Annual Information Form

May 21, 2020

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CAUTIONARY INFORMATION REGARDING FORWARD-LOOKING STATEMENTS

This Annual Information Form includes forward-looking statements about Dealnet Capital Corp. (“Dealnet” or the “Company”), including, but not limited to, its business operations, strategy and expected financial performance and condition. Forward-looking statements include, but are not limited to, those with respect to targets for growth of the consumer finance receivable portfolio, annual revenue and margin growth targets, strategic initiatives, new product offerings and new delivery channels, anticipated cost savings, planned capital expenditures, anticipated capital requirements, liquidity of the Company, plans and references to future operations and results and critical accounting estimates. In certain cases, forward-looking statements that are predictive in nature, depend upon or refer to future events or conditions, and/or can be identified by the use of words such as ‘expects’, ‘anticipates’, ‘intends’, ‘plans’, ‘believes’, ‘budgeted’, ‘estimates’, ‘forecasts’, ‘targets’ or negative versions thereof and similar expressions, and/or state that certain actions, events or results ‘may’, ‘could’, ‘would’, ‘might’ or ‘will’ be taken, occur or be achieved.

Forward-looking statements are based on certain factors and assumptions, including expected growth, results of operations and business prospects and are inherently subject to, among other things, risks, uncertainties and assumptions about the Company’s operations, economic factors and the industry generally, as well as those factors referred to in the section entitled “*Risk Factors*”. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events could differ materially from those expressed or implied by forward-looking statements made by the Company.

Forward-looking statements and information in this Annual Information Form include, but are not limited to, statements with respect to:

- Dealnet’s expectations regarding its revenue, expenses and operations;
- Dealnet’s anticipated cash needs and its needs for additional financing;
- Dealnet’s operations and finances being impacted by COVID-19;
- Dealnet’s implementation of new technologies;
- Dealnet’s plans for and timing of expansion of its services;
- Dealnet’s future growth plans, including growth resulting from acquisitions;
- Dealnet’s expectations regarding its origination volumes;
- Dealnet’s ability to attract vendor relationships and new customers and to develop and maintain relationships with existing customers;
- Dealnet’s anticipated delinquency rates and credit losses;
- Dealnet’s ability to attract and retain personnel;
- Dealnet’s present intention not to pay regular dividends on its common shares;
- Dealnet’s competitive position and its expectations regarding competition; and
- Anticipated trends and challenges in Dealnet’s business and the markets in which it operates.

The Company cautions that the foregoing list is not exhaustive.

The reader is cautioned to consider these and other factors carefully and not place undue reliance on forward-looking statements, which may not be appropriate for other purposes. The Company is under no obligation (and expressly disclaims any such obligation) to update or alter the forward-looking statements whether as a result of new information, future events or otherwise, unless required by law.

Although Dealnet believes that the expectations reflected in the forward-looking statements are reasonable, there can be no assurance that such expectations will prove to be correct. Dealnet cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither Dealnet nor any other person assumes responsibility for the accuracy or completeness of the forward-looking statements and information. Some of the risks and other factors, some of which are beyond Dealnet's control, which could cause results to differ materially from those expressed in the forward-looking statements and information contained in this Annual Information Form, include, but are not limited to, those set forth under "*Risk Factors*" in this Annual Information Form.

Additional information is contained in the Company's filings with Canadian securities regulators, including the Company's Annual Report. These filings are available on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.

INTRODUCTION

Dealnet is the parent company of subsidiaries operating in two market segments, consumer finance and call centre. The Company operates in the consumer finance segment in Canada through EcoHome Financial Inc. ("EcoHome") and its call centre segment under the One Contact banner ("One Contact").

EcoHome is a specialty finance company serving the $20 billion Canadian home improvement finance market. EcoHome develops and supports consumer sales financing programs for approved dealers and distributors under agreements with original equipment manufacturers ("OEMs") that supply a wide range of home improvement products to the retail market. Through a dealer network, EcoHome underwrites, originates, funds and services the prime quality loans and leases that homeowners need to finance the acquisition and installation of capital assets that improve the quality, comfort and safety of their homes.

One Contact offers customer support services to third-party institutions across Canada and the U.S. and to EcoHome.

Dealnet has been listed on the TSX Venture Exchange since July 28, 2015 under the symbol "DLS". Prior to its listing on the TSX Venture Exchange, the Company was listed on the Canadian Stock Exchange ("CSE").

The financial year end of the Company is December 31.

INCORPORATION AND ADDRESS

The Company was originally incorporated as Alexa Ventures, Inc. on September 8, 1986 under the laws of British Columbia. On October 28, 1999, the Company changed its name to Eiger Technology, Inc., and on November 17, 2000, continued its corporate status under the laws of Ontario. On May 28, 2008, the Company changed its name to Gamecorp Ltd. The Company changed its name to Dealnet Capital Corp. on September 4, 2012.

The common shares are listed for trading under the symbol "DLS" on the TSX Venture Exchange.

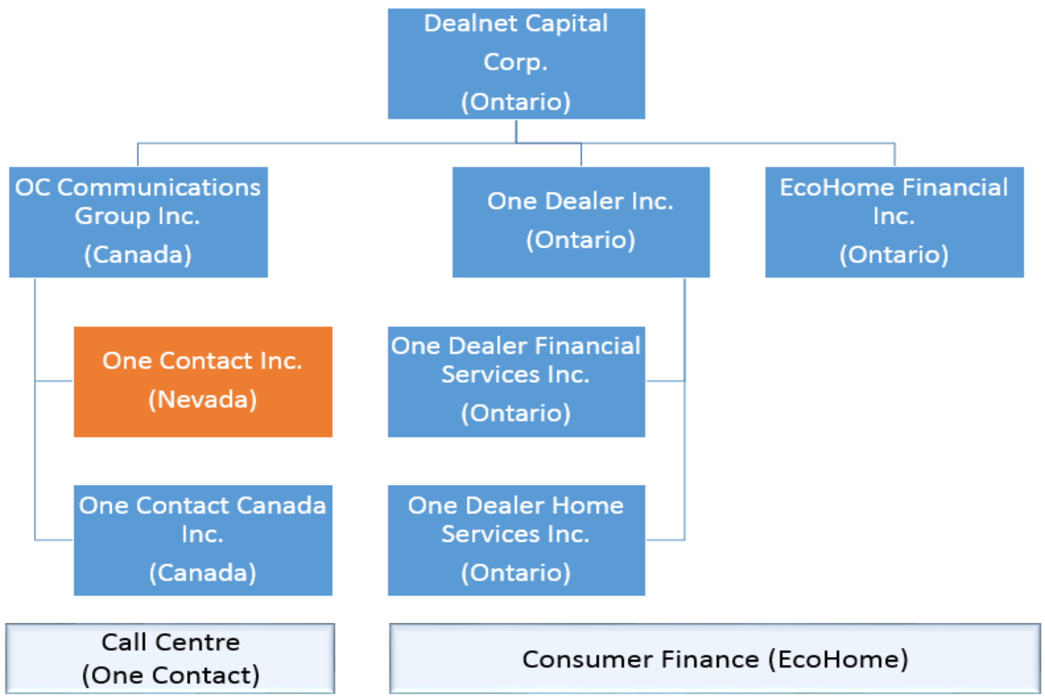
The head and registered office of Dealnet is located at 4 King Street West, Suite 1700, Toronto, Ontario, M5H 1B6. The Company's head office will be moving in June 2020 to 130 King Street West, Suite 501. The Company carries on business in all provinces of Canada.

INTERCORPORATE RELATIONSHIPS

As at December 31, 2019, Dealnet was the beneficial owner of all of the capital of the following subsidiaries:

- OC Communication Group Inc. and its wholly-owned subsidiaries, One Contact, Inc. and One Contact (Canada) Inc. (collectively, "One Contact" or "Call Centre");
- One Dealer Inc. and its wholly-owned subsidiaries, One Dealer Financial Services Inc. and One Dealer Home Services Inc. (collectively called "One Dealer"); and
- EcoHome Financial Inc. ("EcoHome").

One Dealer and EcoHome together form the Consumer Finance segment. Dealnet's wholly-owned subsidiaries are as set forth in the following chart:



GENERAL DEVELOPMENT OF THE BUSINESS

Three Year History of Dealnet

During 2017, given credit and reputational issues with the underlying dealer base originating finance receivables for Consumer Finance and structural operating deficits within the Call Centre segment, it was determined by the Board that changes were required to both the strategic direction of the Company and the underlying senior management team. During the fourth quarter of 2017, a new CEO was appointed with a strong mandate to execute a turnaround of the Company. The goal of the turnaround was to stabilize operations and to place the Company on a path towards profitable growth. This turnaround was designed with three main objectives: (a) recapitalize the Company with minimal dilution to existing shareholders; (b) rehabilitate the dealer base and restore profitability to the underlying operations of Consumer Finance; and (c) eliminate a structural operating deficit within the Call Centre segment.

From the fourth quarter of 2017 through to the third quarter of 2018, the Company executed the following targeted initiatives as part of the turnaround:

a) Restored profitability of its call centre operations by liquidating Gemma Communications (including winding up inactive subsidiaries Andover Insurance Ltd., AFS Holdings Inc. and Anu Insurance Agency Ltd) and restructuring the operations of One Contact to achieve segment profitability;
b) Sold Impact Mobile for total cash consideration of $29.7 million, which recapitalized the Company with a tangible net worth in excess of $35 million without a dilution to equity holders; and
c) Reduced overhead expenses to approximately $1 million per month. Excess headcount in finance and accounting has been replaced with expertise in other critical functional areas such as legal, risk management and operations.

Starting from the fourth quarter of 2018 to the end of 2019, the Company achieved five consecutive ‘quiet’ operational quarters where the business has operated as predicted. During this period, the following was also achieved:

a) Growth was re-ignited by:
    - Growing market share in consumer finance with a reputable, performing and creditworthy dealer base;
    - Growing the consumer finance portfolio to over $200 million. This growth was achieved profitably at stable risk adjusted margins;
    - Continued investment in technology and improved processes at a positive return on investment; and
    - Building a growing and profitable niche through omni-channel solutions in the Call Centre.
b) Progress on path to profitablity:
    - Quarter by quarter, there has been continued evidence of management’s progress on the Company’s path to profitability with declining losses for each successive quarter in 2019;
    - The Company ended the forth quarter of 2019 in a break even position; and
    - The Company continued to focus on maintaining a steady overhead of approximately $1 million per month and maintained stable overheads even though the portfolio has grown.

Over the past three years, the Company invested heavily in its lending platform, Robotic Process Automation (“RPA”), chatbot technology, and an on-line dealer portal to offer a dealer-friendly experience to drive profitable origination growth. RPA technology has been successfully launched to automate home ownership verification, verify and audit credit applications, and to automate the set up of customer pre-authorized payments. As the business scales, RPA technology drives cost savings, and reduces the time it takes to process, and fund new credit applications.

The Company has assembled an accomplished and professional management team that is engaged and committed to executing the Company's vision of compounding profitable growth. At the beginning of the turnaround in the fourth quarter of 2017, management outlined a path to profitability. Quarter by quarter, there has been continued evidence of management's progress on the Company's path to profitability – a proven track record of smart moves and successful execution to win in the marketplace.

Three Year History of Consumer Finance

2017

On January 13, 2017, the Consumer Finance segment announced that it had closed a $27.6 million portfolio acquisition. The portfolio consisted of consumer finance rental contracts valued at approximately $27.6 million from a prominent Ontario dealer who operates in one of the Company's key verticals. Total consideration for the portfolio was a cash payment on closing of $22.5 million less certain adjustments, along with the issuance of 12,523,364 common shares valued at $5.5 million.

Prior to and during the early part of 2017, the Consumer Finance segment experienced higher than expected delinquencies from finance receivable contracts originated through a segment of its dealer base focused on direct selling activities. This volatility around portfolio performance originated through this specific dealer segment resulted in certain dealers becoming ineligible for funding under the Company's core securitization funding facilities. Through the second half of 2017, the Company terminated all origination activities with these problem dealers and focused on portfolio servicing & collections for the underlying consumer exposures originated out of this problem dealer segment.

During the fourth quarter of 2017, the Company announced the conclusion of a series of additional funding initiatives undertaken to support funding for both the Company's planned origination activity in 2018 and the legacy and now ineligible portfolio originated by the problematic and now terminated direct dealer segment, along with a facility to provide bridge financing to the planned sale of Impact Mobile to support the recapitalization plan of the Board and Management. These initiatives included:

- On October 16, 2017, the Company reached an agreement with Chesswood to amend and restate the remaining outstanding $2 million secured promissory note, and among other things, obtained an additional loan in the amount of $5.5 million, for an aggregate principal amount of $7.5 million. The amended secured promissory note bears interest at the prime rate plus three per cent per annum, with specific monthly repayment provisions, and final principal repayment of $1 million due on the maturity date of October 16, 2020. This facility was executed to provide additional funding capacity for the ineligible portfolio originated by the terminated direct dealer segment. This facility was repaid on May 11, 2020;
- On November 24, 2017, the Company renewed an existing securitization facility with a Canadian life insurance company funding partner (the "Canadian LifeCo Funding Partner") to provide for the investment by the Canadian LifeCo Funding Partner of up to $50 million in new secured home improvement loans and leases originated by the Company. Concurrently, the Canadian LifeCo Funding Partner agreed to provide the Company with an additional $15 million facility to complement the Company's existing warehouse funding facilities which are used to accumulate and season originated loans and leases prior to their securitization;
- On November 27, 2017, the Company renewed an existing securitization facility with a Schedule 1 bank (the "Bank Funding Partner") to provide for the investment by the Bank Funding Partner of up to $40 million in new secured home improvement loans and leases originated by the Company; and
- On December 22, 2017, Dealnet announced that it had closed a $12 million offering of 6% non-

convertible senior secured debentures. Funds managed by Stornoway Portfolio Management Inc. ("Stornoway"), a Toronto-based asset management firm purchased $7 million (face value) as Lead Investor in the offering. Directors, managers and employees of the Company purchased approximately $3.7 million of the offering's face value. Proceeds from the offering were used to provide bridge financing to fund the Company's 2018 growth-oriented business plan, to reduce the Company's obligations to Chesswood by $2.5 million in February 2018 and for general corporate and working capital purposes, until proceeds from the planned sale of Impact Mobile could be realized as part of the Company's recapitalization plan.

2018

Driving profitable originations became the focus of the management team in 2018. Management focused on developing the right marketing strategy, staffing the sales force with the right people, designing the right financing products, and selecting the right dealer network to drive profitable growth. The Company made specific improvements in the following key areas:

a) Built the Best Dealer Offering

The Company reduced the average time to fund a new contract from 3.5 days to less than 24 hours and reduced by 50%, the number of steps required for dealers to submit a consumer application which resulted in a simpler application process without impacting the quality of originations.

b) Selected the Best Dealers as our Origination Partners

Starting in 2017, the Company undertook a review of its dealer network and recognized that certain of these relationships were not resulting in positive outcomes for Dealnet. The Company then introduced new criteria to identify dealers that were more likely to provide a significant volume of quality and profitable originations.

The Company introduced a digitized on-boarding process that made it easier and faster for new qualified dealers to get up and running on the portal. As a result, the average time from starting the on-boarding process to receiving the first origination submission from a new dealer has gone from 90 days to less than 30 days.

c) Expanded our Market Reach

The Company recognized that while it was well positioned across the spectrum of market segments in the home improvement space, there were a couple of notable exceptions that it sought to expand into in 2018.

In the first quarter of 2018, the Company secured a license to operate in Quebec and opened its first office in that province on February 15th. Quebec's laws governing this industry are different from all other jurisdictions in Canada and required a dedicated funding source with an experienced leader to head up that market. A veteran sales executive was hired who has been serving Quebec's home improvement financing market for more than 7 years. Since launching in Quebec, dealers in Quebec have originated $7.6 million of contracts in 2018.

Another opportunity was new home construction. The Company developed a product that would be attractive in this market and made it available to its dealer network. Since introducing this product, the Company has received originations through a number of builders and a new distributor who is well-established in serving this market.

d) Offered the Right Products

The Company conducted a review of its product offerings based upon feedback from dealers and an internal analysis of customer attributes. This resulted in new risk-adjusted rate cards, the introduction of market-based fees, and increased transparency in our lease offering which was re-launched in May of 2018.

e) Rebuilt the Sales Force

Since 2018, there is a team of sales professionals operating nationally who have industry experience in helping dealers sell equipment financing. The team has extensive financing experience and also have contacts with new dealers which are being leveraged to expand the Company's dealer network.

f) Pricing for Profitability

Historically, the Company tried to win business with promotional discounted rates that resulted in limiting margins. Dealnet modified its approach and reduced its reliance on promotional pricing to focus on a superior service-based approach. This translated to improved margins on new originations following the introduction of a new simplified rate card that includes risk-based pricing.

2019

With a dealer-friendly rate card, the use of risk-based pricing to ensure profitable originations, a custom scorecard to increase auto-decisioning/approvals, improved operational capabilities, and increased use of data analytics to uncover opportunities and manage risk, EcoHome delivered upon the Company's vision of compounding profitable growth in 2019.

a) Growth was re-ignited

- Organic originations in consumer finance increased from $44.4 million in 2018 to $60.4 million in 2019, representing a 36% increase – all at higher risk-adjusted margins than prior periods;
- Fee and ancillary revenue increased by 37% on an annual basis compared to 2018;
- The consumer finance portfolio has grown to over $200 million at the end of 2019, representing over 10.3% growth in 2019 (6.4% in 2018). This growth is being achieved profitably, with stable risk-adjusted margins and, at increased growth rates quarter over quarter; and
- Continued investment in technology and improved processes at a positive return on investments:
  - Work on the automated support 'chatbot' was completed and was successfully implemented.
  - Artificial Intelligence (AI) automation was successfully launched within the contract auditing and booking process.
  - Innovative technologies to automate home ownership verification, debt servicing capabilities and pre-authorized payments have been executed, increasing efficiency and accuracy at a substantially lower cost.

b) Progress on path to profitablity

- Growing originations are being achieved at stable risk adjusted margins in excess of 4%;
- Operating leverage is being achieved with stable overheads; and
- Through proactive measures, delinquent accounts have seen a consistent decrease in 2019 from 5.84% of gross finance receivables to 4.31%.

Dealnet has combined the treasury, technology, and risk functions, along with overall origination capabilities to support a continued profitable growth trajectory.

Three Year History of Call Centre Segment (formerly "Engagement")

Call Centre

During 2017, it was apparent that the growth strategy for the Call Centre business, along with the development of the engagement platform with Consumer Finance was not yielding the intended results. Furthermore, the on-going and significant operating losses arising out of Gemma Communications ("Gemma") created a structural operating deficit that was becoming unsustainable.

In late 2017, Dealnet started to explore various strategic alternatives to address these concerns arising out of the Gemma side of the business. These alternatives included restructuring the operations, a sale of the company, or insolvency. During 2018, management ultimately determined that Gemma's operational challenges could not be resolved through either a sale or restructuring. As a result, on March 9, 2018, Gemma commenced an assignment in bankruptcy process pursuant to the provisions of the *Bankruptcy and Insolvency Act* (Canada). This process had no impact on One Contact's operations.

On a parallel track, a strategic review of the One Contact business was also undertaken starting in late 2017. During this time, management evaluated the client service contracts as well as the performance of the underlying operations. Management quickly discovered that there was strong value in the business and with some fundamental changes to improve the quality and efficiency of the underlying operations, One Contact could become a profitable enterprise. Furthermore, it was apparent that with focused leadership, there were growth opportunities that would allow the business to pursue a strategy of profitable growth. Based upon the above, targeted improvements were made to the underlying operations to build sustainable efficiencies and drive increased margins on existing client service contracts along with hiring a new leader for the business to drive profitable growth.

One Contact has now become a leading omni-channel solutions provider which is a growing and profitable niche in the marketplace. Over the last four years, non-voice work (e.g., email, SMS, chat-based support) has grown from 4% to approximately 18% of revenue. This has (i) significantly diversified the scope of services that One Contact provides to its customers, (ii) improved the efficiency and profitability of its operation, and (iii) increased satisfaction and retention of its customers. The overall effect is moving the call centre closer to its vision of delivering best-in-class, omni-channel contact centre and back office solutions to its customers.

In addition to solving real business challenges for its third-party clients, One Contact is also leveraging its call centre expertise and technology to deliver value added solutions for EcoHome.

In 2019, the Call Centre renewed all maturing client contracts at existing or higher pricing and saw its margins increase from 28% in 2018 to 36% in 2019. One Contact did not incur any service level penalties in 2019. The pipeline for new business remains strong moving into 2020 and One Contact has secured new U.S. and Canadian contracts which will require hiring 100 additional personnel and expanding its seating capacity in both Reno and Toronto. One Contact is a steady and growing source of liquidity to the Company.

Mobile Engagement

The value of the Impact Mobile business increased rapidly between 2014 and the end of 2017. While these operations were profitable, management recognized that it needed to focus its efforts on expanding its consumer finance portfolio which would require the Company having access to liquid resources. In early 2018, the Company commenced a process for the sale of Impact Mobile.

On July 6, 2018, Dealnet announced that it closed the sale of all of the issued and outstanding shares of Impact Mobile to IMImobile Canada Inc., a wholly-owned subsidiary of IMImobile PLC., for total cash consideration of $27.9 million. The sale significantly improved the Company's cash position and capital base, allowing it to focus on the core consumer finance business.

With close of this sale, the Company only has the Call Centre which consists of One Contact.

Three Year History of Capital Raised to Support the Company

To support the consumer finance and call centre initiatives, the Company has been active in managing its capital structure. In doing so, it has completed the transactions as outlined below:

Debentures

a) Secured Debentures

On April 2017, the Company, through a wholly owned subsidiary, issued $20 million of debentures under an existing facility to mature on October 13, 2017, bearing interest at 9.0%. This was extended to mature on January 11, 2018 under the same terms. On November 29, 2017, the Company repaid $7 million of the secured debentures and repaid $13 million upon maturity in January 2018.

b) Senior Secured Debentures

On December 22, 2017, the Company issued 12,000 non-convertible senior secured debentures with a face value of $1,000 each under a non-brokered private placement. The debentures were sold at a 10% discount on closing, with cash proceeds of $10.8 million and a term of 24 months. The debentures bore interest at 6.0% per year, and were secured by the Company's right, title and interest in all securities in Impact Mobile, and were redeemable at any time on 30-day advance written notice. The Company also issued a total of 48 million share purchase warrants to the holders of the debentures at the rate of 4,000 warrants for each $1,000 in the face value of the debenture. These warrants were exercisable at $0.12 per share and had an initial term of 24 months with an acceleration clause if Dealnet's common shares achieved a 10-day volume weighted average prices above $0.20. On the completion of the sale of Impact Mobile, these debentures were repaid in full out of the proceeds and the expiry date of the warrants was accelerated to December 22, 2018 to comply with the requirements of the TSXV. The warrants all expired unexercised.

Common Share Private Placements

On January 13, 2017, the Company issued 12,523,364 common shares valued at $5.5 million as part of the consideration to acquire a portfolio of consumer finance lease contracts valued at approximately $27.6 million. These common shares were subject to a three-year timed-release escrow which commenced on closing. The terms of this release were amended in 2018 which resulted in 6,630,014 common shares being released by December 31, 2019 as part of the settlement reached in 2018 with the vendor to address uncollectible receivables in the portfolio of consumer finance lease contracts.

During the first quarter of 2017, all outstanding broker compensation options of 999,819 were exercised for cash proceeds of $400 thousand. In addition, the Company issued 999,819 common shares and 499,909 warrants.

In April 2018, the Company issued 2,777,777 common shares to settle transaction costs of $300 incurred on the issuance of the $12 million senior secured debentures.

There were no private placements in 2019.

Preferred Shares

The Company issued 10,662 preferred shares in 2018 for $267 thousand, which were subsequently redeemed in July 2018 upon the sale of Impact Mobile.

There are currently no preferred shares outstanding.

Warrants

During the first quarter of 2017, a total of 7,427,499 common shares were issued upon the exercise of an equal number of warrants with a weighted average exercise price of $0.50 for cash proceeds of $3.7 million with a book value of $6.0 million; the difference was charged to Contributed Surplus.

During 2019, the remaining outstanding warrants expired.

There are no warrants currently outstanding.

Options Exercised

During 2017, the Company issued 106,675 common shares from the exercise of employee stock options at a weighted average exercise price of $0.28 each for cash proceeds of $30 thousand and a book value of $32 thousand.

No options were exercised in 2018 and 2019.

NARRATIVE DESCRIPTION OF THE BUSINESS

EcoHome (part of Consumer Finance segment) is a specialty finance company focused on using its expertise and technological capabilities within its proprietary, scalable, and lending platforms to become a dominant player in the specialty consumer lending market. The Company targets quality lending niches in this market by using its technology platforms, dealer portal technology and its growing dealer/OEM network to efficiently originate, fund and service long duration loans and leases. As this portfolio of finance assets accumulates over time, it is expected to drive sustainable growth in revenue, gross profit and earnings as a result of the long duration nature of the assets. The accumulation of these assets increases margin on a predictable basis over the long term.

One Contact (Call Centre segment) offers customer support services to third-party institutions across Canada and the U.S. and to EcoHome.

Dealnet conducts its business activities through subsidiary companies in Canada and the United States. The Call Centre segment operates both in Canada and the United States. The Consumer Finance segment operates only in Canada.

Consumer Finance Segment

These operations are focused on providing home improvement financing for consumers across Canada, through both lease and loan product offerings. The Company strives to be the best financing program for HVAC dealers, distributors and other contractors (together, referred to as “dealers”) to provide consumers a stress-free solution to achieving their home improvement needs. These financing programs and products permit the Company’s network of dealers to supply a wide range of home improvement products with related financing options under 4 main verticals: HVAC, water-treatment, home renovation (doors, windows, and other) and pools and spas. The Company expanded its product offering to also encompass new home construction.

The Consumer Finance segment generates fee income and net finance income on the loans and leases that it holds on the balance sheet. The vast majority of these finance assets have a term to maturity of up to ten years. The majority of these contracts are seasoned in the Company's warehouse funding facilities before being permanently funded through the securitization conduits that the Company has established with its bank and life insurance funding partners. The net finance income earned on these loans and leases is primarily represented by the difference between the interest yield that these assets earn and the interest cost that the Company pays under its various funding arrangements. The Consumer Finance Segment also earns fee income from administration and portfolio management services that it provides to its customers and dealers.

Consumer Finance customers must be homeowners and satisfy certain credit requirements. The Company's origination mix is diversified by customer, origination source and ticket size. Leases generally have 120-month terms, and to protect the useful life of the HVAC equipment, are covered under a similar term warranty. The loan product is targeted at funding critical household home improvements (windows, doors, roof, etc.). These renovations are often driven by the desire of the homeowner to improve energy efficiency for the home. Loan contract terms range from 24-60 months, but the average term is shorter than the rental product. These contracts are open to prepayment and are generally repaid upon the refinancing of a mortgage or the sale of the home.

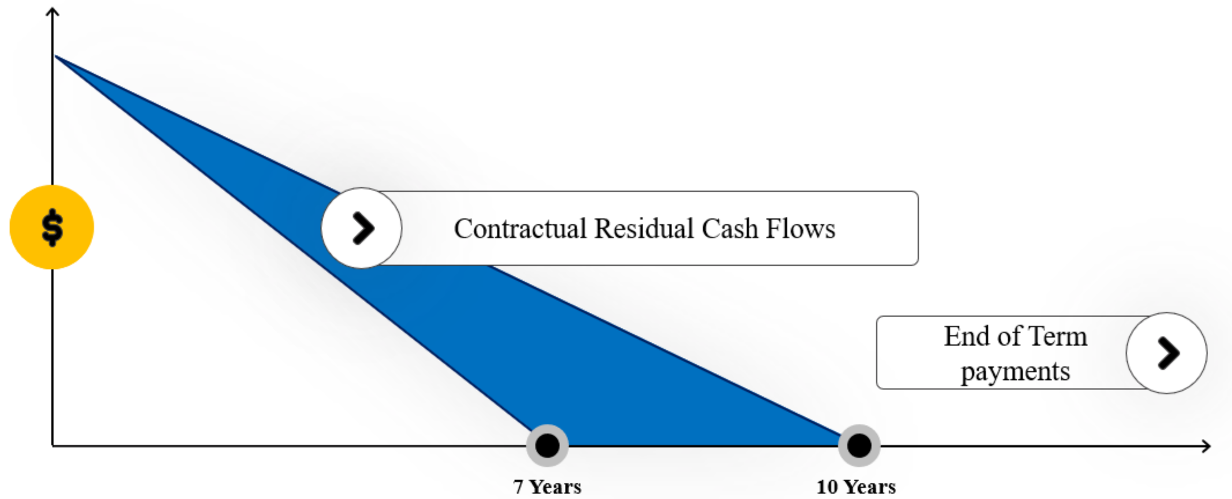
The Company originates its loan and rental product customers through an external network of dealers. Each dealer must meet customers' expectations for quality installation and, in many cases, post-installation service. New dealers are vetted during the on-boarding process and are then subject to regular monitoring. At the time of each financing, a recorded audit phone call is conducted with the customer to confirm their complete satisfaction with all work and equipment. The call also includes a review of the terms of the financing agreement. If dealers do not meet customers' expectations or have poor service track records with customers, the Company can terminate the dealer agreements. The dealer agreements also contain recourse provisions in instances where dealers do not meet customer or financial requirements. The Company manages the dealer relationships through day-to-day servicing and reporting requirements combined with ongoing volume and performance monitoring. The Company has been successful in attracting and retaining relationships with significant origination sources.

The Company has developed a proprietary credit score card that combines the customer's credit bureau data, home ownership details, and transaction details to produce accurate and predictable credit decisions. If a transaction decision cannot be automatically approved or declined, it is manually reviewed by credit analysts. The Company is implementing a new credit score card, in co-operation with Equifax, to increase conversion rates from existing submission volumes by optimizing decision timing and approval rates at desired risk appetite. Through the implementation of the custom score card, it is expected that the volume of submissions that currently require manual adjudication should decrease and result in increased originations for every dollar of credit submission.

Once a contract has been originated, the Company uses a private securitization model to finance the contract. Pursuant to the securitization process, the Company sells the future payment stream of a group of rentals and/or loans to a funder such as a life insurance company or a bank. The future stream is discounted at the time of funding - the tranche - and a percentage is held back in a loss reserve pool. The Company also utilizes warehousing and term debt facilities to provide a more diversified funding base.

The Company's funding facilities require that the majority of cash flows from its collateralized lease and loan receivables to be paid to its funders until the related debt has been completely paid. At that point, any remaining contractual residual cash flow and funder cash reserves will come to the Company. In addition, the Company may have rights to End of Term ("EOT") payments on leases. EOT payments are those made by the customer after the expiration of their lease contract and essentially allows the customer to continue to lease their equipment on a month-to-month basis and continue to enjoy benefits that come from a lease (e.g., maintenance-free). The Company does not recognize EOT payments as an asset in its financial statements as it is not contractual.

The graph below visually illustrates the contractual residual cash flows and EOT payments on a typical 10-year lease:



Ongoing EOT payments have no direct underwriter principal and interest costs associated with them and as a result, net of billing and collecting costs, these payments are effectively all cash flow to the Company.

Dealnet's finance receivable portfolio was $201.7 million as at December 31, 2019 and $182.8 million as at December 31, 2018.

Risk Management

The Credit and Risk Committee of the Company's board of directors oversees the Company's credit practices and procedures and monitors the Company's funding portfolio. The Company's credit criteria are now embedded in its lending platform. This ensures that the quality of the loans and leases that the Company underwrites with each dealer meet the standards as determined by the Credit and Risk Committee. In addition to maintaining credit quality, the Company also adopts practices that help to ensure that delinquent accounts are either restored to performing status or recovered through the legal remedies at the Company's disposal.

As part of Dealnet's credit risk management practices, in all provinces except for Quebec, the Company registers a Notice of Security Interest ("NOSI") on all eligible finance receivable contracts with a value greater than $15 thousand or at the later of, inception of the contract, or at any time that a contract becomes past due for more than 30 days. Given the different legal environment to the rest of Canada, NOSI's are not available in Quebec.

Registering the NOSI ensures that Dealnet's consent is required before the homeowner can refinance or sell the property on which the NOSI has been registered. This entitles Dealnet to request full payment of its account balance plus accrued interest, and in certain cases a make-whole payment, prior to releasing its security interest. While this process can take several years until the property is either sold, or the mortgage refinanced, the NOSI provides the Company with a high degree of confidence of recovery against delinquent accounts. The Company has fully recovered on delinquent accounts through this process in the past.

In the home improvement lending industry, it is not uncommon to see delinquencies that are higher than other classes of consumer lending. However, these reported delinquencies are not entirely credit related, but can also be the result of a dispute at the conclusion of a home improvement project when the homeowner may be unsatisfied, for a variety of reasons, with the work performed by the dealer. This requires the dealer to send the contractor back to the home to fix the problem to the homeowner's satisfaction. Depending on the type of installation, this can take from several weeks to months, if the project requires custom fabrication of materials or is weather dependent. In the meantime, the account goes into arrears and is recorded as a delinquency. Disputes can take several months to resolve particularly if permits or other municipal inspections are required to complete the work to the satisfaction of the consumer.

Funding Facilities

Dealnet does not rely on short-term retail deposits or short-dated commercial paper to fund its portfolio of finance assets. In place of the retail deposits of a typical bank, the Company has established multiple integrated funding facilities to provide the debt capital required to support its growing portfolio of finance assets. Initial funding for a newly originated consumer loan is provided by the Company's warehouse facilities. As additional loans/leases are originated through the Company's dealer network, they are funded through warehouse facilities until the pool of contracts is sufficiently large and diversified that it can be efficiently transferred to one of the Company's established securitization facilities. The Company continually assesses its funding sources and will continue to expand, renew, or add facilities to support long term business goals.

When the assets are transferred to a securitization facility, Dealnet receives cash which it then uses to replenish the applicable warehouse facility. As the Company's portfolio has grown it has successfully expanded the capacity of its warehouse facilities and its securitization facilities to ensure that it has sufficient liquidity to fund its expected growth. Both the securitized contracts, and the funding supplied by the Company's warehouse and securitization facilities, remain as assets and liabilities respectively on the Company's balance sheet.

The Company has placed increased emphasis on expanding its product base outside of the traditional HVAC markets, and with enhanced risk-based pricing methodology, is ready to explore optimizing the risk profile of consumers to which it will lend.

As part of these initiatives, the Company has worked closely with the Canadian LifeCo Funding Partner and Bank Funding Partner to renew its existing credit facilities in 2019 with the following enhancements:

- Inclusion of Quebec-based originations in the Company's securitization and warehouse facilities allowing them to benefit from the competitive cost of funds accessible by the rest of the origination portfolio across Canada;
- Additional eligibility for contracts in excess of $25,000 up to $100,000;
- Support for a pilot program in Ontario to fund non-prime credit (i.e. credit scores between 580 and 600); and
- A shift to improved monthly cash flow with the Canadian LifeCo Funding Partner equal to approximately 1.1% for each pool funded.

Specific changes to the Company's funding facilities include:

- In February 2019 the Company entered into a twelve-month credit facility of $10 million with a private lender. This interim credit facility will finance eligible consumer finance receivable contracts originated in the province of Quebec until a permanent Quebec funding facility was established. The credit facility bears interest of prime rate plus 8.05%. In May 2019, the Company terminated and repaid this revolving credit facility and rolled the loans into the Canadian LifeCo Funding Partner facility.

- In November 2018, the Company renewed an existing facility with its Bank Funding Partner, which includes a new warehouse facility of $5 million. In October 2019, the Company renewed this existing facility and the warehouse facility of $5 million. As at December 31, 2019, the Company utilized $1.4 million of the warehouse facility.
- In October 2018, the Company renewed an existing facility with the Canadian LifeCo Funding Partner. In August 2019, the Company renewed this facility for an additional $40 million and also renewed the existing warehouse facility of $15 million. As at December 31, 2019, the Company utilized $7.1 million of the warehouse facility.

As a result of this funding strategy, the Company's cash balances will decrease, and finance receivables will increase when it originates or acquires new loans and leases. These cash balances are then replenished when the finance receivables are securitized.

Call Centre Segment (formerly "Engagement")

Since July 2018, the Call Centre Segment consists of One Contact Canada Inc. and One Contact Inc. (collectively, "One Contact"). One Contact is a leading provider of integrated, omni-channel back office solutions to its clients, which is a growing and profitable niche in the marketplace. In addition to solving real business challenges for its third-party clients, One Contact is also leveraging its call centre expertise and technology to deliver value added solutions for EcoHome.

One Contact operates outsourcing centres based in Toronto, Ontario and Reno, Nevada, providing customers with solutions for service requirements, such as inbound customer service programs, outbound customer acquisition services, data entry and transcription services, and back office services. One Contact provides these services to major brands both in Canada and the United States. The company primarily markets its engagement services to industry verticals such as financial services, telecommunications, utilities, governments, associations and retail. These markets typically have large consumer populations that require ongoing customer services, including e-commerce support, technical support and loyalty support services, all of which are provided by One Contact on a white label basis. Revenue is typically recognized in the period in which calls are received and services are performed based on staffing hours or the number of contacts/calls handled by service agents using contractual rates.

The Call Centre generated gross margin was $3.4 million in 2019 and $2.9 million in 2018.

Future Outlook

EcoHome has grown its share of originations such that it is now a credible third player in Canada's home improvement finance marketplace, while One Contact has a strong reputation for being a leading provider of omni-channel solutions for its clients. The Company is pursuing targeted opportunities for growth which require limited capital investment. For the Consumer Finance Segment, this will include marketing to new dealer relationships and additional industry verticals. With the organizational changes at major competitors, and dealers who have the opportunity to increase their credit penetration, the Consumer Finance Segment has significant room for continued origination growth by focusing on being the best finance partner for Canada's home improvement dealers.

Prior to COVID-19, EcoHome was exploiting current market disruptions, increasing credit penetration of its dealer base, and gaining market share.

One Contact will continue to pursue a strategy of organic growth within its profitable omni-channel niche for back office solutions.

As the Company moves closer to 2022 and the realization of $51 million of contractual residual cash flows that is expected to be received between 2022 and 2025, it will explore additional growth initiatives that require larger capital investments. These may include synergistic acquisitions within our existing call centre and consumer finance segments as well as other complementary businesses. This aggressive growth phase will involve EcoHome moving beyond a niche consumer finance player and One Contact expanding its call centre seating capacity.

The amount of contractual residual cash flow to be received will be nominal until 2022. After such time, amounts will increase materially through 2025 and out to maturity in 2031. The Company currently has the rights to EOT payments on approximately 16,000 contracts.

The table below shows that as at March 31, 2020 the Company has approximately $76 million of net contractual residual cash flows over the years 2020 – 2031:

Cumulative Contractual Residual Cash Flow

(In millions)	**2022**	**2025**	**2031**
Contractual Cash Inflows	135	263	305
Contractual Cash Outflows	(117)	(204)	(209)
Net Cash Flows	18	59	95
Debenture Repayment	(10)	-	(20)
Surplus	**8**	**59**	**76**

Given that EOT payments do not represent contractual obligations and can be cancelled by the customer with one-month notice, they are not included in the above contractual residual cash flow table. Finance receivables experience on-going attrition and early prepayment by consumer borrowers. These payments accelerate the repayment of debt but also affect the amount of future residual cash flows and EOT payments.

Provided the Company maintains its current discipline on expenses and delivers on its vision of compounding profitable growth, this contractual residual cash, along with additional EOT payments, will serve as a 'war chest' that can be used to:

- Substantially accelerate the growth rate of EcoHome.
- Purchase accretive, complementary businesses.
- Fund a share buy-back program.

As of March 31, 2020, with a Tangible Net Worth in excess of $33 million and existing Corporate Tangible Leverage Ratio of 6.0 times compared to senior funding covenants of 10 times, EcoHome has the ability to grow its portfolio to $330 million without the need for additional capital. Profitability will further increase tangible net worth and will permit portfolio growth in excess of $330 million.

In 2020, management is committed and focused on executing upon its corporate vision of compounding profitable growth. During August 2019, the Board and management participated in an off-site strategy retreat. Strategies and goals were refined into initiatives when the financial plan was developed in the fourth quarter of 2019. This culminated in a session the first week of 2020, which was focused on timelines, implementation and execution of the annual plan.

While minimizing the impact of COVID-19 on the business of the Company is currently Management's primary focus, Management will continue to pursue the priorities set out below to the extent possible in the near term and will resume in full as we emerge out of the COVID-19 environment.

Core management priorities for 2020 are as follows:

Drive profitable origination growth

- Increase credit penetration through focused training to our dealer base.
- Acquire new dealers as competitors experience organization changes.
- Enter new dealer verticals.
- Implement a new credit scorecard, in co-operation with Equifax, to increase conversion rates from existing submission volumes by optimizing decision timing and approval rates at desired risk appetite. Through the implementation of the custom scorecard, it is expected that the volume of submissions that currently require manual adjudication should decrease and result in increased originations for every dollar of credit submission.
- Continue to evolve our product offerings to build competitive advantages and reduce prepayments.
- Launch credit and debit card processing services which results in net savings to dealers.
- Build out marketing capabilities in a disciplined manner and within budget:
    - Targeted dealer events and trade show participation
    - Creation of a dealer advisory board
    - Establish and build out a social media presence and positive brand awareness for EcoHome

Grow One Contact

- Continue to convert the existing pipeline of new business opportunities.
- Integrate more of EcoHome operations into One Contact and its leading Genesys technology platform to exploit synergies and drive further efficiency and cost effectiveness into the Company.
- Continue driving process improvements and innovation to existing and new clients.

Deploy technologies that generate positive returns on investment to maintain stable overhead costs and drive operating leverage as the Company grows to scale

- Continue to implement RPA technology across all repeatable processes throughout the organization.
- Continue to develop our custom dealer portal to ensure best-in-class dealer origination experience and expand capabilities to include a consumer portal for portfolio management, administration and collections.
- Use technology to improve the effectiveness of the Company’s collection activities.

Execute strategic plays

- Build and grow strategic partnerships to monetize the Company’s existing customer base and grow fee income.
- Explore accretive acquisitions which require a low level of capital investment.
- Continue to develop relationships within the debt capital markets to accelerate monetization of residual cash and other unencumbered security to fund larger acquisitions and growth opportunities outside of existing verticals and funding eligibility, thus avoiding dilutive equity raises to support larger growth opportunities.

The Company has tax losses of $24,270 ($22,950 in Canada and $1,320 in the United States) available to be applied against future years' taxable income which have not been recognized in the Company’s financial statements to date. The tax losses in Canada expire in years ranging from 2030 through 2039 and the tax in the United States expire in years ranging from 2035 through 2038.

On October 16, 2020 the secured promissory note owing to the Chesswood Group matures and can be repaid before its maturity date without penalty. At December 31, 2019, the balance of the secured promissory note was $2.7 million secured by consumer finance contracts with a book value of $4.3 million. On May 11, 2020 the secured promissory note was repaid early without penalty.

Business Cycles

The Company's Call Centre segment can be seasonal depending upon its customers' campaigns and promotional activities. The home improvement sector, which is a major driver of origination volumes, can be influenced by the weather, economy and holidays; and the consumer finance segment has shown seasonality with higher volumes commencing in late spring.

Systems and Processes

Dealnet maintains a thorough information technology system to monitor and control its operations. The Company also maintains a central information technology system to manage the consumer loans receivable portfolio, customer information and lending transactions.

The Company has developed custom risk models based on behavioural attributes unique to the Company's consumer population. These models, which leverage a broad array of data, provide the Company with the ability to manage volume and profitability in response to real-time changes in growth objectives, risk appetites and market conditions.

Additionally, Dealnet operates Payment Card Industry ("PCI") certified facilities and data management strategies designed to protect consumer data. This important aspect of lending is often overlooked by FinTech companies due to the expense and rigor associated with annual third-party audits and with maintaining and demonstrating best practices for execution as a method of doing business. PCI certification is adherence to a set of specific security standards that were developed to protect credit card information during and after a financial transaction. PCI compliance is required by all card brands and now remains the benchmark in many operations for protecting customer data. There are six main requirements for PCI certification. The vendor must: build and maintain a secure network; protect cardholder/customer data; maintain a vulnerability management program; implement strong access control measures; regularly monitor and test networks; and, maintain an information security policy.

Employees

As at December 31, 2019, the Company had 288 employees. With the onset of COVID-19 in March 2020, headcount has been reduced. The majority of the Company's hourly workforce are in the call centres. The number of hourly paid employees fluctuates depending upon One Contact's client needs. Employee headcount is summarized as follows:

	March 2018	**June 2018**	**September 2018**	**December 2018**	**March 2019**	**June 2019**	**September 2019**	**December 2019**
Salaried	116	86	74	73	80	79	77	72
Hourly	234	200	214	241	175	187	195	216
Total	350	286	288	314	255	266	272	288

Competitive Landscape

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources. But relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. Dealnet believes that there is significant demand for the products it offers in the Canadian marketplace, including the demand for consumer financing, which historically was satisfied by the consumer lending arms of large, financial institutions. Dealnet's consumer finance business faces competition for customers not only from banks, but also from consumers who prefer to pay for their products and services on credit cards.

Furthermore, the Company competes with other similar corporations for qualified executives, employees and agents. Competition for the best people is intense and an inability to recruit qualified individuals may negatively impact the Company's ability to execute on business strategies or to conduct its operations.

Regulatory Matters

Consumer protection legislation in the provinces in which the Company operates specify that if the Company's business involves future performance agreements, leases with terms of a specified length, the sale of goods or the provision of credit, as defined in certain of such legislation, the Company may be required to comply with various additional disclosure requirements, including in some instances disclosure requirements concerning the costs of purchase and credit. The Company believes that it is currently compliant with such disclosures and retains outside legal counsel for opinions on its various forms of consumer lending agreements to ensure compliance.

Legal Proceedings

The Company is involved in various legal matters. The resolution of these matters is not expected to have a material adverse effect on the Company's financial position, financial performance, cash flows or reputation.

RISK FACTORS

Overview

The Company's activities are exposed to a variety of business, operational, financial, credit and regulatory risks. The Company's overall risk management program focuses on the unpredictability of financial and economic markets and seeks to minimize potential adverse effects on the Company's financial performance. The Company's board of directors has overall responsibility for the establishment and oversight of the Company's risk management framework.

The Audit Committee and the Credit and Risk Committee of the board of directors review the Company's risk management policies on an annual basis.

COVID-19

Subsequent to December 31, 2019, the COVID-19 outbreak was declared a pandemic by the World Health Organization. The situation is dynamic and uncertain.
Specifically, COVID-19:

- Will significantly decrease originations and fees. Dealers are currently closed and consumers are hesitant to have dealers in their homes.

- Will likely increase the level of delinquencies, however, the impact of COVID-19 on portfolio performance has been limited so far.
- Could result in a short-term shutdown of either or both call centres in the event of wide-spread COVID-19 infection.

The actual extent to which COVID-19 and its effect on the economy will impact our business remains highly uncertain and may lead to adverse changes in our cash flows, working capital levels, debt balances, operating results and financial position in the future. At this time, it is not possible to determine the financial and cash flow impacts of COVID-19.

Liquidity Risk

Liquidity risk is the risk that a Company will not be able to meet its financial obligations as they fall due. The Company oversees its liquidity to ensure that it has access to enough readily available funds to cover its financial obligations as they come due and to sustain and grow its assets and operations under both normal and stressed conditions. The most significant exposure to liquidity risk relates to the repayment of secured borrowings, debentures, and notes payable. In addition, a growth in origination volume requires the use of upfront cash. The exposure to secured borrowings is primarily managed by term-matching the cash flows generated by the Company's net investment in leases and loans with the repayment requirements. With respect to debentures, notes payable and origination growth, the mitigation of liquidity risk is dependent on the Company's ability to (a) match utilization levels and excess available restricted cash to maturing obligations, (b) extend current debt facilities and / or (c) raise additional funds through secured private debt placements or equity.

Credit Risk

Credit risk is the risk of financial loss to the Company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The Company's credit risk is primarily attributable to fluctuations in the realizable values of its cash and cash equivalents, restricted cash, trade receivables, due from dealers and finance receivables. The carrying amounts of financial assets represent the maximum credit exposure. Cash accounts are maintained with major international financial institutions of reputable credit and, therefore, bear minimal credit risk.

In the normal course of business, the Company is exposed to credit risk from its corporate engagement business customers, and the related trade receivables are subject to normal commercial credit risks in Canada and the United States. A substantial portion of the Company's trade receivables are concentrated with a limited number of large customers, all of which the Company believes are subject to normal industry credit risks.

The Company's overall exposure to credit risk arising from consumer finance receivables is governed by credit specific risk appetite limits and credit risk policies as approved by the Company's Board. The Credit and Risk Committee of the Board has established and monitors credit risk related policies and guidelines enterprise-wide, taking into account business objectives, risk appetite, planned financial performance and risk profile. Credit risk limits are established for all types of credit exposures and include geographic, product, size, and security type limits. The Credit and Risk Committee oversees the credit portfolio through ongoing reviews of credit risk management policies, lending practices, portfolio composition and risk profile, and the adequacy of loan loss reserves and write-offs.

The Company’s loan receivables consist of unsecured consumer loans and, accordingly, the Company is exposed to credit risk within this portfolio. The Company mitigates credit risk by assessing the borrower’s capacity and willingness to pay through its underwriting policies and by ensuring that all loan contracts (other than those originated in the province of Quebec) which are greater than $15, have experienced material credit deterioration and/or have become delinquent are registered with a NOSI.

Credit risk within the Company's lease receivables portfolio is mitigated by ensuring all lease contracts greater than $15 or ones that have experienced material credit deterioration and/or have become delinquent are registered with a NOSI and by dealer reserves provided by the home improvement dealers from which the Company acquires the leases. The Company monitors the balance of these reserves and is entitled to seek additional cash reserves from the dealers

Dependence on Key Personnel

One of the significant limiting factors in the Company's performance and expansion plans will be the hiring and retention of the best people for the job. In particular, the Company is dependent on the abilities, experiences and efforts of its senior management team and other key employees. The loss of these individuals without adequate replacement could materially adversely affect its business and operations. There is competition for such personnel and there can be no assurances that the Company will be successful in attracting and retaining all such personnel as it may require. If the Company were unable to attract and retain qualified personnel or its costs to do so increase dramatically, its operations would be materially adversely affected. Additionally, the resignation or termination of the Company's CEO or CFO are termination events under certain of the Company's credit, securitization and warehouse facilities.

Fraud

The Company makes every effort to verify the accuracy of information provided to them when making a decision whether to underwrite a lease or loan and have implemented systems and controls to protect against fraud. New entrants to a market are often targeted by organized groups seeking to take advantage of lenders perceived to be less experienced in preventing fraud. In addition, the Company can be impacted by fraudulent practices by dealers from which it acquires loan and lease contracts. In cases of fraud, it is difficult and often unlikely that the Company would be able to collect amounts owing under a lease or loan. Increased rates of fraud could have a material adverse impact on the business, financial condition and results of the Company. Dealing with fraudulent events can create other risks in the Company, such as (i) placing significant demands on management, diverting their attention from the existing businesses; (ii) requiring substantial financial resources that otherwise could be used in the development of other aspects of the business; and (iii) the risk that unexpected liabilities and contingencies could arise that could be significant to the operations of the Company.

Inadequate Access to Financing

In order to continue to meet its day-to-day operating needs and realize its growth plans, the Company must be able to continue to access funding from its current securitization and warehouse partners and it must be able to continue to raise additional financing to meet future corporate cash needs within the constraints of its current corporate tangible ratio target of 10:1.

The Company has historically been funded through various sources such as private placement debt and public market equity offerings. The availability of additional financing will depend on a variety of factors including the availability of credit to the financial services industry and the Company's financial performance and credit ratings.

To fund its growth plans, the Company will be dependent upon cash flow expected to be provided by existing funding facilities, coupled with increased loan facilities to meet operational requirements, purchase leased assets, meet capital spending requirements and satisfy financial obligations. The Company is able to manage the growth of its consumer finance receivable portfolio based on the amount of available financing.

Dealnet has publicly stated that it intends to significantly expand its consumer finance business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

History of Losses and Negative Operating Cash Flows

The Company has historically generated net losses and negative operating cash flows. The Company has sustained itself by raising cash from financing activities. In order to support its strategic objectives, the Company will also need to generate and sustain increased revenue levels, achieve sustained and growing profitability and manage costs in future periods. It is the Company's intention to expand both the consumer finance and engagement businesses to achieve these objectives. It is difficult to forecast that all of the Company's plans and strategies will be successful and achieve its objectives. Failure to achieve profitability and other objectives may have a negative impact on the Company's market price.

Customer Complaints

Dealnet's reputation is very important for attracting new dealers to its platform. Conversely, the reputation of the Company's dealer network is very important in attracting potential customers. Dealnet enjoys a good reputation and provides customers with a superior experience. However, there can be no assurance that the Company will continue to maintain a good relationship with its dealer network, or customers, or avoid negative publicity. Damage to reputation, arising from the conduct of business, negative publicity, regulatory enforcement, security breaches or otherwise could have a material adverse effect on the Company's reputation and business. Damage to reputation can also arise from the conduct of the third-party dealer network. If a dealer, or any other third party that Dealnet outsources to, misuses customer funds, personal information, or fails to follow protocols for interacting with customers, the Company by reference, can be perceived to have facilitated or participated in the action leading to a customer complaint that could potentially damage Dealnet's reputation. It is not always possible to identify and deter misconduct or errors by employees, dealers, or third-party service providers, and the precautions the Company takes to detect and prevent such activities may not be totally effective.

Government Regulation and Compliance

The Company takes reasonable measures to ensure compliance with governing statutes, regulations and regulatory policies. A failure to comply with such statutes, regulations or regulatory policies could result in sanctions, fines or other settlements that could adversely affect both its earnings and reputation. Changes to laws, statutes, regulations or regulatory policies could also change the economics of the Company's merchandise leasing and consumer lending businesses.

Numerous consumer protection laws and related regulations impose substantial requirements upon lenders involved in consumer finance, including leasing and lending. Also, federal and provincial laws impose restrictions on consumer transactions and require contract disclosures relating to the cost of borrowing and other matters. These requirements impose specific statutory liabilities upon creditors who fail to comply with their provisions.

Large competitors may also take advantage of existing regulation, impending regulation or power to influence or propose new regulations to create barriers to entry for new market entrants such as Dealnet. The Company is currently aware of proposals from large regulated financial institutions to create new regulations with respect to where a customer may legally conduct borrowing activities designed to force borrowers into their extensive branch networks. Should such regulation be enacted, competitive financial businesses may not be able to compete unless they also build an extensive physical presence.

Macroeconomic Conditions

Certain changes in macroeconomic conditions can have a negative impact on the Company's customers and its performance. These customers can be affected by adverse macroeconomic conditions such as higher unemployment rates or costs of living, which can lower the Company's collection rates and result in higher loss rates and adversely affect the Company's performance, financial condition and liquidity. The Company cannot predict the impact that current economic conditions, positive or negative, will have on its future results, nor can it predict when such economic events may occur.

Systems and Processes

Dealnet is dependent upon the successful and uninterrupted functioning of its computer, internet and data processing systems. The failure of these systems could interrupt operations or materially affect the Company's ability to enter into new lease or lending transactions and service customer accounts. Although the Company has extensive information technology security plans and disaster recovery plans, if sustained, such a failure could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company's operations rely heavily on the secure processing, storage and transmission of confidential customer information. While the Company has taken reasonable steps to protect its data and that of its customers, the risk of the Company's inability to protect customer information, or breaches in Dealnet's information systems, may adversely affect the Company's reputation and result in significant costs or regulatory penalties and remedial action. The Company continues to invest in these areas and expects to on an ongoing basis, including having third party audits conducted to assess gaps and future investments strategies.

Concentration of Funding Sources

The Company has obtained secured borrowings from a number of financial institutions. Dealnet's reliance on such financial institutions for a significant amount of its funding exposes the Company to funding risks. If these financial institutions decided to terminate or not extend these secured borrowing arrangements, Dealnet's operations could be materially adversely affected.

Availability of Equity to Support Leverage

The Company has publicly stated that it intends to significantly expand its consumer finance business. To achieve this goal, it will require additional funds, which can be obtained through various sources, including debt or equity financing. There can be no assurance that additional funding will be available when needed or will be available on terms favourable to the Company. The inability to access adequate sources of financing, or to do so on favourable terms, may adversely affect the Company's capital structure and the Company's ability to fund operational requirements and satisfy financial obligations. If additional funds are raised by issuing equity securities, shareholders may incur dilution.

Competition

The Company faces competition in each of its markets. Many of Dealnet's competitors are larger with greater financial resources, but relative to the Company, they remain less nimble or without the breadth of solutions that the Company offers. There can be no assurance that the Company will be able to continue to compete successfully in its markets. Because the Company competes, in part, on the technical advantages and cost of its products and services, significant technical advances by competitors or the achievement by such competitors of improved operating effectiveness that enable them to reduce prices could reduce the Company's competitive advantage in these products and services, and thereby adversely affect the Company's business and financial results.

Culture, Brand and Reputation

The Company's culture, brand and reputation are critical to the Company's success. The Company's brand is its service promise remembered, the Company's culture is how it fulfils that promise and the Company's reputation is its success in fulfilling that promise. All are very important in attracting new employees, dealers and customers to the Company's platform, as well as in retaining employees and dealers. Any damage to the Company's reputation, arising from conduct outside the Company's cultural expectations could have a material adverse effect on the Company's brand and the Company's business.

Reliance on Third Party Vendors

Dealnet recognizes that contracting with an outside third party subjects the Company to risks with the potential for significant financial and reputational harm, such as from fraud, breach of contract, error, breach of confidentiality, data loss and so on. The risks associated with vendor relationships can be unique and vary depending on the vendor as well as the service or process outsourced. The Company performs due diligence on potential vendors, which requires a reasonable inquiry to verify the background, performance history and financial health of vendors being considered to provide goods or services. This due diligence provides the Company with the information needed to address the possible risks presented by potential vendors and put in place reasonable restraints to mitigate against such an event.

Strategic Risk

Strategic risk can come from changes in the business environment, fundamental changes in demand for the Company's products or services, implementation of inappropriate decisions, execution of the Company's strategy or inadequate responsiveness to changes in the business environment, including changes in the competitive or regulatory landscape. The impact of poor execution by management or an inadequate response to changes in the business environment could have a material adverse effect on the Company's financial condition, liquidity and results of operations.

The Company believes it has the correct strategy to address the current market opportunities. The Company's ability to increase its customer and revenue base is contingent, in part, on its ability to secure additional dealer relationships, to grow its consumer finance receivable portfolio, to access customers through new delivery channels and to execute with efficiency and effectiveness.

Concentration of Leases and Loans

The Company currently specializes in financing home improvement products, mostly in Ontario. As the Company expands nationally, the portfolio may develop other concentrations of risk exposure related to other regions of the country. If a specific region in which Dealnet has developed a concentration of leases and loans experiences adverse economic or business conditions, the Company's delinquencies, default rate and charge-offs in those regions may increase, which may negatively affect its financial condition and results of operations.

Privacy, Information Security and Data Protection Regulations

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

Litigation

From time to time, the Company may be involved in material litigation. There can be no assurance that any litigation in which the Company may become involved in the future will not have a material adverse effect on the Company's business, financial condition or results of operations.

Possible Volatility of Stock Price

The market price of the Company's common shares, similar to that of many other Canadian companies, has been subject to significant fluctuation in response to numerous external factors, as well as variations in the annual or quarterly financial results of the Company, timing of announcements of acquisitions or material transactions by the Company or its competitors, other conditions in the economy in general or in the industry in particular, changes in applicable laws and regulations and other factors. Moreover, from time to time, the stock markets experience significant price and volume volatility that may affect the market price of the common shares for reasons unrelated to the Company's performance. No prediction can be made as to the effect, if any, that future sales of common shares or the availability of shares for future sale (including shares issuable upon the exercise of warrants and stock options) will have on the market price of the common shares prevailing from time to time. Sales of substantial numbers of such shares or the perception that such sales could occur may adversely affect the prevailing price of the common shares. Significant changes in the stock price could jeopardize the Company's ability to raise growth capital through an equity offering without dilution to existing shareholders.

Leverage, Restrictive Covenants

The Company has third party debt service obligations under their respective credit facilities. The degree to which subsidiaries are leveraged could have important consequences to the Company's shareholders, including: (i) the ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries is dedicated to the payment of the principal of and interest on their respective indebtedness, thereby reducing funds available for distribution to the Company; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

Interest Rate Risk

Interest rate risk arises when the fair value or future cash flows of a financial instrument fluctuate because of changes in market interest rates. However, a change in interest rates would not currently significantly affect results or the equity of the Company as all interest-bearing financial instruments are fixed-rate instruments. However, as the Company increases in size and complexity, there is a greater risk that an unmanaged or unassessed interest rate risk exposure could adversely affect the interest margin, profitability and capital.

In order to manage interest rate risk, the Company operates using a clearly identified set of policies, procedures and interest rate risk management models. Dealnet also manages and controls interest rate risk by setting limits on the amount of risk it is willing to accept for counterparties on securitizations and other funding sources. The Company's board of directors has established and monitors interest rate risk related policies and guidelines taking into account business objectives, risk appetite, planned financial performance and risk profile.

Currency Risk

The Company operates in Canada and the United States. The functional currency of the Company is the Canadian dollar. Currency risk arises because the amount of the local currency revenue, expenses, cash flows, receivables and payables for transactions denominated in foreign currencies may vary due to changes in exchange rates and because the non-Canadian-denominated financial statements of the Company's subsidiaries may vary on consolidation into Canadian dollars.

The most significant currency exposure arises from changes in the Canadian dollar to US dollar exchange rate. The effect of a 10% change in the US dollar against the Canadian dollar at the reporting date, had all other variables remained constant, would have resulted in an insignificant change to the financial results for the year. As at December 31, 2019, the Company did not hedge any currency exposures.

Financial Reporting

The accounting policies and estimates used by the Company determine how it reports its financial condition and results of operations; this may require management to make estimates or rely on assumptions about matters that are inherently uncertain. Such estimates and assumptions may require revisions, and changes to them may materially adversely affect the Company's results of operations and financial condition. The Company assesses the carrying value of assets at least annually. From an accounting perspective, the carrying value of Intangible Assets and Goodwill could be diminished in the future.

Internal Control Over Financial Reporting

The effective design of internal controls over financial reporting is essential for the Company to prevent and detect fraud or material errors that may have occurred. The Company and its management have taken reasonable steps to ensure that adequate internal controls over financial reporting are in place. However, there is a risk that a fraud or material error may go undetected and that such material fraud or error could adversely affect the Company.

No Payment of Dividends in the Foreseeable Future

The Company does not intend, in the foreseeable future, to pay dividends on the common shares, and shareholders should not expect to receive any dividends on their investment in the foreseeable future. The Company believes the return on equity and cash is too high during the growth phases to distribute cash. The

Company will consider paying dividends on the common shares when circumstances permit, having regard to, among other things, earnings, cash flow and financial requirements, as well as relevant legal and business considerations. Any future payment of dividends to holders of common shares will depend on decisions that will be made by the Company's board of directors and will depend on then existing conditions, including the Company's financial condition, contractual restrictions, capital requirements and business prospects.

Relationship with Active Dealers

Dealnet has formed relationships with HVAC and home improvement product manufacturers, and with dealers who operate in the same product markets. The Company relies on these relationships to generate applications and originations. The failure to maintain cooperative and effective relationships with its manufacturers, dealers and other origination sources or decisions made by the aforementioned to refer transactions to, or to sign contracts with, other financing sources could impede Dealnet's ability to generate transactions.

Management of Rapid Growth

The Company has grown rapidly in the consumer finance business and has otherwise restructured its operations dramatically. Such growth and change may place significant demands on Dealnet's management, operations, credit underwriting, treasury and financial resources. The organizational structure will become more complex, with additional staff and expenses, and the need to improve operational, financial, management and compliance controls as well as the Company's reporting systems and procedures. Future growth will depend on the Company's ability to maintain an operating platform and management systems sufficient to address growth, as the Company may face challenges in the: (i) maintenance of adequate financial and business controls; (ii) the management of the credit underwriting process and monitoring credit risks; (iii) implementing or updating information and financial systems, and procedures; and (iv) the training, management and sizing of its work force and other components of its business on a timely and cost-effective basis. Failure to manage growth adequately could adversely affect Dealnet's ability to generate revenue and control expenses.

Monetary and Fiscal Policy

The Company's earnings are affected by the monetary policy of the Bank of Canada and the fiscal policy of the Federal government of Canada and other governments in Canada and abroad. Changes in the supply of money, government spending and the general level of interest rates can affect the Company's profitability. A change in the level of interest rates will affect the interest spread between the Company's finance receivables and funding cost and, as a result, will impact the Company's net interest income. Changes in monetary and fiscal policy and in the financial markets are beyond the Company's control and are difficult to predict or anticipate. However, the Company follows the principle of matching its borrowings and related costs of money with its portfolios' projected revenues to mitigate the impact of such changes in interest rates.

Managing Possible Acquisitions

Dealnet does not currently have any binding agreements or commitments to acquire any businesses. However, the Company does seek opportunities to acquire or invest in businesses that could expand or complement the existing consumer finance or engagement businesses, or future businesses. Dealnet may also consider, from time to time, opportunities to engage in joint ventures or other business collaborations with third-parties to address particular market segments. The successful integration of acquired businesses can entail numerous risks that could adversely affect the growth and profitability of the Company. These risks include: (i) the risk that management will be unsuccessful in managing the acquired operations; (ii) that any integration may place significant demands on management, diverting their attention from the existing businesses; (iii) that existing operating, financial and management systems may be incompatible with or inadequate to effectively integrate; (iv) that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business; (v) the risk that acquisitions may result in unexpected liabilities and contingencies that could be significant to the operations of the Company; (vi) that personnel from the acquired and the existing business fail to work together; and (vii) the risk that the acquisition may not be accretive to the Company, which could dilute the interests of the Company's shareholders. Any impairment of goodwill or other intangible assets acquired in an acquisition or in an investment, or charges to future earnings associated with any acquisition, may materially reduce the Company's earnings, which, in turn, may have an adverse material effect on the price of the Company's shares. The Company cannot be sure that an acquisition will ultimately strengthen its competitive position or that such acquisitions will be viewed positively by customers, analysts or investors.

GENERAL DESCRIPTION OF CAPITAL STRUCTURE

Common Shares

The Company is authorized to issue an unlimited number of common shares with no par value. The issued and outstanding capital of the Company as at December 31, 2019 consisted of 282.5 million common shares.

The following is a summary of the principal attributes of the common shares.

Each common share entitles the holder: (i) to one vote at all meetings of shareholders (except meetings at which only holders of a specified class of shares are entitled to vote); (ii) to receive, subject to the holders of another class of shares, any dividend declared by Dealnet; and, (iii) to receive, subject to the rights of the holders of another class of shares, the remaining property of Dealnet on the liquidation, dissolution or winding up of Dealnet, whether voluntary or involuntary.

Preferred Shares

In October of 2015, the Company amended its articles to authorize the creation of a class of preferred shares issuable in series. The main purpose of the creation of the preferred shares is to provide the Company with greater flexibility in its capital structure and in raising future capital for use in the Company's business and operations or in connection with acquisitions of other businesses or properties.

The following is a summary of the principal attributes of the authorized preferred shares, none of which are outstanding.

Issuable in Series

The preferred shares may at any time, and from time to time, be issued in one or more series, in accordance with and subject to the provisions of the *Business Corporations Act (*Ontario*)* (the "Act").

The directors of the Company shall, subject to the provisions of the Act, the provisions herein contained, and any conditions attaching to any outstanding series of preferred shares, by resolution duly passed before the issue of any preferred shares of any series, fix the number of shares and determine the designation, rights, privileges, restrictions and conditions attaching to the preferred shares of such series, which may include, without limitation, any voting, conversion or redemption rights.

Priority on Dividend Entitlement and Return of Capital

So long as any preferred shares are outstanding, the holders of the preferred shares of each series shall rank both with regard to dividends and return of capital in priority to the holders of the common shares and over any other shares ranking junior to the holders of the preferred shares, and the holders of the preferred shares of each series may also be given such other preferences over the holders of the common shares and any other shares ranking junior to the holders of the preferred shares as may be determined as to the respective series authorized to be issued.

The priority, in the case of cumulative dividends, shall be with respect to all prior completed periods in respect of which such dividends were payable plus such further amounts, if any, as may be specified in the provisions attaching to a particular series and in the case of non-cumulative dividends, shall be with respect to all dividends declared and unpaid.

Priority between each series of Preferred Shares

The preferred shares of each series shall rank *pari passu* with the preferred shares of every other series with respect to priority in payment of dividends and return of capital in the event of any liquidation distribution.

Dividend Policy

The current dividend policy of the Company is not to declare and pay cash dividends. The Company’s dividend policy and practice will be reviewed from time to time in the context of the Company’s earnings, financial condition, the need to retain earnings to fund future growth of the business of the Company and other relevant factors, and the declaration of a dividend will always be at the discretion of the Company’s board of directors.

Accordingly, the Company has never declared nor paid a dividend on the common shares.

MARKET FOR SECURITIES

The Company’s common shares are listed on the TSX Venture Exchange under the symbol “DLS”. The following table sets forth the reported intraday high and low prices and the trading volume for the common shares on a monthly basis for 2019:

Month	Volume of Shares Traded (#)	Low ($)	High ($)
January	1,934,500	0.065	0.08
February	4,986,900	0.055	0.075
March	12,905,500	0.05	0.07
April	2,091,200	0.05	0.08
May	2,997,400	0.05	0.07
June	2,144,000	0.06	0.09
July	1,679,000	0.08	0.10
August	4,577,000	0.08	0.10
September	4,446,000	0.065	0.085
October	2,245,800	0.05	0.075
November	5,142,900	0.06	0.09
December	7,311,600	0.065	0.08

DIRECTORS AND EXECUTIVE OFFICERS

Under the by-laws of the Company, directors of the Company are elected annually. Each director holds office until the next annual meeting or until the successor of such director is duly elected or appointed, unless such office is earlier vacated in accordance with the by-laws. The directors were elected at the Annual General and Special Meeting held May 22, 2019.

Name, Address, Occupation and Security Holdings

The names, provinces or states of residence, positions, principal occupations and shareholdings of the directors and executives of Dealnet as at December 31, 2019 were as follows:

Name and Place of Residence	Principal Occupation(s) (for the past five years or more)	Became a Director or Executive Officer	Common Shares Beneficially Owned Directly or Indirectly or Over Which Control or Direction is Exercised
Harold Bridge Ontario, Canada	**Director** (1) (2) (5) (7) CEO of Kathar Enterprises Inc. (corporate finance advisory services)	June 2015	2,622,280
Brent Houlden Ontario, Canada	**Director and Chief Executive Officer** Consultant and Financial Advisor at CR Advisors Inc. (professional services) Former Interim CFO: Danier Leather Inc. (retailer) Former partner of Deloitte LLP (professional services)	June 2015	1,967,428
Joanne De Laurentiis Ontario, Canada	**Director** (3) (4) (7) Corporate Director	June 2017	692,800
Richard Carl Ontario, Canada	**Director** (3) (5) (6) Independent Businessman and Corporate Director Former President and COO of AGS Capital Corp. (financial services) Former Executive Chairman of Canada Fluorspar Inc. (mining)	March 2017	1,346,080
Michael Koshan Ontario, Canada	**Chief Financial Officer & Treasurer** Former consultant to Element Financial Former CFO of Trend Financial	October 2016	837,000
Kathryn Houlden Ontario, Canada	**Senior Vice President, General Counsel** Former corporate lawyer in private practice	January 2018	852,079
Jason Reid Ontario, Canada	**President, One Contact** Former VP, Business Development at Bill Gosling Outsourcing	October 2018	99,500

Notes**:**

1. (1) Chairman of the Board
2. (2) Chair of the Audit Committee
3. (3) Member of the Audit Committee
4. (4) Chair of the Compensation & Governance Committee
5. (5) Member of the Compensation & Governance Committee
6. (6) Chair of Credit and Risk Committee
7. (7) Member of Credit and Risk Committee

As of December 31, 2019, the directors and executive officers of the Company, as a group, beneficially owned, directly or indirectly, approximately 3.0% of the issued and outstanding common shares of the Company.

Corporate Cease Trade Orders, Penalties and Bankruptcies

To the best of the Company's knowledge, no director or executive officer is, at the date of this Annual Information Form, or has been, within the 10 years prior to the date of this Annual Information Form, a director or chief executive officer or chief financial officer of any corporation (including the Company) that, while that person was acting in that capacity,

(i) was subject to an order that was issued while the proposed director was acting in the capacity of director, chief executive officer or chief financial officer; or

(ii) was subject to an order that was issued after the proposed director 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.

For the purposes of the above section, the term "order" means:

(i) a cease trade order;

(ii) an order similar to a cease trade order; or

(iii) an order that denied the relevant corporation access to any exemption under securities legislation that was in effect for a period of more than 30 consecutive days.

Except as disclosed below, to the Company's knowledge, no director of the Company is or has been, within the 10 years before the date of this Annual Information Form, 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.

On July 2, 2015, Mr. Houlden was hired as the Interim CFO of Danier Leather Inc. to help with its restructuring. The company announced on February 4, 2016 that it filed a NOI to make a proposal under the *Bankruptcy and Insolvency Act* (Canada).

EXTERNAL AUDITOR SERVICE FEES

KPMG LLP are the Company's auditors. They were first appointed on May 14, 2018 at the request of the Company. During the 2019 and 2018 fiscal years, the Company paid or accrued the following fees to KPMG LLP:

	2019	**2018**
	$	$
Audit Fees	230,000	222,000
Audit Related Fees	—	—
Tax Fees	—	80,300
All other Fees	—	—
Total	230,000	302,300

Audit Fees
KPMG LLP has performed audit services for the Company during the last fiscal year, which included the audit of the Financial Statements.

Tax Fees
Ernst & Young LLP, the Company's auditor for the year ended December 31, 2017, provided tax advice to the Company during the year ended December 31, 2018, which primarily included tax provision preparation, corporate income tax return compliance, indirect tax compliance review and tax restructuring. No similar service was obtained during the year ended December 31, 2019 from Ernst & Young LLP.

INTEREST OF EXPERTS

KPMG LLP, the Company's auditor, has provided an audit report on the Company's consolidated financial statements for the year ended December 31, 2019. KPMG LLP was independent of the Company in accordance with the rules of professional conduct in Ontario.

TRANSFER AGENT AND REGISTRAR

Capital Transfer Agency, located at 390 Bay Street, Suite 920, Toronto, Ontario M5H 2Y2, is the registrar and transfer agent for the Company's common shares.

MATERIAL CONTRACTS

As at December 31, 2019, there were no material contracts.

ADDITIONAL INFORMATION

Additional information including directors' and officers' remuneration and indebtedness, principal holders of the Company's securities, options to purchase securities and interests of insiders in material transactions, if applicable, is contained in the Company's management information circular for the Company's most recent annual general meeting. Additional financial information is provided in the Company's audited consolidated financial statements for the year ended December 31, 2019 and the interim unaudited consolidated financial statements for the quarter ended March 31, 2020. Accompanying the financial statements are the management's discussion and analysis of financial condition and results of operations dated April 3, 2020 and May 21, 2020.

Additional information relating to the Company may be found on SEDAR at www.sedar.com and on the Company's website at www.dealnetcapital.com.