, legal regulation or competition, there will be a market for NextPoint Financial's products and services and that NextPoint Financial will be able to attract a sufficient number of customers required to sustain its operations.

NextPoint Financial may be subject to the risk of litigation.

NextPoint Financial may become party to litigation from time to time in the ordinary course of business which could adversely affect its business. Should any litigation in which NextPoint Financial becomes involved be determined against NextPoint Financial, such a decision could adversely affect NextPoint Financial's ability to continue operating and the market price for the Common Shares and other listed securities of NextPoint Financial. Even if NextPoint Financial is involved in litigation and wins, litigation can redirect significant company resources. Litigation may also create a negative perception of NextPoint Financial's brand.

NextPoint Financial may be subject to intellectual property risks.

NextPoint Financial may have certain proprietary intellectual property, including but not limited to brands, trademarks, trade names, patents and proprietary processes. NextPoint Financial may rely on this intellectual property, know-how and other proprietary information, and require employees, consultants and suppliers to sign confidentiality agreements. However, these confidentiality agreements may be breached, and NextPoint Financial may not have adequate remedies for such breaches. Third parties may independently develop substantially equivalent proprietary information without infringing upon any proprietary technology. Third parties may otherwise gain access to NextPoint Financial's proprietary information and adopt it in a competitive manner. Any loss of intellectual property protection may have a material adverse effect on NextPoint Financial's business, results of operations or prospects.

In addition, third parties may assert infringement claims against NextPoint Financial. Any claims and any resulting litigation could subject NextPoint Financial to significant liability for damages. An adverse determination in any litigation of this type could result in limitations on NextPoint Financial's ability to use the intellectual property subject to these claims and require NextPoint Financial to design around a third-party's patent or to license alternative technology from another party.

NextPoint Financial may be subject to the risks associated with fraudulent or illegal activity by its employees, contractors, consultants or franchisees.

NextPoint Financial is exposed to the risk that its employees, independent contractors, consultants and franchisees may engage in fraudulent or other illegal activity. Misconduct by these parties could include (i) intentional, reckless and/or negligent unauthorized conduct that violates government regulations or contractual arrangements, including confidentiality requirements, (ii) the conversion or misuse of funds, documents or data; or (iii) failure to follow our protocol when interacting with customers. As a result, NextPoint Financial could also be perceived to have facilitated or participated in illegal misappropriation of funds, documents or data, or failed to have followed protocol, and therefore be subject to civil or criminal liability. It may not always be possible for NextPoint Financial to identify and deter misconduct by its employees, franchisees and other third parties, and the precautions taken by NextPoint Financial to detect and prevent this activity may not be effective in controlling unknown or unmanaged risks or losses or in protecting NextPoint Financial from governmental investigations or other actions or lawsuits stemming from a failure to be in compliance with applicable laws or regulations or contractual requirements. If any such actions are instituted against NextPoint Financial, and it is not successful in defending itself or asserting its rights, those actions could have a significant impact on NextPoint Financial's business, including the imposition of civil, criminal and administrative penalties, damages, monetary fines, contractual damages, reputational harm, diminished profits and future earnings, and curtailment of NextPoint Financial's operations, any of which could have a material adverse effect on NextPoint Financial's business, financial condition, results of operations or prospects.

NextPoint Financial may be subject to risks related to information technology systems, including cyber-attacks.

NextPoint Financial's operations depend, in part, on how well it and its franchisees protect networks, information technology systems and software against damage from a number of threats, including, but not limited to, cable cuts, natural disasters, intentional damage and destruction, fire, power loss, hacking, computer viruses, vandalism and theft. NextPoint Financial's operations also depend on the timely maintenance, upgrade and replacement of networks, information technology systems and software, as well as pre-emptive expenses to mitigate the risks of failures. In addition, NextPoint Financial's business involves employees and franchisees processing a large number of complex transactions, including transactions that may involve significant dollar amounts or that involve the use or disclosure of personal and business information. NextPoint Financial could be materially adversely affected if transactions are redirected, misappropriated or otherwise improperly executed, if personal and business information is disclosed to unintended recipients or if an operational breakdown or failure in the processing of other transactions occurs, whether as a result of human error, a purposeful sabotage or by means of a fraudulent manipulation of our operations or systems. Any of these and other events could result in information system failures, delays and/or increase in capital expenses.

The failure of information systems or a component of information systems could, depending on the nature of any such failure, materially impact NextPoint Financial's ability to complete its customers' tax filings, provide tax settlement products, enter into new lending transactions and service or collect customer accounts and could adversely impact NextPoint Financial's reputation and results of operations. NextPoint Financial has not experienced any material losses to date relating to cyber-attacks or other information security breaches, but there can be no assurance that NextPoint Financial will not incur such losses in the future. NextPoint Financial's risk and exposure to these matters cannot be fully mitigated because of, among other things, the evolving nature of these threats. As a result, cyber security and the continued development and enhancement of controls, processes and practices designed to protect systems, computers, software, data and networks from attack, damage or unauthorized access is a priority. As cyber threats continue to evolve, NextPoint Financial may be required to expend additional resources to continue to modify or enhance protective measures or to investigate and remediate any security vulnerabilities.

The current outbreak of the Novel Coronavirus, or COVID-19, or the future outbreak of any other highly infectious or contagious diseases, could materially and adversely impact or cause disruption to NextPoint Financial's operations, performance, financial condition, results of operations and cash flows.

The Company's business, financial condition and results of operations, and those of the Company's service providers, franchisees and customers are being adversely affected by the recent global COVID-19 outbreak and may be adversely affected by other similar outbreaks.

When a pandemic or outbreak of an infectious disease occurs, our business, financial condition and results of operations may be adversely affected. Our business has been, and continues to be, adversely impacted by the measures taken and restrictions imposed in the countries in which we operate and by local governments and others in response to COVID-19. These restrictions, including travel and curtailment of other activity, negatively impact our ability to conduct business. The continuing resurgence of COVID-19 and variants thereof has resulted in the re-imposition of certain restrictions and may lead to other restrictions being implemented in response to efforts to reduce the spread of the virus. The resulting uncertainty concerning, among other things, the spread and economic impact of the virus has also caused significant volatility in global markets and economies. The full extent of the impact of COVID-19 on our business, financial condition and operations is unknown and will depend on the duration of the outbreak, future developments, vaccine availability and efficacy, as well as governmental and societal reaction, all of which are uncertain, out of our control, and cannot be predicted.

In particular, the actual and threatened spread of the virus could have a material adverse effect on the global economy and may negatively impact financial markets in the future, including the trading price of our securities, could cause continued interest rate volatility and movements that could make obtaining financing more challenging or more expensive, could continue to limit the ability of our personnel to travel, and could result in any threatened areas to be subject to quarantine and shelter-in-place orders among other restrictions. Any of these developments could have a material adverse effect on our business, liquidity, capital resources and financial results.

This outbreak, and any outbreak of a contagious disease or any other adverse public health developments in countries where we operate, could have material and adverse effects on our business, financial condition, and results of operations. In addition, any outbreak may result in a widespread health crisis that could adversely affect the economies and financial markets of many countries, resulting in an economic downturn or recession that could affect demand for our products or our ability to obtain financing for our business or projects.

Failure to maintain an effective system of internal control over financial reporting, could result in an inability of NextPoint Financial to accurately report its financial results, and current and potential shareholders could lose confidence in its financial reporting.

NextPoint Financial is required to establish and maintain adequate internal control over financial reporting that provides reasonable assurance regarding the reliability of its financial reporting and the preparation of financial statements in accordance with applicable accounting principles. In its MD&A for the year ended December 31, 2021 and for the period from July 16, 2020 through December 31, 2020, NextPoint Financial reported that it had a material weakness in its internal control over financial reporting at the LoanMe segment. The control deficiencies that contributed to the material weakness are set forth in the MD&A. NextPoint Financial has taken steps to address and remedy the control deficiencies giving rise to the material weakness finding, which are also set forth in the MD&A. Although NextPoint Financial believes that these efforts have and will strengthen its internal control over financial reporting and address the concern that gave rise to the material weakness, it cannot be certain that its expanded knowledge and revised internal control practices will ensure that it maintains adequate internal control over financial reporting in future periods. Any failure to maintain such adequate controls could adversely impact its ability to report its financial results on a timely and accurate basis. If its financial statements are not accurate, investors may not have a complete understanding of its operations. Likewise, if its financial statements are not filed on a timely basis, it could face severe consequences from regulatory authorities. Such failure to maintain internal controls could also cause investors to lose confidence in its reported financial information, which could have a negative effect on the trading price of its stock.

Global financial conditions and future economic shocks may impair NextPoint Financial's financial condition.

Future economic shocks may be precipitated by a number of causes, including a rise in the price of oil, geopolitical instability, pandemics or outbreaks of new infectious diseases or viruses and natural disasters. Any sudden or rapid destabilization of global economic conditions, including as a result of the COVID-19 pandemic, could impact NextPoint Financial's ability to obtain equity or debt financing in the future on terms favourable to NextPoint Financial. Additionally, any such occurrence could cause decreases in asset values that are deemed to be other than temporary, which may result in impairment losses. In such an event, NextPoint Financial's operations and financial condition could be adversely impacted.

Furthermore, general market, political and economic conditions, including, for example, inflation, interest and currency exchange rates, structural changes in the industries in which NextPoint Financial operates, supply and demand for commodities, political developments, legislative or regulatory changes, social or labour unrest and stock market trends will affect NextPoint Financial's operating environment and its operating costs and profit margins and the price of its securities. Any negative events in the global economy could have a material adverse effect on NextPoint Financial's business, financial condition, results of operations or prospects.

NextPoint Financial may be subject to risk from changes in the business environment, fundamental changes in demand for NextPoint Financial's products or services, improper implementation of decisions, execution of NextPoint Financial's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

Strategic risk is the risk from changes in the business environment, fundamental changes in demand for NextPoint Financial's products or services, improper implementation of decisions, execution of NextPoint Financial's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape.

NextPoint Financial's ability to increase its customer and revenue base is contingent, in part, on its ability to grow its consumer loans receivable portfolio, to access customers through new delivery channels, to successfully develop and launch new products to meet evolving customer demands, to secure growth financing at a reasonable cost and to execute with efficiency and effectiveness.

The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on NextPoint Financial's financial condition, liquidity and results of operations.

Management of growth may prove to be difficult.

NextPoint Financial may be subject to growth-related risks including capacity constraints and pressure on its internal systems and controls. The ability of NextPoint Financial to manage growth effectively will require it to continue to implement and improve its operational and financial systems and to expand, train and manage its employee base. The inability of NextPoint Financial to deal with this growth may have a material adverse effect on NextPoint Financial's business, financial condition, results of operations or prospects.

NextPoint Financial may not pay dividends.

The declaration and payment of dividends or distributions by NextPoint Financial is at the discretion of the Board subject to restrictions under applicable laws, and may be affected by numerous factors, including NextPoint Financial revenues, cash flow, financial condition, acquisitions, capital investment requirements and legal, regulatory or contractual restrictions. A failure to pay dividends or a reduction or cessation of the payment of dividends could materially adversely affect the trading price of Common Shares.

If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about NextPoint Financial or its business, the Common Share trading price and volume could decline.

The trading market for Common Shares will depend in part on the research and reports that securities or industry analysts publish about NextPoint Financial or its business. If no securities or industry analysts commence covering NextPoint Financial, the trading price for Common Shares would be negatively impacted. If NextPoint Financial obtains securities or industry analyst coverage and if one or more of the analysts who cover NextPoint Financial downgrade Common Shares or publish inaccurate or unfavorable research about NextPoint Financial's business, NextPoint Financial's trading price may decline. If one or more of these analysts cease coverage of NextPoint Financial or fail to publish reports on NextPoint Financial regularly, demand for Common Shares could decrease, which could cause the Common Share trading price and volume to decline.

The market price of the Common Shares may be highly volatile.

The stock market, from time-to-time, experiences significant price and volume fluctuations unrelated to the operating performance of particular companies, including as a result of the COVID-19 pandemic. Future announcements concerning NextPoint Financial or its competitors, including those pertaining to financing arrangements, government regulations, developments concerning regulatory actions affecting NextPoint Financial, litigation, additions or departures of key personnel, cash flow, and economic conditions and political factors in the United States may have a significant impact on the market price of the Common Shares. In addition, there can be no assurance that the Common Shares will continue to be listed on the Exchange.

The market price of the Common Shares could fluctuate significantly for many other reasons, including for reasons unrelated to NextPoint Financial's specific performance, such as reports by industry analysts, investor perceptions, or negative announcements by its subscribers, competitors or suppliers regarding their own performance, as well as general economic and industry conditions. For example, to the extent that other large companies within its industry experience declines in their stock price, the share price of the Common Shares may decline as well. In addition, when the market price of a company's shares drops significantly, shareholders often institute securities class action lawsuits against the company. A lawsuit against NextPoint Financial could cause it to incur substantial costs and could divert the time and attention of its management and other resources.

NextPoint Financial's officers and directors may be engaged in other business ventures resulting in conflicts of interest.

Certain of NextPoint Financial's directors and officers are, and may continue to be, or may become, involved in other business ventures through their direct and indirect participation in, among other things, corporations, partnerships and joint ventures, that are or may become competitors of the products and services NextPoint Financial provides or intends to provide. Situations may arise in connection with potential acquisitions or opportunities where the other interests of these directors and officers conflict with or diverge from NextPoint Financial's interests. In accordance with applicable corporate law, directors who have a material interest in a contract or transaction or a proposed contract or transaction with NextPoint Financial that is material to NextPoint Financial are required, subject to certain exceptions, to disclose that interest and generally abstain from voting on any resolution to approve the transaction. In addition, the directors and officers are required to act honestly and in good faith with a view to NextPoint Financial's best interests.

However, in conflict of interest situations, NextPoint Financial's directors and officers may owe the same duty to another company and will need to balance their competing interests with their duties to NextPoint Financial. Circumstances (including with respect to future corporate opportunities) may arise that may be resolved in a manner that is unfavourable to NextPoint Financial.

Certain remedies may be limited to NextPoint Financial.

NextPoint Financial's governing documents may provide that the liability of its members of the Board and its officers is eliminated to the fullest extent permitted under the laws of the Province of British Columbia. Thus, NextPoint Financial and its shareholders may be prevented from recovering damages for certain alleged errors or omissions made by the members of the Board and its officers. NextPoint Financial's governing documents may also provide that NextPoint Financial will, to the fullest extent permitted by law, indemnify members of its Board and its officers for certain liabilities incurred by them by virtue of their acts on behalf of NextPoint Financial.

NextPoint Financial may have difficulty in enforcing judgments and effecting service of process on directors and officers.

A majority of the directors and officers of NextPoint Financial reside outside of Canada. Some or all of the assets of such persons may be located outside of Canada. Therefore, it may not be possible for investors to collect or to enforce judgments obtained in Canadian courts predicated upon the civil liability provisions of applicable Canadian securities laws against such persons. Moreover, it may not be possible for investors to effect service of process within Canada upon such persons.

Past performance is not indicative of future results.

The prior operational performance of any of the Target Businesses is not indicative of any potential future operating results of NextPoint Financial. There can be no assurance that the historical operating results achieved by any of the Target Businesses or their affiliates will be achieved by NextPoint Financial, and NextPoint Financial's performance may be materially different.

Changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters could significantly affect NextPoint Financial's reported financial results or financial condition.

Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations with regard to a wide range of matters that are relevant to NextPoint Financial's business, including but not limited to revenue recognition, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation, or changes in underlying assumptions, estimates or judgments, could significantly change NextPoint Financial's reported financial performance or financial condition in accordance with generally accepted accounting principles.

Financial projections may prove materially inaccurate or incorrect.

Any of NextPoint Financial's financial estimates, projections and other forward-looking information or statements included herein were prepared by NextPoint Financial without the benefit of reliable historical industry information or other information customarily used in preparing such estimates, projections and other forward-looking information or statements. Such forward-looking information or statements are based on assumptions of future events that may or may not occur, which assumptions may not be disclosed herein. Investors should inquire of NextPoint Financial and become familiar with the assumptions underlying any estimates, projections or other forward-looking information or statements. Projections are inherently subject to varying degrees of uncertainty and their achievability depends on the timing and probability of a complex series of future events. There is no assurance that the assumptions upon which these projections are based will be realized. Actual results may differ materially from projected results for a number of reasons including increases in operation expenses, changes or shifts in regulatory rules, undiscovered and unanticipated adverse industry and economic conditions, and unanticipated competition. Accordingly, investors should not rely on any projections to indicate the actual results NextPoint Financial might achieve.

Debt Covenant Breaches

A breach of the covenants or restrictions under the Company's indebtedness could result in an event of default under the applicable indebtedness. Such a default may allow the creditors to accelerate the related debt and may result in the acceleration of any other debt to which a cross-acceleration or cross-default provision applies. In addition, an event of default could permit our lenders to terminate all commitments to extend further credit. Furthermore, if the Company were unable to repay the amounts due and payable under its credit facilities, those lenders could proceed against the collateral granted to them to secure that indebtedness. In the event the Company's lenders accelerate the repayment of its borrowings, it and its subsidiaries may not have sufficient assets to repay that indebtedness. As a result of these restrictions, the Company may be limited in how it conducts its business, unable to raise additional debt or equity financing to operate during general economic or business downturns or unable to compete effectively or to take advantage of new business opportunities.

AUDIT COMMITTEE

Audit Committee Charter

The audit committee of the Board (the "**Audit Committee**") operates under the Charter of the Audit Committee set out at Appendix A hereto, pursuant to which the Audit Committee assists the Board in fulfilling its oversight of: (i) our financial statements and financial reporting processes; (ii) our systems of internal accounting and financial controls; (iii) the annual independent audit of our financial statements; (iv) legal and regulatory compliance (including addressing whistle-blowing matters); (v) reviewing and recommending debt and equity financings, reviewing and monitoring compliance with debt covenants and reviewing the process and reports with which we measure financial results or performance; and (vi) public disclosure items such as quarterly press releases, investor relations materials and other public reporting requirements.

Composition of the Audit Committee

The Audit Committee consists of William Minner (Chair), Daniel Shribman and Logan Powell, each of whom is considered both "financially literate" and "independent" within the meaning of National Instrument 52-110 – *Audit Committees*. For the education and experience relevant to the performance by each such person of the responsibilities as a member of the Audit Committee, see "*Directors and Executive Officers —Directors*".

Policies and Procedures for the Engagement of Non-Audit Services

The Audit Committee is also responsible for the pre-approval of all non-audit services to be provided to the Company or its subsidiary entities. The Audit Committee may delegate the authority to pre-approve non-audit services, provided such delegation is permitted by law. At least annually, the Audit Committee will review and confirm the independence of the auditor by obtaining statements from the auditor on relationships between the auditor and the Company, including non-audit services.

Auditor's Fees

The following chart sets out the fees that the Company was billed by (i) Deloitte & Touche LLP and Deloitte LLP for the fiscal year ended December 31, 2021 and (ii) Deloitte LLP for the fiscal year ended December 31, 2020:

($USD)	Fiscal year ended December 31, 2021		Fiscal year ended December 31, 2020
	Deloitte & Touche LLP	Deloitte LLP	Deloitte LLP
Audit fees	$3,200,000	$78,645	$70,834
Audit-related fees	-	-	-
Tax fees	-	$298,111	-
All other fees	-	-	$2,100
Total	$3,200,000	$376,756	$72,934

Audit fees – Audit fees are the aggregate fees billed for annual audit services relating to the audit of the Company.

Audit-related fees **–** Audit-related fees are for accounting and control related matters.

Tax fees **–** Tax fees are for tax compliance, tax advice and tax planning.

All other fees **–** All other fees include fees incurred in connection with an initial review of the Company and its operations and administrative expenses.

LEGAL PROCEEDINGS AND REGULATORY ACTIONS

Except as disclosed herein, to the knowledge of NextPoint Financial, NextPoint Financial is not a party to any material legal proceedings nor, to NextPoint Financial's knowledge, are any such proceedings contemplated by or against NextPoint Financial. See "*Risk Factors*" in this AIF for a description of the risks and uncertainties that impact NextPoint Financial's business, including risks relating to current and future litigation or regulatory proceedings.

On May 25, 2022, the OSC implemented the CTO.

INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

Except as otherwise disclosed in this AIF, none of (a) the Company's directors or executive officers, (b) the shareholders who beneficially own, control or direct, directly or indirectly, more than 10% of the Company's voting securities, or (c) any associate or affiliate of the persons referred to in (a) and (b), has or has had any material interest, direct or indirect, in any transaction within the three years before the date of this AIF that has materially affected or is reasonably expected to materially affect the Company or any of its subsidiaries.

AUDITOR, REGISTRAR AND TRANSFER AGENT AND WARRANT AGENT

The Company's auditor is Deloitte & Touche LLP located at 901 East Byrd Street, Suite 820, Richmond, VA 23219, United States. Deloitte & Touche LLP was appointed auditor of the Company effective September 15, 2021.

Deloitte LLP, Chartered Professional Accountants was the auditor of NextPoint Acquisition Corp. for the period from July 16, 2020 to December 31, 2020.

The transfer agent and registrar of the Common Shares and the warrant agent for the Warrants is TSX Trust Company at its principal office in Toronto, Ontario.

MATERIAL CONTRACTS

Except for contracts entered into in the ordinary course of business, the following are the only material contracts of the Company, which the Company has entered into since the beginning of the last financial year, or entered into prior to such date but which material agreement is still in effect:

(a) Liberty Agreement;
(b) LoanMe Agreement;
(c) Investor Rights Agreement;
(d) Community Tax Purchase Agreement;
(e) Credit Facility;
(f) Credit Facility Amendment;
(g) BP SLL Trust (BasePoint) Credit Facility; involving a Master Loan and Security Agreement between LM 2014 BP II SPE, LLC, as Borrower, and BP SLL Trust, Series SPL-II, as Lender; and the Master Loan and Security Agreement between LM 2014 BP III SPE, LLC, as Borrower, and BP SLL Trust, Series SPL-III, as Lender;
(h) LoanMe Trust Prime 2018-1 Issuance of Asset-Backed Notes and Trust Certificates (**2018 Securitization**), which was a $144.0 million securitization program for consumer prime loans where $71.0 million were contributed by LoanMe and $73.0 million were contributed by a third party. The loans were transferred to the structured entity, which issued notes backed by the underlying loan receivables to an unrelated third-party lender (LoanMe retained 5%, 5%, 100%, and 27.5% interests in the 4.75% Class A bonds, 5% Class B bonds,5% Class C bonds and non-interest-bearing subordinated trust certificates, respectively). LoanMe was not engaged as the primary servicer, and as such, the 2018 Securitization is not consolidated in the Company's financial statements;
(i) LoanMe Trust SBL 2019-1 Issuance of Asset-Backed Notes and Trust Certificates (**2019 Securitization**), which was a $70.0 million securitization program for small business loans. The loans, all of which were contributed by LoanMe, were transferred to the structured entity, which issued notes backed by the underlying loan receivables to an unrelated third-party lender (LoanMe retained no interest in the 5.25% Class A bonds, 10% Class B bonds and 11.25% Class C bonds, and a 100% interest in the subordinated trust certificates). The Company was named the primary servicer, and as such, the 2019 Securitization is consolidated in the Company's 2021 financial statements;
(j) the Credit Agreement between CTAX Acquisition, as Borrower and Republic Bank & Trust Company, as Lender; and
(k) Credit Agreement between CTAX Acquisition, as Borrower, and PCIP Credit IV, LLC, as Lender.

Copies of such agreements will be available under the Company's profile on SEDAR at www.sedar.com.

INTERESTS OF EXPERTS

Deloitte & Touche LLP is independent of the Company within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

Deloitte LLP was the auditor of NextPoint Acquisition Corp. for the period from July 16, 2020 to December 31, 2020 and as of April 13, 2021, and throughout the period covered by the financial statements of NextPoint Acquisition Corp. on which they reported, Deloitte LLP was independent of NextPoint Acquisition Corp. within the meaning of the Rules of Professional Conduct of the Chartered Professional Accountants of Ontario.

ADDITIONAL INFORMATION

Additional information relating to the Company may be found at SEDAR, which can be accessed at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities and securities authorized for issuance under equity compensation plans, if applicable, will be contained in the Company’s information circular for its upcoming annual meeting of Shareholders. Additional financial information is provided in the Company’s financial statements and management’s discussion and analysis for the financial year ending December 31, 2021.

APPENDIX A – AUDIT COMMITTEE CHARTER

NEXPOINT FINANCIAL INC.

AUDIT COMMITTEE CHARTER

SECTION 1 PURPOSE

The audit committee (the "**Audit Committee**") is a committee of the board of directors (the "**Board**") of NextPoint Financial Inc. (the "**Corporation**"). The primary function of the Audit Committee is to assist the directors of the Corporation in fulfilling their applicable roles by:

(a) recommending to the Board the appointment and compensation of the Corporation's external auditor;

(b) overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management;

(c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to the Corporation by the Corporation's external auditor;

(d) satisfying themselves that adequate procedures are in place for the review of the Corporation's public disclosure of financial information, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures;

(e) establishing procedures for the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing and other matters;

(f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Corporation; and

(g) reviewing and approving the annual and interim financial statements, related Management Discussion and Analysis ("**MD&A**") and other financial information provided by the Corporation to any governmental body or the public.

The Audit Committee should primarily fulfill these roles by carrying out the activities enumerated in this Charter. However, it is not the duty of the Audit Committee to prepare financial statements, to plan or conduct internal or external audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards, to conduct investigations, or to assure compliance with laws and regulations or the Corporation's internal policies, procedures and controls, as these are the responsibility of management, and in certain cases, the external auditor.

SECTION 2 LIMITATIONS ON AUDIT COMMITTEE'S DUTIES

In contributing to the Audit Committee's discharge of its duties under this Charter, each member of the Audit Committee shall be obliged only to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Nothing in this Charter is intended to be, or may be construed as, imposing on any members of the Audit Committee a standard of care or diligence that is in any way more onerous or extensive than the standard to which the directors are subject.

Members of the Audit Committee are entitled to rely, absent actual knowledge to the contrary, on (i) the integrity of the persons and organizations from whom they receive information, (ii) the accuracy and completeness of the information provided, (iii) representations made by management as to the non-audit services provided to the Corporation by the external auditor, (iv) financial statements of the Corporation represented to them by a member of management or in a written report of the external auditors to present fairly the financial position of the Corporation in accordance with generally accepted accounting principles, and (v) any report of a lawyer, accountant, engineer, appraiser or other person whose profession lends credibility to a statement made by any such person.

SECTION 3 COMPOSITION AND MEETINGS

The Audit Committee should be comprised of not less than three directors as determined by the Board, all of whom shall be independent within the meaning of National Instrument 52-110 – *Audit Committees* ("**52-110**") of the Canadian Securities Administrators (or exempt therefrom), and free of any relationship that, in the opinion of the Board, would interfere with the exercise of his or her independent judgment as a member of the Audit Committee. All members of the Audit Committee should have a working familiarity with basic finance and accounting practices. At least one member of the Audit Committee should have accounting or related financial management expertise and be considered a financial expert. Each member should be "financially literate" within the meaning of 52-110. The Audit Committee members may enhance their familiarity with finance and accounting by participating in educational programs conducted by the Corporation or an outside consultant or accredited organization.

The members of the Audit Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair of the Audit Committee (the "**Chair**") is elected by the full Board, the members of the Audit Committee may designate a Chair by majority vote of the full Audit Committee membership.

In addition, the Audit Committee members should meet all of the requirements for members of audit committees as defined from time to time under applicable legislation and the rules of any stock exchange on which the Corporation's securities are listed or traded.

The Audit Committee should meet at least four times annually, or more frequently as circumstances require. The Audit Committee should meet within 45 days following the end of the first three financial quarters to review and discuss the unaudited financial results for the preceding quarter and the related MD&A, and should meet within 90 days following the end of the fiscal year end to review and discuss the audited financial results for the preceding quarter and year and the related MD&A.

The Audit Committee may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Audit Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of the Corporation with senior employees, officers and the external auditor of the Corporation, and others as they consider appropriate.

For greater certainty, management is indirectly accountable to the Audit Committee and is responsible for the timeliness and integrity of the financial reporting and information presented to the Board.

In order to foster open communication, the Audit Committee or its Chair should meet at least annually with management and the external auditor in separate sessions to discuss any matters that the Audit Committee or each of these groups believes should be discussed privately. In addition, the Audit Committee or its Chair should meet with management quarterly in connection with the Corporation's interim financial statements.

A quorum for the transaction of business at any meeting of the Audit Committee shall be a majority of the number of members of the Audit Committee or such greater number as the Audit Committee shall by resolution determine.

Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Audit Committee shall determine upon 48 hours' notice to each of its members. The notice period may be waived by all members of the Audit Committee. Each of the Chair of the Board, the external auditor, the Chief Executive Officer, the Chief Financial Officer or the Secretary shall be entitled to request that any member of the Audit Committee call a meeting.

This Charter is subject in all respects to the Corporation's notice of articles and articles from time to time.

SECTION 4 ROLE

As part of its function in assisting the Board in fulfilling its oversight role (and without limiting the generality of the Audit Committee's role), the Audit Committee should:

(1) Determine any desired agenda items;

(2) Review and recommend to the Board changes to this Charter, as considered appropriate from time to time;

(3) Review the public disclosure regarding the Audit Committee required by 52-110;

(4) Review and seek to ensure that disclosure controls and procedures and internal control over financial reporting frameworks are operational and functional;

(5) Summarize in the Corporation's annual information form the Audit Committee's composition and activities, as required; and

(6) Submit the minutes of all meetings of the Audit Committee to the Board.

Documents / Reports Review

(7) Review and recommend to the Board for approval the Corporation's annual and interim financial statements, including any certification, report, opinion, undertaking or review rendered by the external auditor and the related MD&A, as well as such other financial information of the Corporation provided to the public or any governmental body as the Audit Committee or the Board require.

(8) Review other financial information provided to any governmental body or the public as they see fit.

(9) Review, recommend and approve any of the Corporation's press releases that contain financial information.

(10) Seek to satisfy itself and ensure that adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation's financial statements and related MD&A and periodically assess the adequacy of those procedures.

External Auditor

(11) Recommend to the Board the selection of the external auditor, considering independence and effectiveness, and review the fees and other compensation to be paid to the external auditor.

(12) Review and seek to ensure that all financial information provided to the public or any governmental body, as required, provides for the fair presentation of the Corporation's financial condition, financial performance and cash flow.

(13) Instruct the external auditor that its ultimate client is not management and that it is required to report directly to the Audit Committee, and not management.

(14) Monitor the relationship between management and the external auditor including reviewing any management letters or other reports of the external auditor and discussing any material differences of opinion between management and the external auditor.

(15) Review and discuss, on an annual basis, with the external auditor all significant relationships it has with the Corporation to determine the external auditor's independence.

(16) Pre-approve all non-audit services (or delegate such pre-approval as the Audit Committee may determine and as permitted by applicable Canadian securities laws) to be provided by the external auditor.

(17) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.

(18) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.

(19) Communicate directly with the external auditor and arrange for the external auditor to be available to the Audit Committee and the full Board as needed.

(20) Review and approve any proposed hiring by the Corporation of current or former partners or employees of the current (and any former) external auditor of the Corporation.

Audit Process

(21) Review the scope, plan and results of the external auditor's audit and reviews, including the auditor's engagement letter, the post-audit management letter, if any, and the form of the audit report. The Audit Committee may authorize the external auditor to perform supplemental reviews, audits or other work as deemed desirable.

(22) Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.

(23) Review any significant disagreements among management and the external auditor in connection with the preparation of the financial statements.

(24) Where there are significant unsettled issues between management and the external auditor that do not affect the audited financial statements, the Audit Committee shall seek to ensure that there is an agreed course of action leading to the resolution of such matters.

Financial Reporting Processes

(25) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor as they see fit.

(26) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism and trend of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.

(27) Review all material balance sheet and off balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.

(28) Review with management and the external auditor the Corporation's accounting policies and any changes that are proposed to be made thereto, including all critical accounting policies and practices used, any alternative treatments of financial information that have been discussed with management, the ramification

of their use and the external auditor's preferred treatment and any other material communications with management with respect thereto.

(29) Review the disclosure and impact of contingencies and the reasonableness of the provisions, reserves and estimates that may have a material impact on financial reporting.

(30) If considered appropriate, establish separate systems of reporting to the Audit Committee by each of management and the external auditor.

(31) Review with internal audit and accounting management the activities of the internal audit function.

(32) Have final authority to review and approve the annual audit plan and all major changes to the plan.

(33) Review the effectiveness of the internal audit function and ensure there are no unjustified restrictions or limitations.

(34) Meet with internal audit management and the CFO together or separately, as necessary.

Risk Management

(35) Review program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.

General

(36) With prior Board approval, the Audit Committee may at its discretion retain independent counsel, accountants and other professionals to assist it in the conduct of its activities and to set and pay (as an expense of the Corporation) the compensation for any such advisors.

(37) Respond to requests by the Board with respect to the functions and activities that the Board requests the Audit Committee to perform.

(38) Periodically review this Charter and, if the Audit Committee deems appropriate, recommend to the Board changes to this Charter.

(39) Review the public disclosure regarding the Audit Committee required from time to time by applicable Canadian securities laws, including:

(a) the Charter of the Audit Committee;

(b) the composition of the Audit Committee;

(c) the relevant education and experience of each member of the Audit Committee;

(d) the external auditor services and fees; and

(e) such other matters as the Corporation is required to disclose concerning the Audit Committee.

(40) Review in advance, and approve, the hiring and appointment of the Corporation's senior financial executives by the Corporation, if any.

(41) Perform any other activities as the Audit Committee deems necessary or appropriate including ensuring all regulatory documents are compiled to meet Committee reporting obligations under 52-110.

SECTION 5 AUDIT COMMITTEE COMPLAINT PROCEDURES

Submitting a Complaint

(1) Anyone may submit a complaint regarding conduct by the Corporation or its employees or agents (including its independent auditors) reasonably believed to involve questionable accounting, internal accounting controls or auditing matters. The Chair should oversee treatment of all material complaints.

Procedures

(2) The Chair will be responsible for the receipt and administration of employee complaints and oversee management of other material complaints.

(3) In order to preserve anonymity when submitting a complaint regarding questionable accounting or auditing matters, the employee may submit a complaint confidentially.

Investigation

(4) The Chair should review and investigate the complaint. Corrective action will be taken when and as warranted in the Chair's discretion.

Confidentiality

(5) The identity of the complainant and the details of the investigation should be kept confidential throughout the investigatory process.

Records and Report

(6) The Chair should maintain a log of complaints, tracking their receipt, investigation, findings and resolution, and should prepare a summary report for the Audit Committee.

The Audit Committee is a committee of the Board and is not and shall not be deemed to be an agent of the Corporation's securityholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of the Corporation or other liability whatsoever.