

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C., 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE BANKRUPTCY OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

MOTION RECORD
(Motion to Examine Debtor)
(returnable on a date to be fixed)

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Court File No. 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
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**AND IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
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PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

NOTICE OF MOTION
(Motion to Examine Debtor)
(returnable on a date to be fixed)

Forward Dimension Capital 1 LLP (“**FDC**”) will make a motion to a judge presiding over the Commercial List on a date to be determined by a judge of the Commercial List, at 10:00 am or as soon after that time as the motion can be heard, at 330 University Avenue, Toronto, Ontario.

PROPOSED METHOD OF HEARING: The motion is to be heard orally.

THIS MOTION IS FOR:

- (a) An Order, if necessary, abridging the time for service of the Motion Record and dispensing with further service thereof;
- (b) An Order, pursuant to Section 163(2) of the *Bankruptcy and Insolvency Act* (R.S.C. 1985, c. B-3, as amended) (the “**BIA**”) that FDC may examine under oath Drew Craig (“**Craig**”) of Digital Underground Media Inc. (“**DUMI**”), and compelling his attendance at an examination under oath before a representative of FDC in Toronto, Ontario, to answer questions concerning the dealings of and the bankruptcy proposal proceedings of DUMI;
- (c) An Order pursuant to Section 163(2) of the BIA directing DUMI to produce certain records as specified in the draft order included in the motion record;

- (d) An Order directing that the Hearing of the Application for Court Approval of the Proposal, currently scheduled for November 14, 2017, be adjourned to a date to be fixed by this Honourable Court pending completion of the examination of Craig; and
- (e) Such further and other relief as counsel may request and this Court deems just.

THE GROUNDS FOR THE MOTION ARE:

Events Leading to this Motion

- (f) DUMI is a company incorporated under the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, that directly and through its subsidiaries develops and operates subway in-tunnel advertising systems;
- (g) FDC is a United Kingdom based private equity firm that is the majority shareholder of DUMI, holding approximately 50 percent of the issued and outstanding shares of DUMI. Since initially investing in DUMI in July of 2015, FDC has funded a total of approximately \$12.5 million to DUMI;
- (h) DUMI’s other principal shareholder is Craig, who holds shares in DUMI either in his personal capacity or through various companies under his control. In addition to being a shareholder of DUMI, Craig, again either in his personal capacity or through various companies under his control, is also a director of DUMI, the senior secured creditor, the debtor-in-possession lender (the “**DIP Lender**”) and the proposal sponsor (the “**Proposal Sponsor**”);
- (i) Pursuant to the Subscription & Investment Agreement dated July 27, 2015 (the “**Subscription Agreement**”) under which FDC acquired its 50 percent shareholding in return for a subscription price of \$5 million, FDC agreed to provide additional funding to DUMI provided that DUMI reached certain financial milestones. DUMI did not meet these financial milestones;
- (j) Notwithstanding DUMI failing to meet the financial milestones, FDC continued to fund DUMI and has advanced approximately \$7.5 million in additional funding

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to DUMI to provide it with additional liquidity. FDC continued to engage in discussions with DUMI regarding its need for further funding, and as recently as June 19, 2017, offered to provide DUMI with an additional \$2 million provided that certain changes to its business operations and capital structure were made;

- (k) On September 21, 2017, DUMI filed a Notice of Intention to Make a Proposal (the “**NOI**”) pursuant to Part III, Division I of the BIA (the “**Proposal Proceedings**”);
- (l) MNP Ltd. was appointed to act as proposal trustee (the “**Trustee**”) and on September 22, 2017, sent notice of the NOI to DUMI’s creditors;
- (m) FDC first received notice of the Proposal Proceedings on October 4, 2017 through its own investigation and inquiry with the Trustee. The Trustee had sent a letter dated September 29, 2017 to FDC providing notice of the NOI and the Proposal Proceedings, but the letter had not yet been received and in any event, was addressed incorrectly;
- (n) On October 2, 2017, two days before FDC received notice of the NOI, DUMI filed a proposal (the “**Proposal**”) pursuant to the BIA with the Trustee and the Official Receiver;
- (o) Notice of the Proposal was sent to DUMI’s creditors, including FDC, on October 6, 2017. The notice to creditors indicated that a general meeting of the creditors was to be held on October 19, 2017 at the offices of the Trustee, and enclosed both the Proposal and the Report of the Trustee on the Proposal (the “**Trustee’s Report**”);
- (p) The meeting of the creditors was held on October 19, 2017, with a slightly amended version of the Proposal narrowly receiving the requisite majority under the BIA necessary for creditor approval;
- (q) On October 26, 2017, the Trustee provided notice that DUMI will be making an application to the Court to approve the Proposal (as amended). The Notice of the Hearing of the Application for Court Approval of the Proposal indicated that the

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application will be made before the Court on November 14, 2017, at 10:00 am. Motion materials were served by the Trustee on Friday, November 3, 2017;

FDC's Opposition to the Proposal

- (r) FDC opposes the Proposal which, among other things, cancels all existing equity of DUMI and proposes to provide only approximately \$76,000 to DUMI's unsecured creditors (resulting in a recovery of approximately 10 cents on the dollar) in exchange for transferring 100 percent control of DUMI to companies controlled by Craig;
- (s) The Proposal was developed, authorized and executed by Craig in his capacity as a director of DUMI notwithstanding that he stands in a conflict of interest with respect to the Proposal given his status as (among other things) the principal secured creditor of DUMI, the DIP Lender and the Proposal Sponsor;
- (t) The Trustee's Report also contains misrepresentations (based upon advice stated to have been provided by DUMI) with respect to DUMI's financial difficulties, falsely attributing such financial difficulties to a failure by FDC to fulfil its funding obligations to DUMI;
- (u) In particular, the Trustee's Report failed to advise this Court and DUMI's creditors that: (i) FDC did not have any obligation to advance further funds under the Subscription Agreement since DUMI continually failed to meet the contractually agreed upon financial milestones that were condition precedents to FDC's obligation to provide additional financing; and (ii) notwithstanding DUMI's failure, FDC had still invested a further \$7.5 million to provide DUMI with additional liquidity;
- (v) Further, FDC and Craig had, as recently as September 2017, been in negotiations with respect to additional funding potentially being advanced by FDC despite FDC having no existing contractual obligation to do so. During the course of these negotiations, FDC developed concerns that Craig was not acting in the best interests of DUMI and was solely acting to protect his own personal interest in

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DUMI in his capacity as DUMI's principal secured creditor. As a result of these concerns, the two directors appointed by FDC to DUMI's board resigned;

- (w) After receiving notice of the Proposal and the proposed meeting of the creditors to consider the Proposal, FDC attempted to engage with the Trustee and its counsel by, among other things, delivering to the Trustee a counter proposal prior the meeting of the creditors (the "**FDC Proposal**"). Notably, the FDC Proposal provided general unsecured creditors of DUMI with a far greater return than that contemplated in the Proposal;
- (x) Despite the fact that the FDC Proposal provided a significantly greater return than that contemplated in the Proposal, DUMI rejected the FDC Proposal and it was never communicated to creditors;

An Examination is Necessary and Appropriate

- (y) FDC has significant concerns regarding the Proposal, including the representations made by DUMI that have sought to blame FDC for its insolvency as well as the substance and *bona fides* of the Proposal generally, including whether all available options and alternatives have been appropriately canvassed by DUMI's board and what steps, if any, were taken to address the various conflicts of interest arising in connection with the Proposal;
- (z) An examination of Craig as DUMI's representative is necessary to elucidate certain of the facts at issue in these proceedings and to permit FDC to appropriately respond to the application for Court approval of the Proposal, including but not limited to, the allegations made by DUMI as represented in the Trustee's Report;
- (aa) FDC is a "creditor or other interested person" within the meaning of Section 163(2) of the BIA;
- (bb) There is sufficient cause to justify the granting of the Order;

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- (cc) Adjournment of the hearing of the application for Court approval of the Proposal is necessary and appropriate to allow FDC sufficient time to examine Craig and to thereafter file its responding materials;
- (dd) Section 163(2) of the BIA;
- (ee) Section 13 of the *Bankruptcy and Insolvency General Rules*, Can. Reg. 368, C.R.C. 1978, c. 368; and
- (ff) Such further and other grounds as counsel may advise and this Honourable Court may consider.

THE FOLLOWING DOCUMENTARY EVIDENCE will be used at the hearing of the motion:

- (gg) The Affidavit of Laura Gilhespy, to be sworn; and
- (hh) Such further and other material as counsel may advise and this Honourable Court may permit.

Dated at Toronto, this 6th day of November, 2017.

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**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C., 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE PROPOSAL OF DIGITAL UNDERGROUND
MEDIA INC a company incorporated pursuant to the laws of the Province of Ontario, with a
head office in the City of Vancouver, in the Province of British Columbia**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**
Proceeding commenced at Toronto

**NOTICE OF MOTION
(Motion to Examine Debtor)
(returnable on date to be fixed)**

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**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**

THE HONOURABLE) THE ●th DAY OF
)
JUSTICE HAINEY) NOVEMBER, 2017
)

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C., 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE PROPOSAL OF
DIGITAL UNDERGROUND MEDIA INC.,
A COMPANY INCORPORATED PURSUANT TO THE LAWS OF THE
PROVINCE OF ONTARIO,
WITH A HEAD OFFICE IN THE CITY OF VANCOUVER,
IN THE PROVINCE OF BRITISH COLUMBIA**

ORDER

THIS MOTION, made by Forward Dimension Capital 1 LLP (“**FDC**”) for an order (i) that Drew Craig (“**Craig**”) of Digital Underground Media Inc. (“**DUMI**”) be compelled pursuant to the *Bankruptcy and Insolvency Act* (R.S.C., 1985, c. B-3, as amended) (the “**BIA**”) to attend at an examination under oath before a representative of FDC to answer questions concerning the dealings of and the bankruptcy proposal proceedings of DUMI and (ii) that the Hearing of the Application for Court Approval of the Proposal, presently scheduled to proceed on November 14, 2017, be adjourned pending completion of the foregoing examination, was heard on this day at 330 University Avenue, Toronto, Ontario.

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ON READING the material filed, including the Notice of Motion and the Affidavit of Laura Gilhespy sworn November 7, 2017, and on hearing the submissions for counsel for FDC and those other counsel present, and on being advised that DUMI and MNP Ltd. (the “**Trustee**”) were served with the Motion Record herein:

1. **THIS COURT ORDERS** that the time for the service of the Notice of Motion and the Motion Record is hereby abridged and validated so that this Motion is properly returnable today and hereby dispenses with further service thereof.
 2. **THIS COURT ORDERS** that Craig attend to be examined under oath at a date, time and place in Toronto, Ontario to be agreed between counsel to FDC and DUMI or, failing such agreement, to be designated by FDC or its representatives pursuant to a Notice of Examination served on DUMI with two days’ notice.
 3. **THIS COURT ORDERS** that DUMI produce to FDC the documents specified on Schedule “A” hereto at least two days prior to such examination, provided that nothing herein shall prejudice the ability of FDC to seek the production of further documents from DUMI.
 4. **THIS COURT ORDERS** that the application to approve the amended proposal filed by DUMI dated October 20, 2017, be and is hereby adjourned to a date to be agreed by FDC, DUMI and the Trustee following the foregoing examination or, failing such agreement, a date to be fixed by the Court at a 9:30 attendance.
-

Schedule “A”**List of Documents to be Produced by DUMI**

Board Minutes of DUMI from the following months:

- April 2016;
- June 2016;
- July 2016;
- Aug 2016;
- Nov 2016;
- Dec 2016;
- Jan 2017;
- Feb 2017;
- April 2017; and
- Any later board minutes from 2017.

Management Accounts of DUMI from the following months:

- April 2016;
- June 2016;
- July 2016;
- August 2016;
- November 2016;
- December 2016;
- January 2017;
- February 2017;
- April 2017; and
- Any later dates.

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
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MEDIA INC. a company incorporated pursuant to the laws of the Province of Ontario, with a
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**ONTARIO
SUPERIOR COURT OF JUSTICE
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Proceeding commenced at Toronto**

ORDER

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AFFIDAVIT OF LAURA GILHESPY
(sworn November 7th, 2017)

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**AFFIDAVIT OF LAURA GILHESPY
(sworn November 7th, 2017)**

I, Laura Gilhespy, of the City of London, England, United Kingdom, MAKE OATH
AND SAY:

1. I am in-house legal counsel for Forward Dimension Capital 1 LLP (“FDC”) and have been employed by an entity affiliated with FDC since September 2015. Over the course of the past month I have been involved in reviewing FDC’s relationship with Digital Underground Media Inc. (“DUMI” or the “Company”) and, in particular, the Proposal (as defined below) filed by DUMI as well as negotiations and discussions that took place between representatives of FDC and DUMI over the course of the summer of 2017. As such, I have personal knowledge of

the matters to which I depose in this affidavit. Where I do not possess personal knowledge, I have stated the source of my information and, in all such cases, believe it to be true.

2. This affidavit is sworn in support of a motion by FDC for an Order (the “**Examination Order**”): (i) that Drew Craig (“**Craig**”) of DUMI be compelled pursuant to the *Bankruptcy and Insolvency Act*, R.S.C., 1985, c. B-3, as amended (the “**BIA**”), to attend at an examination under oath before a representative of FDC to answer questions concerning the dealings of and the bankruptcy proposal proceedings of DUMI; and (ii) that the hearing of the application for Court approval of the Proposal, presently scheduled to proceed on November 14, 2017, be adjourned pending such examination.¹

I. INTRODUCTION

3. FDC is a private equity firm headquartered in London, England, United Kingdom. FDC provides capital, management support and strategic guidance to small to medium sized companies that are looking to develop their business and take advantage of growth opportunities. The firm focuses primarily on investments in the digital consumer and internet industries.

4. FDC is the majority shareholder of DUMI, a company incorporated under the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B.16, that directly and through its subsidiaries develops and operates subway in-tunnel advertising systems. FDC holds approximately 50% of the issued and outstanding shares of DUMI and has funded a total of approximately \$12.5 million to DUMI since July 2015.²

¹ Capitalized terms used but not otherwise defined herein have the meanings given to them, as applicable, in the Proposal, the Subscription Agreement or the Shareholder Agreement, each of which is defined below.

² Unless otherwise specified, all dollar amounts referenced herein are expressed as Canadian currency.

5. DUMI's other principal shareholder is Craig. Craig holds DUMI shares either in his personal capacity or through J.D. Craig Holdings Inc. ("**Craig Holdings**") and DUM Holdings Inc. ("**DUM Holdings**"), two companies he controls.³ Craig is also the chairman of the board of directors of DUMI.

6. On October 2, 2017, DUMI filed a proposal (as subsequently amended, the "**Proposal**") pursuant to the BIA. MNP Ltd. has been appointed to act as the trustee under the Proposal (the "**Trustee**"). I am advised by FDC's counsel, Goodmans LLP ("**Goodmans**"), that a hearing to approve the Proposal is presently scheduled to proceed on November 14, 2017.

7. In addition to being DUMI's second largest shareholder and its chairman, Craig, through the aforementioned companies under his control, is also DUMI's principal secured creditor and its debtor-in-possession lender (the "**DIP Lender**"). Furthermore, based on corporate searches performed by Goodmans, I understand that Craig is also the sole director of 7677189 Canada Ltd., the entity who, along with the DIP Lender, is sponsoring the Proposal (the "**Proposal Sponsor**").

8. FDC opposes the Proposal which, among other things, cancels all existing equity of DUMI and proposes to provide only approximately \$76,000 to DUMI's unsecured creditors (resulting in a recovery of approximately 10 cents on the dollar based on the Trustee's estimated claims pool) in exchange for transferring 100% control of DUMI to the DIP Lender and the Proposal Sponsor (i.e. to Craig). DUMI's secured debt is unaffected under the Proposal.

³ Craig Holdings is also referred to in this affidavit as the DIP Lender, which is defined below.

9. Significantly, in making the Proposal, DUMI has blamed FDC for being the cause of its financial difficulties. As stated in the Report of the Trustee to the Creditors dated October 6, 2017 (the “**Trustee’s Report on the Proposal**”):

The Company advises that the causes of its financial difficulties are due primarily to agreements that the Company entered into in mid-2015 with a U.K. based private equity fund [i.e. FDC], whereby the fund would act as an institutional investor (the “**Agreements**”). The institutional investor committed to support the Company’s business plan to establish the global in-tunnel media industry as a niche market of the Transit Out of Home media industry. The Agreements provided that the institutional investor would provide funding to the Company in accordance with the business plan. In Q2 of 2017, the institutional investor provided notice to the Company *that it would not fulfill its funding obligations* under the Agreements [emphasis added].

10. A similar statement is repeated in a later section of the Trustee’s Report on the Proposal which reads: “[T]he Company’s current financial difficulty is attributable *to the failure of an institutional investor to provide funding per its agreement with DUMI* resulting in insufficient working capital to grow DUMI’s business to a scale where it becomes viable” [emphasis added]. Similar statements to this effect are also included in the Trustee’s Report dated September 22, 2017 filed in support of DUMI’s request for approval of, among other things, interim financing.⁴

11. The statement that FDC did not “fulfill its funding obligations” or that FDC breached any obligation to provide funding to DUMI, and any representation to that effect made by DUMI to the Trustee, is false. Any obligation for FDC to provide funding to DUMI beyond its initial share subscription amount was conditioned upon DUMI reaching certain financial milestones. As discussed in further detail below, DUMI never met these milestones.

⁴ The Trustee’s Approval Hearing Report (defined below) states that, in the Trustee’s opinion, the causes of DUMI’s insolvency is that “DUMI has been unable to achieve its business and strategic plan as a result of being undercapitalized”. As the Trustee’s Approval Hearing Report was filed after the creditors’ meeting, DUMI’s creditors voted on the Proposal on the assumption that FDC’s unwillingness to continue funding DUMI was the cause of its financial difficulties.

12. Notwithstanding DUMI's failure to meet the milestones, FDC still funded a further approximately \$7.5 million to DUMI over the course of the past 22 months in an effort to assist it in achieving its business objectives. Further, FDC had been in negotiations with Craig as late as August 2017 to restructure DUMI (in a manner that would have left unsecured creditors unaffected) and invest up to a further \$2 million. Instead, however, Craig initiated the Proposal which would see 100% of DUMI transferred to his control in a transaction designed to benefit Craig to the detriment of all of the Company's other stakeholders.

II. OVERVIEW OF THE RELATIONSHIP BETWEEN DUMI AND FDC

13. Pursuant to the Subscription & Investment Agreement dated July 27, 2015 (the "**Subscription Agreement**") among, *inter alia*, DUMI, FDC and Craig, FDC subscribed for and received 541,813 Class A Common Shares of DUMI at a purchase price of \$5 million. A copy of the Subscription Agreement is attached hereto as Exhibit "A". Pursuant to the Unanimous Shareholder Agreement dated July 27, 2015 (the "**Shareholder Agreement**") among, *inter alia*, DUMI, FDC, Craig Holdings, DUM Holdings and Craig, a copy of which is attached hereto as Exhibit "B", DUMI's authorized capital structure consisted of 541,813 issued and outstanding Class A Common Shares and 541,813 issued and outstanding Class B Common Shares. Accordingly, FDC's initial subscription was for 50% of the issued and outstanding equity in DUMI.

14. The Subscription Agreement, among other things, provided for a deferred financing obligation on the part of FDC in which FDC could be obligated to invest up to three additional installments of \$5 million, with each such investment being conditioned on DUMI reaching certain financial milestones (the "**Funding Milestones**"). The Funding Milestones contained

time restrictions and were tied to DUMI's financial performance. In the event that any of the Funding Milestones were not met, the Subscription Agreement provides that FDC shall have no obligation to fund any further amounts to DUMI.

15. The Shareholder Agreement also provided FDC with certain rights with respect to the appointment of representatives to DUMI's board of directors. FDC appointed Gavin Owston and David Rigby to DUMI's board of directors, both of whom were partners of FDC at the time but have since left FDC. The FDC appointed directors joined Craig and Kenneth Bicknell ("**Bicknell**"), the Company's President and CEO, to complete DUMI's board of directors.

B. DUMI Failed to Meet Funding Milestones

16. As noted above, in the Trustee's Report on the Proposal it states that DUMI advised the Trustee that the cause of its financial difficulties and the need to undertake the Proposal was due primarily to FDC's "failure" to fulfil its funding obligations. Any suggestion that FDC failed to satisfy its funding obligations to DUMI is inaccurate.

17. As previously referenced, the Subscription Agreement clearly states that FDC's obligation to provide additional financing to DUMI was conditioned on DUMI satisfying the Funding Milestones. DUMI did not satisfy any Funding Milestones. Pursuant to the Subscription Agreement, DUMI would have met the first Funding Milestone if and when, within the first 12 months of the Subscription Agreement being executed (i.e. by late July 2016): "(i) the cumulative Total Net Revenue is at least \$450,000 over the two most recently ended calendar months; and, (ii) at least (A) two of the installed underground advertising systems owned by the Corporation or its Subsidiaries; in (B) two cities are generating revenue for the Corporation or its

Subsidiaries”. DUMI’s financial reports for the months of October 2015, November 2015, December 2015, January 2016, February 2016, March 2016, May 2016, September 2016 and October 2016 are attached hereto as Exhibit “C”. These financial reports make clear that DUMI did not meet the first Funding Milestone. Each financial report contains a “Net Revenue” line which shows that the highest “Actual Net Revenue” achieved in any of these months was \$95,360, well short of the \$450,000 target. The second and third Funding Milestones are tied to DUMI becoming EBITDA positive and, as highlighted in the Trustee’s Report on the Proposal at p. 6, DUMI has never been EBITDA positive since FDC’s original July 2015 investment. Accordingly, FDC had no obligation to fund additional monies to DUMI pursuant to the Subscription Agreement.

18. Notwithstanding DUMI’s failure to meet the Funding Milestones, FDC in fact funded a further approximately \$7.5 million to DUMI (on top of its initial \$5 million investment) to provide it with additional liquidity as follows:

Date	Payment Amount⁵
December 15, 2015	\$3,000,000
July 16, 2016	\$1,000,000
September 16, 2016	\$1,000,000
December 16, 2016	\$1,000,000
February 17, 2017	\$500,000
March 17, 2017	\$500,000
June 17, 2017	\$500,000

⁵ FDC’s investments were recorded by it in U.K. pounds sterling and, as such, the Canadian dollar amounts expressed herein are approximations.

19. Further, as discussed below, prior to the Proposal being filed FDC and DUMI had been in discussions with respect to a potential restructuring of DUMI's capital structure and the provision of further financing by FDC.

C. FDC and Craig Negotiate a Potential Restructuring of DUMI

20. In June 2017, in response to a presentation from DUMI's management regarding the need for further capital investment, FDC undertook a strategic review of DUMI's 2017/18 business plan and overall operations. FDC determined that based on DUMI's weak performance and failure to achieve any Funding Milestones, DUMI needed significant investment from either a large venture capital firm or a strategic media partner (or both) in order to achieve its business objectives. FDC proposed to invest an additional \$2 million to satisfy DUMI's short-term cash flow needs while it pursued additional investments. FDC also proposed that DUMI, among other things, restructure the senior secured debt held by Craig by converting the debt into the same class of preference shares held by FDC at a rate of 1.5:1, thereby completely aligning the principal investors and making DUMI's capital structure more attractive to any future equity investor. Importantly, FDC's offer would have provided a significant injection of additional capital and addressed DUMI's capital structure issues while only diluting Craig's equity holding from 32% to approximately 24%. FDC's offer was rejected by Craig.

21. During the course of these negotiations, FDC began to develop concerns that Craig was not acting in DUMI's best interests and instead was acting solely to protect his own interests in his capacity as a secured creditor. As a result of these concerns, FDC's two director appointees tendered their resignation from DUMI's board of directors. A copy of their July 10, 2017 resignation letter is attached hereto as Exhibit "D". Negotiations between FDC and Craig

regarding a potential restructuring of DUMI extended throughout the course of August and September 2017, with no agreement being reached.

III. DUMI'S PROPOSAL PROCEEDINGS

A. Formulation of the Proposal

22. On September 21, 2017, DUMI filed a Notice of Intention to Make a Proposal (the "NOI") pursuant to Part III, Division I of the BIA. By Order dated September 25, 2017, the Court approved, among other things, a debtor-in-possession financing facility between DUMI and Craig Holdings as the DIP Lender. FDC first received notice of the Proposal on October 4, 2017 through its own investigation and inquiry with the Trustee. The Trustee had sent a letter dated September 29, 2017 to FDC providing notice of the NOI and the Proposal Proceedings, but the letter had not yet been received and in any event, was addressed incorrectly. On October 2, 2017, two days before FDC received notice of the NOI, DUMI filed the Proposal with the Trustee and the Official Receiver. Notice of the Proposal was then sent to DUMI's creditors on October 6, 2017. The notice to creditors indicated that a general meeting of the creditors was to be held on October 19, 2017 at the offices of the Trustee, and enclosed both the Proposal and the Trustee's Report on the Proposal.

23. Upon reviewing the Proposal, it became apparent that FDC's concerns regarding Craig acting to further his own interests were well-founded: the Proposal seems to have been formulated and approved by Craig to serve his own personal interests in his capacity as secured creditor with no regard having been given to the interests and reasonable expectations of DUMI's other stakeholders, or to the best interests of DUMI generally. The Proposal, among other things, cancels all existing equity of DUMI and proposes to provide only approximately

\$76,000 to DUMI's unsecured creditors (resulting in a recovery of approximately 10 cents on the dollar based on the Trustee's estimated creditor pool) in exchange for transferring 100% control of DUMI to the DIP Lender and the Proposal Sponsor, two entities controlled by Craig. In addition, DUMI's secured creditors are unaffected by the Proposal.

24. Also concerning to FDC is that the Proposal appears to have been developed, authorized and executed by Craig in his capacity as a director of DUMI notwithstanding that he stands in a conflict of interest with respect to the Proposal given his status as a principal of each of DUMI's pre-filing secured creditors, the DIP Lender and the Proposal Sponsor. Craig was the lone director to sign the original Proposal and he, along with Bicknell, signed the board resolution authorizing DUMI to put the Proposal before its creditors. A copy of the resolution is attached as Exhibit "E". Based on my review of the board resolution, it does not appear that Craig's conflict of interest was addressed or considered in connection with authorizing the Proposal. Further, neither the Proposal nor the Trustee's Report on the Proposal discloses to creditors that the Proposal Sponsor is also controlled by Craig. A corporate profile search, a copy of which is attached as Exhibit "F", reveals that Craig is the sole director of the Proposal Sponsor. As the Proposal Sponsor and the DIP Lender will be issued all of DUMI's new equity under the Proposal, the Proposal effectively transfers 100% control of DUMI to Craig in return for a payment to general unsecured creditors of approximately \$76,000.

B. FDC's Response to the Proposal

(i) FDC's Request to Adjourn the Creditors' Meeting was Refused

25. Upon learning of the Proposal and its proposed treatment of DUMI's stakeholders, FDC attempted to engage with the Trustee and its counsel by sending a letter to the Trustee dated October 17, 2017 (a copy of which is attached hereto as Exhibit "G") explaining, among other things, that the statements regarding the source of DUMI's financial difficulties was a misrepresentation likely to mislead creditors. FDC further notified the Trustee of its previous funding offer and its concern as to whether the directors of DUMI were acting in accordance with their duty to act in the best interests of the corporation. The letter requested that the creditors' meeting be delayed for at least 14 days to allow FDC time to consider its position and take any actions as appropriate. The request for adjournment was denied by counsel to the Trustee in a response dated October 18, 2017.

(ii) FDC Submits Alternative Proposal Providing Greater Recovery for Creditors

26. FDC further tried to engage with the Trustee and DUMI by submitting an alternative proposal to the DUMI board of directors on October 19, 2017 (the "**FDC Proposal**"). A copy of the FDC Proposal is attached hereto as Exhibit "H". Notably, the FDC Proposal provided general unsecured creditors of DUMI with a far greater return than that contemplated in the Proposal. The key terms of the FDC Proposal can be summarized as follows:

- (a) FDC would invest \$197,660.20 to form a proposal fund to be distributed to unsecured creditors of DUMI. According to the Trustee's estimate of \$659,867

owing to general unsecured creditors, this would provide a recovery of approximately 30 cents on the dollar;

- (b) The existing secured debt would be cancelled and repaid at a rate of 50 percent of the existing liability through conversion into non-voting preference shares. The preference shares would pay out at a rate of 20 percent of DUMI's profits in any accounting year once DUMI became profitable; and
- (c) DUMI's share capital would be cancelled, with new common shares being issued to FDC.

27. The FDC Proposal was submitted with the dual intention of providing a substantially greater recovery to unsecured creditors and restructuring DUMI's capital structure to provide DUMI and its various stakeholders with the best possibility of achieving long-term success.

(iii) *FDC Proposal Was Not Put to DUMI's Creditors*

28. The FDC Proposal was not put before creditors at the creditors' meeting. According to the Report of the Trustee on the Proposal dated November 3, 2017 (the "**Trustee's Approval Hearing Report**"), the Trustee in fact recommended that the creditors' meeting be adjourned so that the FDC Proposal could be further considered. However, DUMI's directors rejected the Trustee's adjournment recommendation and advised that they would not present the FDC Proposal to DUMI's creditors because the FDC Proposal "had no plan to fund [DUMI] going forward."

29. According to the minutes of the creditors' meeting and the Trustee's Approval Hearing Report, all voting creditors (save for one former employee) voted exclusively by voting letter. Accordingly, it is my understanding that the FDC Proposal was never communicated to the vast majority of creditors for their consideration.

30. Despite the fact that the FDC Proposal provided a significantly greater return than that contemplated in the Proposal, the FDC Proposal was not given proper consideration either by DUMI's directors or by creditors, the latter of whom were simply not given the opportunity. The reason given by DUMI's directors for rejecting the FDC Proposal (being its lack of go-forward funding), is puzzling considering the Proposal itself does not provide DUMI with any such funding. All the Proposal offers is to extinguish all existing equity, maintain the status quo with respect to DUMI's secured debt, provide unsecured creditors with a negligible return and transfer 100% control of DUMI to Craig controlled companies. Go-forward funding is not contemplated by the Proposal, and there is nothing in the Proposal to suggest that DUMI has or will obtain the working capital necessary to attempt to achieve its business plan.

C. The Request to Examine Craig

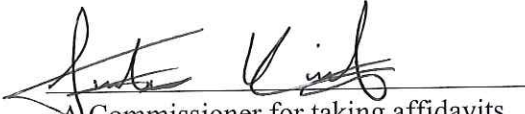
31. As set forth above, FDC has significant concerns regarding the Proposal, including the representations made by DUMI that have sought to blame FDC for its insolvency as well as the substance and *bona fides* of the Proposal generally, including whether all available options and alternatives have been appropriately canvassed by DUMI's board and what steps, if any, were taken to address the various conflicts of interest arising in connection with the Proposal. I believe an examination of Craig to explore the facts relating to these matters is appropriate in the circumstances and will serve the interests of the administration of the estate.

32. I am advised by Goodmans that it initially requested and received from DUMI's legal counsel certain documents relating to the Proposal. However, I am further advised that a subsequent request by Goodmans for certain board of director meeting minutes and financial information has been refused. FDC has a right under the Shareholder Agreement to examine DUMI's books and records: "Any shareholder that is not a Competing Shareholder and its authorized representatives may, at any time during normal business hours without causing unreasonable disruption to the Business, review, examine and copy, at its own expense, any books and records of the Corporation." FDC is not a "Competing Shareholder" (as defined in the Shareholder Agreement) and, as such, is entitled to access all of DUMI's books and records. A copy of the email correspondence between Goodmans and DUMI's legal counsel regarding the refusal to deliver additional documentation is attached hereto as Exhibit "I". Permitting an examination of Mr. Craig and compelling DUMI to produce relevant documents in connection with such an examination will allow FDC to access these and other documents that may be relevant to the matters in dispute with respect to the Proposal, which in turn will assist in ensuring that all relevant facts are before the Court on any hearing to approve the Proposal.

IV. CONCLUSION

33. For the above reasons, FDC respectfully requests that this Court grant the Examination Order and allow FDC the opportunity to acquire the additional information necessary for it to make a response to the Proposal.

SWORN before me at the City of London, England, United Kingdom on November 7th, 2017.



A Commissioner for taking affidavits (or as may be):

Name: ASMAY KVIANTS




LAURA GILHESPY

**Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE**

A

THIS IS EXHIBIT "A"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 1TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

DIGITAL UNDERGROUND MEDIA INC.

SUBSCRIPTION & INVESTMENT AGREEMENT

Dated as of the 27th day of July, 2015

SUBSCRIPTION & INVESTMENT AGREEMENT

THIS AGREEMENT is made as of the 27th day of July, 2015

AMONG: **DIGITAL UNDERGROUND MEDIA INC.**, a corporation constituted under the laws of Ontario, having its principal place of business at 219-255 West 1st Street, North Vancouver, British Columbia V7M 3G8 herein acting and represented by Ken Bicknell, duly authorized for the purposes hereof as he so declares

(**“Corporation”**)

AND: **FORWARD DIMENSION CAPITAL 1 LLP** a limited liability partnership registered in England and Wales with registration number OC399433, having its principal place of business at 44 Great Marlborough Street, London, United Kingdom, W1F 7JL, herein acting and represented by Robert Murphy, duly authorized for the purposes hereof as he so declares

(the **“Investor”**)

AND: **DREW CRAIG**, individual residing at 4280 Rockridge Road, West Vancouver, British Columbia, Canada

(**“Craig”**)

AND: **KEN BICKNELL**, individual residing at 3965 Westridge Avenue, West Vancouver, British Columbia, Canada

(**“Bicknell”**, and together with Craig, the **“Guarantors”**)

RECITALS

WHEREAS the authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares;

AND WHEREAS the Investor wishes to subscribe for, and the Corporation has agreed to issue Class A Common Shares in the capital of the Corporation to the Investor and the parties hereto wish to set forth the basis upon which such transactions will be completed;

AND WHEREAS each of the Guarantors directly or indirectly holds shares in the capital of the Corporation and will derive substantial economic benefits from the transactions contemplated in the this Agreement and has voluntarily entered into this Agreement to guarantee certain obligations of the Corporation as specified in the Agreement;

AND WHEREAS the Investor would not have entered into this Agreement without a commitment by the Guarantors to execute and deliver this Agreement and guarantee certain of the obligations of the Corporation under this Agreement.

NOW THEREFORE THIS AGREEMENT WITNESSES that in consideration of the mutual covenants contained herein and other good and valuable consideration (the receipt and sufficiency of which are hereby irrevocably acknowledged), the parties hereto agree as follows:

1. INTERPRETATION

1.1 Definitions

In this Agreement, the following expressions shall have the following meanings:

- 1.1.1 “**Affiliate**” has the meaning given to such term in the *Business Corporations Act* (Ontario);
- 1.1.2 “**Agreement**” means this Agreement, all schedules attached hereto and any agreement or schedule supplementing, amending or otherwise modifying this Agreement. The words “hereto,” “herein,” “hereof,” “hereby” and “hereunder” and similar expressions refer to this Agreement and not to any particular section or portion of it. References to an Article, Section, Subsection or Schedule refer to the applicable article, section, subsection or schedule of this Agreement;
- 1.1.3 “**Applicable Law**” means any domestic or foreign statute, law (including the common law), ordinance, rule, regulation, restriction, regulatory policy or guideline, by-law (zoning or otherwise), or order, or any consent, exemption, approval or license or judgment of any Governmental Authority, that applies in whole or in part to the parties, including their respective Subsidiaries and Affiliates, or to any of the Shares;
- 1.1.4 “**Business Day**” means any day other than a Saturday, Sunday or any other day which is a statutory holiday in Toronto, Canada or London, England;
- 1.1.5 “**Class A Common Share Contribution Amount**” has the meaning given to it in Section 3.1.
- 1.1.6 “**Class A Common Shares**” means the class A common shares in the share capital of the Corporation;
- 1.1.7 “**Class B Common Shares**” means the class B common shares in the share capital of the Corporation;
- 1.1.8 “**Closing**” means the completion of the subscription by and issue to the Investor of the Class A Common Shares under this Agreement on the Closing Date;
- 1.1.9 “**Closing Date**” means the date of this Agreement or such other date as the parties agree in writing;
- 1.1.10 “**Closing Document**” means the documents listed in Schedule “D” delivered in connection with Closing;
- 1.1.11 “**Confidential Information**” means all information (including the terms and conditions of this Agreement) of a material nature marked as confidential, or identified as confidential if delivered orally or otherwise disclosed in circumstances where the recipient ought reasonably to know that such information was being disclosed with an expectation on the part of the owner of such information that it would be held in confidence, and disclosed by either party (“**Disclosing Party**”) to the other (“**Recipient**”). Confidential Information does not include any of the foregoing: any item which (i) at the time of its disclosure is publicly available through no fault of the Recipient; (ii) after disclosure hereunder, is released to the public by the Disclosing Party without restriction or otherwise properly becomes part of the public domain through no fault of the Recipient (but only after it is released or otherwise becomes part of the public domain); (iii) the Recipient can demonstrate was in its possession at the time of disclosure and which was not acquired by Recipient directly or indirectly under any obligation of confidence or from a Person who to the

- knowledge of the Recipient, owed an obligation of confidentiality with regard to such information; or (iv) the Recipient can demonstrate was independently developed by such party without any use of the Confidential Information of the Disclosing Party;
- 1.1.12 “**Corporation Technology**” means the Intellectual Property Rights and the Technical Information used, owned or developed by the Corporation;
- 1.1.13 “**Deferred Financing Closing**” means each completion of the payment by the Investor of the Class A Common Share Contribution Amount under this Agreement;
- 1.1.14 “**Deferred Financing Closing Date**” means the date for any payment of the Class A Common Share Contribution Amount;
- 1.1.15 “**Deferred Financing Subscription Price**” has the meaning given to it in Section 3.1;
- 1.1.16 “**DUM Holdings**” means DUM Holdings Inc.
- 1.1.17 “**EBITDA**” means the consolidated earnings before interest, taxes, depreciation and amortization of the Corporation, calculated in accordance with the principles set out in Schedule “K”.
- 1.1.18 “**Encumbrance**” means any encumbrance of any kind whatever and includes a security interest, mortgage, lien, pledge, hypothec, assignment, charge, trust or deemed trust (whether contractual, statutory or otherwise arising), a voting trust or pooling agreement with respect to securities, an adverse claim or any other right, option or claim of others of any kind whatever affecting the Corporation, its assets or the Shares, any covenant or other agreement, restriction or limitation on the transfer of the Shares or any deposit by way of security;
- 1.1.19 “**Final Funding Milestone**” has the meaning given to it in Section 3.2a)iii);
- 1.1.20 “**Financial Statements**” means the audited consolidated financial statements of the Corporation for the fiscal year ended August 31, 2013 including the notes and report of the Corporation’s auditors, the unaudited management prepared consolidated financial statements of the Corporation for the fiscal year ended August 31, 2014, together with all notes in respect thereof and the monthly management accounts for all subsequent monthly periods, copies of which are attached hereto as Schedule “B”;
- 1.1.21 “**First Funding Milestone**” has the meaning given to it in Section 3.2a)i);
- 1.1.22 “**Funding Default Notice**” has the meaning given to it in Section 3.5a);
- 1.1.23 “**Funding Milestone**” has the meaning given to it in Section 3.2;
- 1.1.24 “**generally accepted accounting principles**” or “**GAAP**” means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the “**IASC Foundation**”), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation but only to the extent the same are adopted by the Chartered Professional Accountants of Canada (“**CPA Canada**”) as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CPA Canada;
- 1.1.25 “**Governmental Authority**” means any domestic or foreign government whether federal, provincial or municipal and any governmental agency, governmental authority, governmental tribunal or governmental commission or court of any kind whatever;

- 1.1.26 “**including**” and “**includes**” shall be deemed to be followed by the statement “without limitation” and neither of such terms shall be construed to limit any word or statement which it follows to the specific or similar items or matters immediately following it;
- 1.1.27 “**Intellectual Property Rights**” includes: (A) any and all proprietary rights provided under (i) patent law, (ii) copyright law (iii) trade-mark law, (iv) design patent or industrial design law, (v) semi-conductor chip or mask work law, or (vi) any other statutory provision or common law principle, applicable to the Corporation, which may provide a right in or to protect either (a) ideas, formulae, algorithms, concepts, inventions or know-how generally, including trade secret law, or (b) the expression or use of such ideas, formulae, algorithms, concepts, inventions or know-how; and (B) any and all applications, registrations, licenses, sub-licenses, franchises, agreements or any other evidence of a right in any of the foregoing;
- 1.1.28 “**Investor Indemnified Person**” has the meaning given to it in Section 6.1a);
- 1.1.29 “**knowledge of the Corporation**” and similar phrases mean the knowledge of Craig, Bicknell and Michael Laitinen and such knowledge as they have actually obtained following reasonable due inquiry and investigation of such Persons as a prudent Person would have considered necessary or advisable as to the matters that are the subject of the representations and warranties.
- 1.1.30 “**Leases**” means the leases and offers to lease set out and described in Section 4.1.24 of Schedule A;
- 1.1.31 “**Legal Proceeding**” means any litigation, action, suit, investigation, hearing, claim, grievance, arbitration, administrative or other proceeding and includes any appeal or review and any application for same;
- 1.1.32 “**Mass Market Software**” means mass market software available at retail the loss of which would not have a material adverse effect upon the business of the Corporation;
- 1.1.33 “**Milestone Funding Notice Period**” has the meaning specified in Section 3.2e);
- 1.1.34 “**Offered Shares**” means the Class A Common Shares.
- 1.1.35 “**Person**” shall be broadly interpreted and includes an individual, corporation, partnership, joint venture, trust, association, unincorporated organization, any Governmental Authority or any other entity recognized by law;
- 1.1.36 “**Permitted Encumbrances**” means (i) liens for Taxes not yet delinquent or which are being diligently contested in good faith by appropriate proceedings and for which adequate reserves have been established in the Corporation’s books in accordance with GAAP, (ii) undetermined or inchoate mechanics’, workmen’s, repairmen’s, warehousemen’s and carriers’ liens arising in the ordinary course of business of the Corporation under statutory provisions which have not been filed or registered in accordance with Applicable Law or of which written notice has not been given in accordance with Applicable Law; (iii) Encumbrances and other minor imperfections of title that do not, individually or in the aggregate, detract from the value of or materially impair the continued ownership, use and operation or marketability of any real property; and (iv) Encumbrances set out and described in Section 1.1.36 of Schedule “A” but only to the extent such Encumbrances conform to their description therein.
- 1.1.37 “**Redemption Notice**” has the meaning given to it in Section 3.5a);
- 1.1.38 “**Second Funding Milestone**” has the meaning given to it in Section 3.2a)ii);

- 1.1.39 “**Securities Laws**” means the securities legislation in the Provinces of Ontario and British Columbia and the securities legislation of any jurisdiction where the Corporation carries on business;
- 1.1.40 “**Shares**” means the Class A Common Shares and the Class B Common Shares or any of them.
- 1.1.41 “**Stock Option Plan**” means the Corporation’s employees stock option plan in substantially the same form as attached in Schedule “I”, to be implemented by the Corporation immediately following the Closing.
- 1.1.42 “**Subscription**” means the subscription for the Class A Common Shares at Closing;
- 1.1.43 “**Subsidiary**” has the meaning given to such term in the *Business Corporations Act* (Ontario);
- 1.1.44 “**Taxes**” means all taxes payable under any Applicable Law, including, without limitation, income taxes, goods and services tax, harmonized sales and retail sales tax, use tax, sales tax, property taxes, capital taxes, import and customs duties and other governmental charges and assessments, and includes additions by way of penalties, interest, fines and other amounts with respect thereto;
- 1.1.45 “**Tax Returns**” means all tax returns, reports and other filings required to be filed under the provisions of any Applicable Law and any tax forms required to be filed, whether in connection with a Tax Return or not, under the provisions of any Applicable Law;
- 1.1.46 “**Technical Information**” means all right, title and interest in and to all know-how used, owned or developed by the Corporation including:
- i) all information of a scientific, technical or business nature whether in oral, written, graphic, machine readable, electronic or physical form; and
 - ii) all patterns, plans, designs, research data, data research plans, trade secrets and other proprietary know-how, proposals, schematics, specifications, processes, formulae, drawings, technology, databases, computer software (source and object codes) and related manuals, unpatented blue prints, flow sheets, equipment and parts lists, instructions, manuals, records and procedures.
- 1.1.47 “**Technology**” means Intellectual Property Rights, Confidential Information and Technical Information used, owned or developed by the Corporation;
- 1.1.48 “**Total Net Revenue**” means, in respect of the relevant period, the consolidated net revenue of the Corporation for such period as determined in accordance with GAAP, provided that such calculation shall include to the extent not otherwise included, a further deduction from the consolidated revenues of the Corporation for (i) any agency commissions paid and refunds or discounts given by the Corporation and its Subsidiaries during such period; and (ii) Taxes (other than income Taxes or Taxes which are in the nature of income Taxes but based on revenue);
- 1.1.49 “**Unanimous Shareholders' Agreement**” means the unanimous shareholders agreement to be entered into among the Corporation and all of its shareholders concurrently with the Closing in the form attached as Schedule “E”;

1.1.50 **"2015 Business Plan"** means the "Updated 2015 business plan" of the Corporation attached in Schedule "J".

1.2 Schedules

The following Schedules are incorporated to and form part of this Agreement:

Schedule "A"	Additional Disclosure
Schedule "B"	Financial Statements
Schedule "C"	Articles and By-Laws of the Corporation
Schedule "D"	Closing Documents
Schedule "E"	Unanimous Shareholders Agreement
Schedule "F"	Authorized and Issued Capital
Schedule "G"	Post-Closing Covenants
Schedule "H"	Certificate of Officer
Schedule "I"	Stock Option Plan
Schedule "J"	2015 Business Plan
Schedule "K"	Accounting Principles, Procedures and Methodology

1.3 Headings

The headings in this Agreement are for convenience of reference only and shall not affect the construction or interpretation hereof.

1.4 Extended Meanings

Words in the singular include the plural and vice-versa and words in one gender include all genders.

1.5 Entire Agreement

The parties agree that this Agreement together with the Closing Documents constitute the complete and exclusive statement of the terms and conditions between them covering the performance thereof. This Agreement cannot be altered, amended or modified except in writing executed by the parties. Any representation, warranty or condition, written or otherwise, not expressly contained in this Agreement or the Closing Documents or in an authorized written amendment thereto shall not be enforceable by either party. Each of the parties acknowledges that it has not been induced to enter into this Agreement by any representations not specifically stated herein or therein.

1.6 Invalidity

If any of the provisions contained in this Agreement are found by a court of competent jurisdiction to be invalid, illegal or unenforceable in any respect, the validity, legality or enforceability of the remaining provisions contained herein shall not be in any way affected or impaired thereby.

1.7 Governing Law

This Agreement shall be governed by and construed in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein (excluding any conflict of laws rule or principles that might refer such construction to the laws of another jurisdiction). Subject to Article 7, the parties hereto hereby submit to the non-exclusive jurisdiction of the courts of the Province of Ontario.

1.8 Currency

Except as otherwise expressly provided in this Agreement, all dollar amounts referred to in this Agreement are stated in the lawful currency of Canada.

1.9 Statutes and Agreements

Unless otherwise indicated, all references in this Agreement to any statute mean such statute as amended, re-enacted or replaced from time to time, and include all rules and regulations promulgated thereunder and all references herein to any agreement or instrument mean such agreement or instrument as amended, modified, varied, restated or replaced from time to time with the written agreement of the parties thereto.

1.10 Accounting Terms

All accounting and financial terms and references not defined in this Agreement are to be interpreted in accordance with GAAP.

1.11 Business Days

In the event that any act is required to be done, any notice is required hereunder to be given, or any period of time is to expire on any day that is not a Business Day, such act shall be required to be done or notice shall be required to be given or time shall expire on the next succeeding Business Day.

2. Subscription

2.1 Subscription and Acceptance

2.1.1 Subscription for Class A Common Shares

Subject to the terms and conditions set forth herein, the Investor hereby subscribes for 541,813 Class A Common Shares at a purchase price of approximately \$9.228 per Class A Common Share for an aggregate purchase price of \$5,000,000, and the Corporation hereby undertakes to issue such Class A Common Shares to the Investor at the Closing.

Payment for the Class A Common Shares will be made by the Investor by certified cheque, bank draft, wire transfer of immediately available funds payable to the Corporation or as the Corporation may otherwise direct in writing.

2.1.2 Investor's Acknowledgements

In connection with this Subscription, the Investor acknowledges that, and at the time of the issuance of any Offered Shares will acknowledge that:

- a) the sale and delivery of the Class A Common Shares is conditional upon such issuance being exempt from the prospectus filing requirements of any applicable statute relating to the issuance of the Shares, where applicable, or upon the issuance of such orders, consents or approvals as may be required to permit such issuance without the requirements of filing a prospectus;
- b) the Class A Common Shares, once issued, are subject to resale restrictions under the Unanimous Shareholders' Agreement and applicable Securities Laws;
- c) the subscription for the Class A Common Shares has not been made through or as a result of an advertisement, and the Investor has not received an offering memorandum or similar document;
- d) the Class A Common Shares are being offered for sale on a "private placement" basis, relying on the status of the Investor as an accredited investor, under the private issuer exemption under National Instrument 45-106;

- e) it is an investor in securities of companies in the development stage and acknowledges that it is able to bear the economic risk of its investment, and has such knowledge and experience in financial, tax or business matters that it is capable of evaluating the merits and risks of the investment in the Class A Common Shares and underlying securities and making an informed investment decision with respect thereto, provided that nothing in this Section 2.1.2e) is intended to or shall diminish the rights of the Investor to rely on the representations, warranties or covenants of the Corporation or the Guarantors under this Agreement;
- f) it understands that the Offered Shares and the underlying securities it is purchasing have not been qualified under a prospectus or purchased through a registrant under Securities Laws or other applicable securities laws and, accordingly, are subject to resale restrictions and may not be offered or sold except pursuant to a qualified prospectus and through a registrant under Securities Laws or pursuant to an exemption from the prospectus and registration requirements of Securities Laws or other applicable securities laws. It understands that no public market presently exists for any securities of the Corporation, and there can be no assurance that any such market will be created; and
- g) the Class A Common Shares are acquired by the Investor for its own account, not as nominee or agent, for investment purposes, and not with a view to the resale or distribution of any part thereof in violation of Securities Laws and that it has no present intention of selling, granting any participation in, or otherwise distributing the same.

2.1.3 Use of Proceeds

The Corporation hereby undertakes and agrees to use the aggregate proceeds received from the subscription of the Class A Common Shares in accordance with the terms of the Unanimous Shareholders' Agreement and the Corporation's 2015 Business Plan.

3. DEFERRED FINANCING OBLIGATION

3.1 Covenant to contribute Contributed Surplus to Class A Common Shares

On the terms and subject to the conditions set forth in this Article 3 and in the Unanimous Shareholders' Agreement, the Investor shall contribute (the "**Class A Common Shares Contribution Amount**") an amount to contributed surplus and the Corporation shall accept such Class A Common Shares Contribution Amount and immediately following receipt thereof convert such amount from "contributed surplus" to share capital and increase the paid-up capital of the Class A Common Shares by such amount. It is intended that subparagraph 84(1)(c.3)(ii) of the *Income Tax Act* (Canada) apply to such conversion from "contributed surplus" to share capital and to the corresponding increase in the paid-up capital of the Class A Common Shares.

3.2 Funding Milestone Conditions Precedent

- a) Subject to Section 3.2b), the Investor shall pay the **Class A Common Share Contribution Amount** to the Corporation in three installments of \$5,000,000 each, conditional upon the Corporation reaching the milestones set out below (each a "**Funding Milestone**"):
 - i) for the first installment, if and when, within the first 12 months of the Closing Date: (i) the cumulative Total Net Revenue is at least \$450,000 over the two most recently ended calendar months; and (ii) at least (A) two of the installed underground advertising systems owned by the Corporation or its Subsidiaries; in (B) two cities are generating revenue for the Corporation or its Subsidiaries (the "**First Funding Milestone**");

- ii) for the second installment, if and when, within 24 months from the Closing Date, (i) the cumulative Total Net Revenue is at least \$1,800,000 over the three most recently ended calendar months; and (ii) the cumulative EBITDA is at least \$150,000 over the three most recently ended calendar months (the **"Second Funding Milestone"**); and
 - iii) for the third installment, if and when, within 24 months from the Closing Date, (i) the Total Net Revenue is at least \$1,000,000 in the most recently ended calendar month; and (ii) EBITDA is at least \$200,000 in the most recently ended calendar month (the **"Final Funding Milestone"**).
- b) Notwithstanding Section 3.2a) the Investor may at any time, upon five (5) Business Days' notice to the Corporation elect to pay all or any part of an installment of the Class A Common Share Contribution Amount which amount following such voluntary payment shall reduce the amount payable in respect of the amount of any further installment by the amount of such payment, first against any outstanding obligation in respect of the Class A Common Share Contribution Amount payable by the Investor in respect of the First Funding Milestone, then the Second Funding Milestone, then the Third Funding Milestone, until the full amount in respect thereof has been paid by the Investor and shall reduce the amount payable by the Investor in respect of such next Funding Milestone if and when achieved by the Corporation.
- c) The closing of any such payment shall take place on the date specified in the Investor's notice which shall be no later than 10 days following the date of such notice.
- d) In the event that the relevant Funding Milestone is not reached in respect of any installment, there shall be no obligation on the part of the Investor to pay any further Class A Common Share Contribution Amount.
- e) Upon the Funding Milestone being achieved the Corporation shall notify the Investor (the **"Milestone Funding Notice"**) and provide the Investor and its representatives access, upon every reasonable request, to all work papers of the Corporation, accounting books and records of the Corporation and the appropriate personnel to verify the accuracy, presentation and other matters relating to such determination. Within 10 days following receipt of the Milestone Funding Notice (the **"Milestone Funding Notice Period"**), the Investor shall notify the Corporation in writing if it has any objections. The Investor is deemed to have accepted the Milestone Funding Notice if it does not deliver a notice of objection containing the required information to the Corporation within the Milestone Funding Notice Period. If the Investor disputes the Milestone Funding Notice by delivering a notice in accordance with this Section 3.2e) to the Corporation within the Milestone Funding Notice Period, the Corporation and the Investor shall work expeditiously and in good faith in an attempt to resolve such dispute within a further period of 20 days after delivery of the notice of objection by the Investor to the Corporation. If the Investor and the Corporation fail to reach a resolution, the dispute will be submitted for determination to an independent national firm of chartered accountants mutually agreed to by the Corporation and the Investor. The determination of the accountants will be final and binding upon the parties and will not be subject to appeal, absent manifest error. For these purposes, the appointed accountants are deemed to be acting as experts and not as arbitrators. The Corporation and the Investor shall bear the fees and expenses of their respective auditors, if any, in connection with any such dispute and if an accounting firm is retained to resolve such dispute, the costs and expenses of such firm will be borne equally by the Corporation and the Investor.
- f) Subject to Section 3.2b), the closing of the installments contemplated in this Section 3.2 will occur on a date determined by the Investor which shall be no later than: (i) the second Business Day following the end of the Milestone Funding Notice Period; and (ii) if the

Investor notifies the Corporation in writing that it has objections to the Milestone Funding Notice within the Milestone Funding Notice Period, the second Business Day following the date on which such objections are resolved in accordance with Section 3.2e) provided such resolution confirms that the Funding Milestone in respect of the relevant installment was achieved.

3.3 Deferred Financing Closing

Each Deferred Financing Closing shall take place at the offices of Norton Rose Fulbright Canada LLP in Toronto, Ontario on the date determined in accordance with Section 3.2b) or 3.2f), as applicable, or at such other place and time as mutually agreed in writing by the Corporation and the Investor, provided that all conditions to the obligations of the Investor to consummate a Deferred Financing Closing as set forth in Section 3.4a) have been satisfied (or waived in writing by the Investor in its sole discretion).

3.4 Payment of the Class A Common Share Contribution Amount

- a) On a Deferred Financing Closing Date, the Corporation shall:
- i) deliver to the Investor, a certificate in the form set out in Schedule “H”, executed by a senior officer of the Corporation (in his/her capacity as an officer of the Corporation and not in his/her personal capacity); and
 - ii) have complied in all material respects with its post-closing covenants in accordance with Section 5.2 of this Agreement;

the delivery, accuracy of and compliance with which shall be a pre-condition to the obligation of the Investor to pay the relevant portion of the Class A Common Share Contribution Amount as required by this Article 3. The Corporation hereby represents and warrants to the Investor on each Deferred Financing Closing that the statements in any certificate delivered pursuant to this Section 3.4 are true and correct (subject to the qualifications set forth therein) and acknowledges that the Investor is relying upon such representations and warranties in completing the Deferred Financing Closing.

- b) Upon receipt of the Class A Common Share Contribution Amount by the Corporation, the Corporation shall accept such amount as contributed surplus and immediately following receipt thereof convert such amount from “contributed surplus” to share capital and increase the paid-up capital of the Class A Common Shares by such amount.

3.5 Deferred Funding Default

- a) Subject to satisfaction of the conditions to the Deferred Financing Closing set forth in Section 3.4a), if the Investor fails to pay any installment of the Class A Common Share Contribution Amount to be paid in accordance with Section 3.2 by the date on which the relevant Deferred Financing Closing is to take place in accordance with Section 3.2, notwithstanding that the Corporation has met the applicable Funding Milestone (a “**Funding Default**”), and such failure has not been waived by the Corporation (in respect of which waiver the Investor cannot vote) or cured by the Investor within 10 days following receipt by the Investor of notice (the “**Funding Default Notice**”) from the Corporation to do so following such breach, then the Corporation shall be entitled to deliver a redemption notice (the “**Redemption Notice**”) and the votes, dividend rights, participation rights of the Class A Common Shares and the entitlement to the Aggregate Class A Common Share Catch-Up Amount and the Aggregate Class A Common Redemption Amount shall be adjusted in accordance with the articles of the Corporation.

- b) The Corporation shall not be entitled to deliver a Redemption Notice if at the time of delivery of such Redemption Notice the Investor has cured the default whether or not the Investor cured such default within the 10 days following receipt by the Investor of the Funding Default Notice.

4. REPRESENTATIONS AND WARRANTIES

4.1 Representations and Warranties of the Corporation

The Corporation, and the Guarantors solidarily (jointly and severally) represent and warrant to the Investor as set out in the following Subsections of this Section 4.1, and acknowledges that the Investor is relying upon such representations and warranties in entering into this Agreement and in completing the transactions contemplated herein notwithstanding any investigation made by or on behalf of the Investor. Except for Sections 4.1.1a), c), e), g), 4.1.2, 4.1.3, 4.1.4 and 4.1.28, a reference to the Corporation in this Section 4.1 includes a reference to its Subsidiaries.

4.1.1 Corporate Matters

- a) The Corporation is a corporation duly incorporated, organized, validly existing and in good standing under the laws of the Province of Ontario and is in good standing in each jurisdiction in which it is qualified, licensed or registered to carry on business. As of the date hereof, the Corporation is registered to carry on business in the Provinces of Ontario, British Columbia and Manitoba.
- b) The Corporation has all necessary corporate power and capacity to execute and deliver, and to observe and perform its covenants and obligations under, this Agreement and the Closing Documents to which it is a party. The Corporation has taken all corporate action necessary to authorize the execution and delivery of, and the observance and performance of its covenants and obligations under this Agreement and the Closing Documents to which it is a party, including the issuance and delivery of the Class A Common Shares.
- c) This Agreement has been duly executed and delivered by the Corporation and, subject to Section 4.3, constitutes a valid and binding obligation of the Corporation enforceable against the Corporation in accordance with its terms.
- d) The Corporation has all necessary corporate power and authority to own or lease its assets and to carry on its business as now and heretofore carried on. The Corporation has conducted and is conducting its business in compliance with Applicable Law in all material respects. The Corporation possesses all licenses material to the conduct of its business and the ownership of its assets, such licenses are in full force and effect, are not in default, and there are no proceedings in progress or pending or, to its knowledge, threatened, which may result in the revocation, cancellation, suspension or any adverse modification of any of such licenses.
- e) A true copy of the Articles, as amended, and all by-laws of the Corporation is attached hereto as Schedule "C" and, constitute all of the constituent documents and by-laws of the Corporation, are complete and correct and are in full force and effect.
- f) Copies of all corporate records of the Corporation have been delivered to the Investor or its designated representatives for review prior to the date hereof. Such corporate records have been maintained in accordance with Applicable Law and contain, in all material respects, complete and accurate:
 - i) minutes of all meetings of the directors, any committee thereof and the shareholders of the Corporation held since the date of incorporation;

- ii) all resolutions of the directors, any committee thereof and the shareholders of the Corporation passed by signature in writing since the date of incorporation; and
- iii) all waivers, notices and other documents required by law to be contained therein;

and reflect all actions taken and resolutions passed by the directors and shareholders of the Corporation since the date of incorporation.

All resolutions contained in such records have been duly passed and all such meetings have been duly called and held. The share certificate books, register of shareholders, register of transfers and registers of directors of the Corporation comply with Applicable Law, in all material respects, and are complete and accurate. All corporate proceedings and actions reflected in the corporate records have been conducted or taken in compliance with all Applicable Laws and with the articles and by-laws of the Corporation.

- g) Other than the Unanimous Shareholders' Agreement, the Corporation is not a party to, subject to, or affected by, any unanimous shareholders agreement or declaration and there are no shareholder agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any securities of the Corporation.
- h) No proceedings have been taken or authorized by the Corporation or by any other Person with respect to the bankruptcy, insolvency, liquidation, dissolution or winding-up of the Corporation or with respect to any merger, consolidation, arrangement, or reorganization relating to the Corporation.

4.1.2 Authorized and Issued Capital of the Corporation

The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares, of which, as of the date hereof and immediately prior to Closing only 541,813 Class B Common Shares have been and will have been duly and validly issued and are outstanding as fully paid and non-assessable shares without par value. All such Shares have been issued in compliance with all Applicable Laws. Schedule "F" accurately lists the registered owners of the issued and outstanding Shares and holders of options, warrants, and convertible debentures of the Corporation immediately prior to the Subscription of all Class A Common Shares to be issued on the Closing Date and the owners of the Shares and holders of options, warrants and convertible debentures that will be issued, authorised or granted to third parties concurrently with Closing.

4.1.3 Title to Securities

The Offered Shares have been duly authorized and created. Subject to Applicable Law, there are no restrictions on the transfer of the Class A Common Shares or the Class B Common Shares other than those set forth in the Unanimous Shareholders' Agreement or Articles. On Closing, the Investor will acquire good, valid and marketable title to the Class A Common Shares free and clear of all rights, liens or other Encumbrances (except as set forth in the Unanimous Shareholders' Agreement or Articles of the Corporation).

4.1.4 Securities Legislation

The Corporation is not a reporting issuer in any province in Canada or in any other jurisdiction within the meaning of applicable Securities Laws. Provided the Investor is an accredited investor or other Person to which the Corporation is entitled to issue securities in reliance on the private issuer exemption under National Instrument 45-106, the distribution of the Offered Shares, where applicable, is and will be exempt from prospectus and registration requirements of applicable Securities Laws.

4.1.5 Options to Acquire Shares

Except for (i) the employee stock options to be granted following the Closing in accordance with the Stock Option Plan and the Unanimous Shareholders Agreement, (ii) the warrants listed in Schedule "F" in the amounts specified next to each Person's name and having the terms set out therein and (iii) pursuant to the terms of this Agreement, no Person has any oral or written agreement, option, warrant, convertible debenture, right, privilege or any other right capable of becoming any of the foregoing (whether legal, equitable, contractual or otherwise), for the purchase, subscription or issuance of any unissued Shares in the capital of the Corporation.

4.1.6 Subsidiaries

Except as set forth in Section 4.1.6 of Schedule "A", the Corporation does not hold or have any interest in any shares or securities of any corporation nor has the Corporation entered into any agreements or other arrangements to acquire such interest. Each of the Subsidiaries of the Corporation is an entity duly established, organized as applicable, validly existing and, except as set forth in Section 4.1.6 of Schedule "A" in good standing under the laws under which it is established and is in good standing in each jurisdiction in which it is qualified, licensed or registered to carry on business. A true copy of the constating documents of each of the Subsidiaries of the Corporation has been delivered to the Investor or its designated representative for review prior to the date hereof and such constituting documents are complete and correct and are in full force and effect. None of the Subsidiaries of the Corporation are affected by, any unanimous shareholders agreement or declaration and there are no shareholder agreements, pooling agreements, voting trusts or other similar agreements with respect to the ownership or voting of any securities of any such Subsidiary. The authorized and issued securities of each Subsidiary of the Corporation and the registered owners of any such outstanding securities are set out in Section 4.1.6 of Schedule "A".

4.1.7 Absence of Conflicting Agreements

None of the execution and delivery of, or the observance and performance by the Corporation of any covenant or obligation under this Agreement or the Closing Documents to which the Corporation is or will be a party contravenes or results in, or will contravene or result in, a violation of or a default under (with or without the giving of notice or lapse of time, or both) or in the acceleration of any obligation under any Applicable Law, under the Articles, by laws, directors' or shareholders' resolutions of the Corporation or under any agreement, lease, note, bond, indenture, deed of trust, mortgage, security document, obligation, licence, permit or instrument to which the Corporation is a party or by which it is bound. In addition, none of the execution and delivery of, or the observance and performance by the Corporation of any covenant or obligation under this Agreement or the Closing Documents to which the Corporation is or will be a party will relieve any other party to any agreement with the Corporation of that party's obligations thereunder or enable it to terminate its obligations thereunder or will result in the creation or imposition of any material Encumbrance on the Corporation or its assets.

4.1.8 Consents, Approvals, Etc.

Except as contemplated in Section 4.1.8 of Schedule "A", no consent, approval, license, order or authorization, registration, qualification, declaration other than under the Unanimous Shareholders' Agreement, or filing with any Governmental Authority or other Persons is required by the Corporation in connection with (a) the issuance of the Offered Shares or (b) the execution and delivery by the Corporation of, and the observance and performance by it of its obligations under, this Agreement or any of the Closing Documents to which is or will be a party.

4.1.9 The Financial Statements

The Financial Statements:

- a) are complete and accurate in all material respects;

- b) accurately and fairly disclose in all material respects the assets, liabilities (whether accrued, absolute, contingent or otherwise) and financial condition of the Corporation, on a consolidated basis and taken as a whole, and the results of the operations of the Corporation, as at the dates thereof and for the periods covered thereby;
- c) accurately and fairly reflect in all material respects (i) proper accruals as at the dates thereof and for the periods covered thereby; and (ii) amounts which, though not payable until a time after the end of the relevant period, are attributable to activities undertaken during that period; and
- d) contain or fairly reflect adequate reserves for liabilities and obligations of the Corporation of any nature, whether absolute, contingent or otherwise, matured or unmatured, as at the date thereof calculated or determined in accordance with GAAP.

4.1.10 Absence of Changes

Since the date of the Financial Statements:

- a) the Corporation has conducted its business in the ordinary course, has not incurred any debt, obligation or liability (i) out of the ordinary course of business; or (ii) of an unusual or extraordinary nature and has used its best efforts to preserve its business and assets;
- b) there has not been any change in the condition of the Corporation 's business or assets or the financial condition or results of operations of the Corporation other than changes in the ordinary course of business, and such changes have not, either individually or in the aggregate, been materially adverse or have had or may be reasonably expected to have, either before or after Closing, a material adverse effect on the business, assets or the future prospects of the Corporation; and
- c) there has not been any change in the accounting principles, policies, practices or procedures of the Corporation or their application to the Corporation.

4.1.11 Tax Matters

Except as set out in Section 4.1.11 of Schedule "A":

- a) The Corporation has filed all Tax Returns within the times and in the manner prescribed by law, has paid all Taxes due and payable and has paid all instalments and made all other remittances required to be made on account of Taxes payable by it in a timely manner. The Tax Returns are true, correct and complete in all material respects. No Tax Return has been reassessed nor has there been any notice of reassessment by any taxing authority and there are no actions, audits, assessments, reassessments, suits, appeals, proceedings, investigations or claims of which the Corporation has written notice or, to the knowledge of the Corporation, threatened against the Corporation in respect of Taxes or governmental charges by any Governmental Authority relating to claims for additional Taxes or assessments.
- b) There are no agreements, waivers or other arrangements providing for an extension of time with respect to any assessment or reassessment of Tax, the filing of any Tax Return or the payment of any Tax by the Corporation.
- c) The Corporation has duly and timely withheld from each payment made by it the amount of all taxes and other deductions required under any Applicable Law to be withheld therefrom and has paid all such amounts withheld and all instalments of Taxes due and payable

before the date hereof to the relevant taxing or other authority within the time prescribed under any Applicable Law.

- d) There are no proceedings, investigations or audits of which the Corporation has written notice or, to the knowledge of the Corporation threatened against or affecting the Corporation in respect of any Taxes. No event has occurred or circumstance exists which could reasonably be expected to give rise to or serve as a valid basis for the commencement of any such proceeding, investigation or audit. There are no matters under discussion, audit or appeal with any tax authority relating to Taxes.

4.1.12 Restrictions on Business

Except as contemplated in the Unanimous Shareholders' Agreement, the Corporation is not a party to any agreement, lease, mortgage, security document, obligation or instrument, or subject to any restriction in its Articles or by-laws or directors' or shareholders' resolutions or subject to any restriction imposed by any Governmental Authority or subject to any Applicable Law which could materially restrict or interfere with the conduct of its business as currently conducted or which could materially limit or restrict or otherwise materially adversely affect its assets or the financial condition of the Corporation.

4.1.13 Material Contracts

Except as set forth in Section 4.1.13 of Schedule "A" or as contemplated in the Unanimous Shareholders' Agreement, the Corporation is not a party or subject to or bound by:

- a) any contract, Lease or agreement creating any obligation of the Corporation to pay to any third party \$50,000 or more with respect to any single such contract or agreement, except for purchase orders entered into in the ordinary course of business;
- b) any contract or agreement for the sale, license, lease or disposition of products in excess of \$50,000;
- c) any license agreement (as licensor or licensee) other than licenses to off-the-shelf or Mass Market Software which is readily substitutable by the Corporation with minimum cost or interruption to the Corporation's business;
- d) any contract or agreement for the purchase of any leasehold improvements, equipment or fixed assets for a price in excess of \$50,000;
- e) any indenture, mortgage, hypothec, promissory note, loan agreement, guaranty or other agreement or commitment for borrowing or any pledge or security arrangement;
- f) any joint venture, partnership, manufacturing, development or material supply agreement;
- g) any share redemption or purchase agreements or other agreements affecting or relating to the capital stock of the Corporation, including without limitation any agreement relating to anti-dilution rights, registration rights, voting arrangements, operating covenants or similar provisions;
- h) any pension, profit sharing, retirement, employee benefit or , other than the Stock Option Plan, stock option plans; any royalty, dividend or similar arrangement based on the sales volume of the Corporation; any acquisition, merger or similar agreement;
- i) any other contract not executed in the ordinary course of business;
- j) any contracts with independent contractors, consultants or advisors; or

- k) any other contract, agreement or commitment material to the business or operations of the Corporation, including insurance contracts.

All of such agreements and contracts set forth in Section 4.1.13 of Schedule "A" are valid, binding on the Corporation, enforceable against the Corporation in accordance with its terms, and are in full force and effect, unamended. Neither the Corporation nor, to the knowledge of the Corporation, any other party, is in default under any of such agreements or contracts (nor, to the knowledge of the Corporation, has any event occurred which with notice, lapse of time or both would constitute a default thereunder), except to the extent that any such default would not have a material effect on the assets, liabilities, properties, business or prospects of the Corporation (taken as a whole), and the Corporation has not received notice of any alleged default under any such contract, or agreement. All amounts payable to the Corporation under the agreements set forth in Section 4.1.13 of Schedule "A" are still due and owing to the Corporation without any right of set-off. True, correct and complete copies of all contracts listed in Section 4.1.13 of Schedule "A" have been provided to the Investor.

4.1.14 Infringements by the Corporation

Except as set forth in Section 4.1.14 of Schedule "A":

- a) To the knowledge of the Corporation, the Corporation Technology does not infringe on any Intellectual Property Rights of any third party;
- b) The Corporation Technology was duly acquired and is exclusively owned by the Corporation or created by employees of the Corporation or by independent contractors who have, in writing, assigned all Intellectual Property Rights therein to the Corporation;
- c) There is no pending or, to the knowledge of the Corporation, threatened suit, proceeding, claim, demand, action or investigation of any nature or kind against the Corporation relating to the Corporation Technology or the manner it is used in respect of its business; and
- d) There is no claim of which the Corporation has received notice (formal or informal) or is otherwise aware that any products, software or services manufactured, produced, used or sold by the Corporation in connection with the Corporation Technology, or any process, method, packaging, advertising, or material that the Corporation employs in the manufacture, marketing, licensing or sale of any such product, software or service in connection with the Corporation Technology, or the use of any of the Corporation Technology breaches, violates, infringes or interferes with any rights of any Persons or requires payment for the use of any copyright, trade mark or trade secret, know-how or technology of another Person or any other Intellectual Property Right of any Person.

4.1.15 Third Party Infringements

There are no infringements of or other interference with the Corporation Technology by third parties of which the Corporation has received notice (formal or informal) or is otherwise aware.

4.1.16 Intellectual Property Rights

- a) Except as set forth in Section 4.1.16 of Schedule "A", no Intellectual Property Rights have been registered by or on behalf of the Corporation, nor have any applications for registration been filed in any jurisdiction. Except as set forth in Section 4.1.16 of Schedule "A", the Intellectual Property Rights listed in Section 4.1.16 of Schedule "A" are all valid;
- b) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation exclusively owns good and valid title to all Intellectual Property Rights included in the Technology free and clear of all Encumbrances;

- c) the Technology constitutes all of the Intellectual Property used for the carrying on of the Corporation's business as currently conducted or necessary for the carrying on of the Corporation's business as contemplated to be conducted;
- d) Except as set forth in Section 4.1.16 of Schedule "A", all Persons having participated in any way in the creation or development of the Corporation Technology and all current and former employees, consultants and independent contractors of the Corporation have executed an IP assignment agreement in the form approved by the Investor, and the Corporation has recorded each such assignment with the relevant governmental authority in accordance with applicable laws and regulations. Without limiting the generality of the foregoing, the Corporation has obtained and secured a valid and irrevocable assignment of invention in its favour from each and every inventor named in the patents, patent applications and registrations applied for or owned by the Corporation. All such Persons have irrevocably waived any moral rights, or like rights, they may have, in the foregoing in favour of the Corporation;
- e) Except as set forth in Section 4.1.16 of Schedule "A", no shareholder, director, officer or employee of the Corporation or related person, as defined in the *Income Tax Act* (Canada), holds, directly or indirectly (other than by virtue of shareholdings in the Corporation), rights in the Technology or in any related Intellectual Property Rights;
- f) Except as set forth in Section 4.1.16 of Schedule "A", to the knowledge of the Corporation after reasonable inquiry, the Technology is in compliance with Applicable Laws, public order and does not contain any obscene or defamatory elements which would have a negative impact on its commercialization;
- g) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation has the exclusive right to use, license to others or otherwise exploit all of the Technology and the Corporation has not conveyed, assigned or licensed to any Person any of its rights in and to the Technology. Except as set forth in Section 4.1.16 of Schedule "A", all of Corporation's rights in Technology are fully transferable and there are no restrictions on the ability of the Corporation to use or otherwise exploit all of its rights in the Technology;
- h) Except as set forth in Section 4.1.16 of Schedule "A":
 - i) to the knowledge of the Corporation, the conduct of the business of the Corporation and the use or other exploitation of the Technology does not infringe upon the Intellectual Property of any Person and the Corporation has not received any notices from any Person alleging or making any such claims of infringement or otherwise have knowledge of any pending or threatened claim with respect to any Technology; and
 - ii) there does not exist any claim of adverse ownership, invalidity or other opposition to or conflict with regard to any of the Technology nor any pending or threatened suit, proceeding, claim, demand, action or investigation of any nature or kind against or by the Corporation relating to the Technology;
- i) Except as set forth in Section 4.1.16 of Schedule "A", to the knowledge of the Corporation, no Person is infringing or otherwise violating any of the Technology and the Corporation has not taken any action towards any Person with respect of any such infringement or violation;
- j) Except as set forth in Section 4.1.16 of Schedule "A", to the knowledge of the Corporation, no Technology is being used or enforced by the Corporation, nor by its employees, directors, shareholders, consultants, independent contractors or other Persons with access

- to Technology, in a manner that would result in its abandonment, cancellation or unenforceability;
- k) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation is using all Technology licensed from third parties in accordance with all applicable licences pursuant to which the Corporation acquired the right to use such licensed Technology; the Corporation is not in breach of any such licenses and such licenses are in full force and effect;
 - l) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation has not agreed to pay any royalties relating to the Technology or any related Intellectual Property Rights;
 - m) Except as set forth in Section 4.1.16 of Schedule "A", the execution, delivery and performance of this Agreement and the consummation by the Corporation of the transactions contemplated hereby will not in any way affect any instrument or agreement governing any Technology;
 - n) Except as set forth in Section 4.1.16 of Schedule "A", no federal, provincial or other regulatory agency or body has provided any funding to the Corporation which would give such federal, provincial or other regulatory agency or body any rights, titles or interest in or to the Corporation Technology and no university, academic institution or similar type of entity nor any of their employees has any rights, titles or interests in or to the Corporation Technology;
 - o) Except as set forth in Section 4.1.16 of Schedule "A", all the patents, patent applications and registrations of the Corporation are prosecuted diligently, are in good standing and in full force, and are recorded in the name of the Corporation. The Corporation has maintained such patents, patent applications or registrations diligently. Except as set forth in Section 4.1.16 of Schedule "A", no patents, patent applications or other registrations of the Corporation Technology or, to the knowledge of the Corporation, of the Technology have expired, been cancelled, or elapsed for failure to be renewed or maintained. All maintenance fees and similar annuity payments have been made in each of the jurisdictions requiring such payments. Except as set forth in Section 4.1.16 of Schedule "A", to this date, no application for patent or registration of any of the Corporation Technology or, to the knowledge of the Corporation, of the Technology has been rejected and no deadline has been missed;
 - p) Except as set forth in Section 4.1.16 of Schedule "A", to the knowledge of the Corporation, all the true inventors were correctly named in the patent applications of the Corporation Technology and to the knowledge of the Corporation of the Technology and all statements contained in such applications were true, complete and correct as of the date of such applications;
 - q) Except as set forth in Section 4.1.16 of Schedule "A", all Technology (including without limitation the source codes and patentable inventions) has been kept confidential by the Corporation, except for (i) patentable inventions after the filing under applicable laws of patent applications relating to such inventions and in accordance with such applicable laws, provided such disclosure has no adverse effect on the business of the Corporation and is restricted only to information which is necessary to commercialize any product of the Corporation in relation to such inventions, (ii) trademarks, trade names, service marks, brand names, certification marks, trade dress and other indications of origin, whether registered or not, and (iii) internet protocol addresses and domain names, whether or not used or currently in service. The Corporation has taken all necessary and commercially reasonable measures and precautions to protect and maintain the confidentiality, secrecy and value of the Technology and the Corporation has ensured that all employees, consultants, independent contractors or other Persons with access to Technology have executed appropriate non disclosure agreements with respect to the Technology;

- r) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation has not entered into any agreement to indemnify any other Person against any charge of infringement, misappropriation or misuse of any Intellectual Property;
- s) Except as set forth in Section 4.1.16 of Schedule "A", the Corporation is not a party to any non competition covenant against the Corporation with respect to its use of the Technology;

4.1.17 Employees

- a) The Corporation is not:
 - i) a party to or bound by or subject to any written or oral employment agreement or arrangement or any agreements or arrangements for the retention of the services of independent contractors, consultants or advisors except as set forth on in Section 4.1.17 of Schedule "A";
 - ii) in arrears in the payment of any contribution or assessment required to be made by it pursuant to any agreements or arrangements with its present or former employees;
 - iii) a party to or bound by or subject to any agreement or arrangement with any labour union or employee association or has made any commitment to or conducted any negotiation or discussion with any labour union or employee association with respect to any future agreement or arrangement;
 - iv) required to recognize any labour union or employee association representing its employees or any agent having bargaining rights for its employees and, to the knowledge of the Corporation, there is no current attempt to organize or establish any labour union or employee association with respect to employees of the Corporation; or
 - v) liable or alleged to be liable for any damages to any employee or former employee resulting from the violation or alleged violation of any applicable employment law or regulation or other Applicable Law, domestic or foreign, including any employment equity, health or safety law or regulation, or any agreement or arrangement with respect to the employment of such employee or for the retention of the services of independent contractors, consultants or advisors;
- b) the Corporation has no reason to believe that any employee of the Corporation would terminate his or her employment as a result of or in anticipation of the transactions herein contemplated. General relations between the Corporation and its employees are good and there is no present, pending or, to the knowledge of the Corporation, threatened labour strike, dispute, slowdown or work stoppage;
- c) all obligations of the Corporation with respect to employees, independent contractors, consultants and advisors are reflected in and have been fully accrued in the Financial Statements;
- d) Section 4.1.17- Part I of Schedule "A" contains the name and title of all employees of the Corporation (including employees on disability or leave of absence and former employees still receiving any compensation or benefits), date of commencement of employment with the Corporation whether an employment contract governs such employee, the rate of annual remuneration of such employees at the date hereof, any bonuses paid since the end of the Corporation's last completed financial year and all other bonuses, incentive schemes

and benefits to which such employees are entitled. Section 4.1.17– Part II of Schedule “A” contains the name and title (or proposed title, as applicable) of all persons to whom employment agreements will be entered into concurrently with the closing of the Subscription, and each Person to whom the Corporation is required to extend offers of employment following the closing of any of the ancillary contracts contemplated in Schedule “D”, the rate (or proposed rate) of annual remuneration of such employees and all other bonus, incentive schemes and benefits to which such employees or prospective employees are, or would be entitled upon acceptance of the relevant offer of employment

- e) Except as set out in Section 4.1.17 of Schedule “A”, each of the former and present employees and consultants of the Corporation has entered into agreements relating to confidentiality, assignment of Intellectual Property Rights, waiver of moral rights and non-competition agreements.

4.1.18 Absence of Guarantees

The Corporation has not given nor agreed to give, and is not a party to or bound by, any guarantee of indebtedness or other obligations of any third party nor any other commitment by which the Corporation is, or is contingently, responsible for such indebtedness or other obligations.

4.1.19 Litigation

Except as disclosed in Section 4.1.19 of Schedule “A”, to the knowledge of the Corporation, there is no claim, demand, suit, action, cause of action, dispute, proceeding, litigation, investigation, grievance, arbitration, governmental proceeding or other proceeding including appeals and applications for review, in progress against, by or relating to the Corporation, or affecting the Shares or the assets or business of the Corporation, nor are any of the same pending or, to the knowledge of the Corporation, threatened. There is not at present, outstanding or pending against the Corporation, any order that materially or adversely affects the Corporation’s business or material assets in any way or that in any way relates to this Agreement or the transactions contemplated hereby.

4.1.20 Restrictive Covenants

Except as disclosed in Section 4.1.20 of Schedule “A”, the Corporation is not a party to or bound or affected by any commitment, agreement or document which limits the freedom of the Corporation to compete in any line of business, transfer or move any of its assets or operations or which does or could materially and adversely affect the business practices, operations or conditions of the Corporation after Closing.

4.1.21 Pension, Retirement Savings and Benefit Plans

The Corporation has no pension, retirement savings plans, retiring allowance, bonus, profit sharing, stock purchase, stock option, phantom stock, share appreciation rights, deferred compensation, severance or termination pay, change of control, life insurance, medical, hospital, dental care, vision care, drug, sick leave, short term or long term disability, salary continuation, unemployment benefits, vacation, incentive, compensation or other employee benefit plan, program, arrangement, policy or practice whether written or oral, formal or informal, funded or unfunded, registered or unregistered, insured or self-insured that is maintained or otherwise contributed to, or required to be contributed to, by or on behalf of the Corporation for the benefit of current or former employees, directors, officers, shareholders, independent contractors or agents of the Corporation other than government sponsored pension, employment insurance, workers compensation and health insurance plans. All contributions or premiums required to be paid, deducted or remitted and all obligations required to be performed by the Corporation under Applicable Laws in respect of any government sponsored pension, employment insurance, workers compensation and health insurance plans, have been paid, deducted, remitted or performed, as the case may be, in a timely fashion and there are no outstanding defaults or violations with respect to same.

4.1.22 Condition and Sufficiency of Assets

All facilities, machinery and equipment owned or used by the Corporation in connection with its business or to be acquired pursuant to any Closing Documents are in good operating condition and in a state of good repair and maintenance, reasonable wear and tear excepted. The Corporation owns or leases all of the property and assets necessary, in its reasonable opinion, for the conduct of its business as it is currently being conducted free and clear of any Encumbrances other than Permitted Encumbrances.

4.1.23 Real/Immovable Property

Except as part of the installation of its products pursuant to contractual arrangements set forth in Section 4.1.23 of Schedule "A", the Corporation neither owns nor has any interest in, nor is the Corporation a party to or bound by or subject to any agreement, contract or commitment, or any option to purchase, any real or immovable property.

4.1.24 Leases and Leased Property

Except as set forth in Section 4.1.24 of Schedule "A":

- a) The Corporation is not a party to or bound by or subject to nor has the Corporation agreed or become bound to enter into any lease, offer to lease or other right of occupancy relating to real property, whether as lessor or lessee.
- b) The Leases are valid and subsisting and in good standing, there is no breach or default thereunder and the Corporation is entitled to all rights and benefits thereunder. Neither the Corporation, nor to the knowledge of the Corporation, any other party thereto is in breach of any of the provisions of the Leases and the completion of the transactions herein contemplated do not require any consents thereunder and will not afford any of the parties to the Leases or any other person or entity (other than the Corporation) the right to terminate the Leases nor will the completion of the transactions herein contemplated result in any additional or more onerous obligation on the Corporation under the Leases.
- c) All rents and additional rents payable under the Leases have been paid in full to date and no waiver, indulgence or postponement of the Corporation's obligations has been granted by the lessor under any of the Leases.

4.1.25 Insurance

- a) The Corporation maintains fire (with extended risk and casualty coverage), liability, business interruption, use and occupancy and other forms of insurance as are standard practice in its field with reputable insurers covering its property and assets and protecting its business in such amounts and against such losses and claims in accordance with standard practice in its field. Section 4.1.25 of Schedule "A" sets forth and describes all insurance policies currently maintained by the Corporation, including a brief description of the type of insurance, the name of the insurer, policy number, coverage limits, expiration date and annual premiums. Each of such insurance policies is valid and subsisting and in good standing, there is no default thereunder and the Corporation is entitled to all rights and benefits thereunder as an insured party.
- b) There are no claims pending under any of such insurance policies. The Corporation has not failed to give any notice or present by claim under any of such insurance policies in a due and timely fashion. To the knowledge of the Corporation, there are no circumstances which might entitle the Corporation to make a claim under any of such insurance policies or which might be required under any of such insurance policies to be notified to the insurers and no material claim under any of such insurance policies has been made by the Corporation.

- c) No notice of cancellation or non-renewal with respect to, nor disallowance of any claim under, any of such insurance policies has been received by the Corporation. To the knowledge of the Corporation, there are no circumstances or occurrences pertaining to the Corporation which would form the basis of a material increase in premiums for the current insurance coverage maintained by the Corporation.

4.1.26 Accounts Receivable

The accounts receivable recorded on the books of the Corporation have arisen in the ordinary course of the business of the Corporation, are *bona fide* and good and collectible at law without any set-off or counterclaim.

4.1.27 Environmental Matters

The Corporation is not nor ever has been in any material violation of, in connection with the ownership, use, maintenance or operation of its property and assets, including any real/immovable property and the Leased Property and the conduct of its business, all applicable federal, provincial, state, municipal or local laws, by-laws, regulations, orders, policies, guidelines, permits, licenses, certificates or approvals, domestic or foreign, relating to environmental, health or safety matters (collectively in this Section “**Environmental Laws**”). There are no orders, rulings or directives issued, pending or, to its knowledge, threatened against the Corporation under or pursuant to any Environmental Laws requiring any work, repairs, construction or capital expenditures with respect to the property or assets of the Corporation (including any Leased Property) or the conduct of its business. Except as permitted by Applicable Law: (i) to the knowledge of the Corporation, no other Person; and (ii) the Corporation has not, in each case, released contaminants into the environment or deposited, discharged, placed or disposed of contaminants at, on or near any real/immovable property owned by the Corporation or for which it is responsible or the Leased Property, nor, to the knowledge of the Corporation, has any real/immovable property owned by the Corporation or for which it is responsible or the Leased Property been used at any time by any person or entity as a landfill or waste disposal or similar site. No notice with respect to any of the above matters, including any alleged violations by the Corporation with respect thereto, has been received by the Corporation. To the knowledge of the Corporation, there are no pending or proposed changes in any Environmental Laws which would render illegal any operations or activities of the Corporation or would otherwise adversely affect the conduct of the business or operations of the Corporation.

4.1.28 HST Registration and other provincial tax registrations

The Corporation is duly registered for the purposes of Part IX of the *Excise Tax Act* (Canada). The Corporation’s HST registration number is 83034 1251 R0001. Other than as stated in this section 4.1.28, the Corporation does not have any other tax registration.

4.1.29 Anti-Corruption

- a) Neither the Corporation nor any of its employees or other Persons acting on its behalf has, directly or indirectly: (i) made or authorized any contribution, payment, loan, reward, benefit or gift of funds or property or anything else of value to any official, employee or agent of any Governmental Authority or public international organization, or to any Person for the benefit of any Governmental Authority or public international organization or public international organizations; (ii) for the purpose of bribing any Governmental Authority established or maintained accounts which do not appear in any of the books and records that they are required to keep in accordance with applicable accounting and auditing standards, made transactions that are not recorded or that are inadequately identified, recorded non-existent expenditures, entered liabilities with incorrect identification of their object, knowingly used false documents, or intentionally destroyed accounting books and records earlier than permitted by law; or (iii) made any contribution to any candidate for public office; where either the payment or the purpose of such contribution, payment, loan, reward or gift was, is, or would be prohibited under the *Canada Corruption of Foreign Public Officials Act*, the *US Foreign Corrupt Practices Act of 1977*, the *UK Bribery Act, 2010* and any related or

similar rules, regulations or guidelines made, issued, administered or enforced by any Governmental Authority thereunder and any other applicable Laws of similar purpose and scope (collectively, “**Anti-Corruption Laws**”).

- b) Neither the Corporation nor any employee or other Person acting on its behalf has breached or violated any Law regulating lobbying, accounting, bids or conflicts of interest. No change, fact, event, circumstance, condition or omission has occurred in respect of the Business that could result in the Investor or the Corporation being suspended or debarred from doing business with a Governmental Authority or otherwise prevent the Investor or the Corporation from bidding on or applying for Contracts with a Governmental Authority after Closing.

4.1.30 Qualification

Except as set out therein, the Corporation is qualified, licensed or registered to carry on business in the jurisdictions set out in Section 4.1.30 of Schedule “A”. The Jurisdictions set out in Section 4.1.30 of Schedule “A” include all jurisdictions in which:

- a) the nature of the Corporation’s assets or of the Corporation makes such qualification necessary or desirable;
- b) the Corporation owns or leases any property or assets; or
- c) the Corporation conducts any of its business.

4.1.31 Related Party Transactions

Except as set out in Section 4.1.31 of Schedule “A”, all contracts binding on or affecting the Corporation have been entered into on an arm’s-length basis (within the meaning of the *Tax Act*) with Person’s acting at arm’s-length (within the meaning of the *Tax Act*). Any amounts due and payable by the Corporation to any Affiliate of the Corporation are recorded on the books and records of the Corporation at their fair market value.

4.1.32 Disclosure

The representations and warranties of the Corporation contained in this Agreement and in any agreement, certificate, affidavit, statutory declaration or other document delivered or given pursuant to this Agreement are true and correct and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained in such representations and warranties not misleading to the Investor. There is no fact known to the Corporation which does or could materially and adversely affect the affairs, business, prospects, operations or conditions of the Corporation, financial or otherwise, or the business of the Corporation or its assets, which has not been set forth in this Agreement. Except as set out in Section 4.1.32 of Schedule “A”, or reflected in the Financial Statements the Corporation has no liabilities or obligations of any nature (whether absolute, accrued, contingent or otherwise).

4.1.33 No Brokers’ Fees, etc.

Other than as disclosed in Section 4.1.33 of Schedule “A” the Corporation has not incurred any obligation or liability, contingent or otherwise for brokerage or finders’ fees or agents’ commissions or other similar payment in connection with this Agreement or any of the Closing Documents.

4.2 Representations and Warranties of the Investor

The Investor represents and warrants to the Corporation as set out in the following Subsections of this Section and acknowledges that the Corporation is relying upon such representations and warranties in entering into this Agreement and in completing the transactions contemplated herein.

4.2.1 Incorporation

The Investor is a legal person duly created, organized, validly existing and in good standing under the laws by which it is incorporated and governed.

4.2.2 Corporate Power and Due Authorization

The Investor has all necessary power and capacity to execute and deliver, and to observe and perform its covenants and obligations under this Agreement and the Closing Documents to which it is a party. The Investor has taken all corporate action necessary to authorize the execution and delivery of, and the observance and performance of, its covenants and obligations under this Agreement and the Closing Documents to which it is a party.

4.2.3 Enforceability of Obligations

This Agreement has been duly executed and delivered by the Investor and constitutes a valid and binding obligation of the Investor, enforceable against it in accordance with its terms, subject to Section 4.3.

4.2.4 Disclosure

The representations and warranties of the Investor contained in this Agreement and in any agreement, certificate, affidavit, statutory declaration or other document delivered or given pursuant to this Agreement are true and correct and do not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements contained in such representations and warranties not misleading to the Corporation.

4.3 Qualification of Representations and Warranties

Any representation or warranty made by a party as to the enforceability of any agreement against such party is subject to the following qualifications:

- a) specific performance, injunction and other equitable remedies are discretionary and, in particular, may not be available where damages are considered an adequate remedy; and
- b) enforcement may be limited by bankruptcy, insolvency, liquidation, reorganization, reconstruction and other laws generally affecting enforceability of creditors' rights.

4.4 Survival of Representations, Warranties and Covenants

All representations, warranties and covenants made by the Corporation, the Guarantors and the Investor shall survive the execution of this Agreement as follows:

- a) the representations and warranties in Sections 4.1.3 (Title to Securities), 4.1.4 (Securities Legislation) shall survive the execution of this Agreement without time limit;
- b) the representations and warranties in Section 4.1.11 (Tax Matters) shall survive until 60 days after the expiration of any applicable prescription period of which an assessment or reassessment or other form or recognized document assessing liability for tax, interest or penalties thereunder for the period ended on the Closing Date cannot, in the ordinary

course, be issued to the Corporation or any of its Subsidiaries (such period to include any period extended by any agreement, waiver or arrangement with any Governmental Authority);

- c) except as provided in paragraphs 4.4 a) and b) hereof, the representations and warranties shall survive the execution of this Agreement and continue until the date two (2) years from the date hereof;
- d) the covenants and agreements contained in this Agreement shall survive the execution of this Agreement without time limit; and
- e) the representations and warranties made pursuant to Section 3.4a) in connection with any Deferred Financing Closing shall survive for the period specified in this Section 4.4 in respect of the relevant representation or warranty provided that any reference to the 'date hereof' in this Section 4.4 shall be to the date of the relevant Deferred Financing Closing.

5. CLOSINGS & POST-CLOSING COVENANTS

5.1 Closing Deliverables

- 5.1.1 At the Closing, the Corporation shall deliver or cause to be delivered to the Investor the Closing Documents listed in Schedule "D".
- 5.1.2 At the Closing, the Investor shall deliver or cause to be delivered to the Corporation the Closing Documents listed in Schedule "D".
- 5.1.3 At the Closing, the Guarantors will deliver the Guarantee to the Investor.

5.2 Covenants

- 5.2.1 The Corporation will diligently file any and all notices required, and pay any and all fees payable, under applicable Securities Laws in connection with the issuance of the Offered Shares on a basis exempt from the prospectus requirements.
- 5.2.2 If requested by the Investor, and to the extent permitted under the *Income Tax Act* (Canada), the Corporation shall designate dividends declared and payable on the Class A Common Shares as "capital dividends" for the purposes of the *Income Tax Act* (Canada) and any similar provincial taxing legislation, and the Corporation shall make all necessary filings and elections in connection therewith.
- 5.2.3 The Corporation agrees and covenants to cause every one of its future employees and consultants to be bound by agreements relating to confidentiality, assignment of Intellectual Property Rights, waiver of moral rights and non-competition in cases where the board of directors of the Corporation deems it appropriate and necessary.
- 5.2.4 The Corporation has taken all reasonable efforts to ensure that all applicable environmental laws, policies, norms and ordinances are be respected and that high environmental standards are maintained. The Corporation agrees and covenants to remit to the Investor a copy of any notice of default or ordinance against it.
- 5.2.5 Following the Closing, the Corporation covenants to and with the Investor, and acknowledges that the Investor is specifically relying on such covenants in entering into this Agreement, to take or cause to be taken the actions, listed in Schedule "G".

6. INDEMNIFICATION, LIMITATION OF LIABILITY

6.1 Indemnification by the Corporation

- a) The Corporation and the Guarantors hereby solidarily (jointly and severally) indemnify and hold the Investor, its affiliates and their respective directors, officers employees and agents, and each of their respective heirs, administrators, successors and assigns (each, an **"Investor Indemnified Person"**), harmless from and against any loss, damage, claim, Legal Proceeding, deficiency or expense, including all out-of-pocket costs, and including, without limitation, all reasonable legal and accounting fees, but excluding consequential damages, special damages and loss of profits (collectively, the **"Claims"**), relating to, arising from or in connection with any misrepresentation of a material fact or breach of any warranty, obligation, covenant or agreement of the Corporation or any of the Guarantors contained in this Agreement or in any agreement, certificate, affidavit, statutory declaration or other document delivered or given pursuant to this Agreement.
- b) The obligations of the Corporation and the Guarantors set forth in Section 6.1a) above shall be subject to the limitation periods referred to in Section 4.4 and provided further that the Guarantors' liability under Section 6.1a) above and the Guarantees will terminate two years following the Closing except in respect of any claim(s) thereunder for which the Investor or any Investor Indemnified Person has given notice to the Corporation prior to such date, in which case the obligations of the Guarantors and the Guarantees will survive and continue in full force and effect in respect of any such claim(s) until the final determination of such claim(s).
- c) The obligations of each of the Guarantors under this Section 6.1 and under the Guarantees shall be limited to an aggregate of \$500,000 in respect of each such Guarantor and \$1,000,000 in the aggregate.

6.2 Indemnification by the Investor

- a) The Investor hereby indemnifies and holds the Corporation harmless from and against any Claims (as defined in Section 6.1a) above) relating to, arising from or in connection with any misrepresentation of a material fact or breach of any warranty, obligation, covenant or agreement of the Investor contained in this Agreement or in any agreement, certificate, affidavit, statutory declaration or other document delivered or given pursuant to this Agreement.
- b) The obligation of the Investor set forth in paragraph (a) above shall be subject to the limitation periods referred to in Section 4.4 and Section 3.5 shall be the Corporation's sole remedy in respect of a Funding Default.

6.3 Exclusive Remedy

Except with respect to claims for equitable remedies, specific performance or injunctive relief, this Article 6, including the rights of the Investor and any Investor Indemnified Persons under the Guarantees, sets out the sole remedy for any loss, damage, claim, Legal Proceeding, deficiency or expense suffered by a Party for a breach of any representation, warranty, covenant or obligation under this Agreement or in any agreement, certificate, affidavit, statutory declaration or other document delivered or given pursuant to this Agreement; provided that Section 3.5 shall be the Corporation's sole remedy in respect of a Funding Default.

7. DISPUTE RESOLUTION

- a) Except with respect to claims for equitable remedies, specific performance or injunctive relief, any controversy, dispute, claim, question or difference (each a **"Dispute"**) between

the parties hereto arising out of or relating to or in connection with, this Agreement including any indemnification claim pursuant to Article 6 is to be resolved in accordance with the procedures set out in this Article 7, which is, subject to Section 3.2e), the exclusive procedures for the resolution of any dispute between the parties hereto.

- b) The parties shall attempt in good faith to resolve such Dispute promptly by negotiation. However, at any time any party may give the other parties written notice (the **Initial Notice**) of any Dispute not so resolved. Within 30 days after delivery of an Initial Notice, the recipient Party shall deliver to the other a written response. Both the Initial Notice and the response must include a statement of that party's position, a summary of arguments supporting that position, and the name and contact particulars of the Person who will represent that party and of any other Person who will accompany the representative. Within 30 days after delivery of the Initial Notice, the representatives of the parties shall meet at mutually acceptable times and places, as often as they reasonably deem necessary, to attempt to resolve the Dispute.
- c) All negotiations pursuant to this Article 7 are confidential and are to be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.
- d) Any Dispute which is not resolved pursuant to Section 7.b), shall be finally resolved by arbitration in accordance with the Simplified Arbitration Rules of the ADR Institute of Canada Inc. then currently in effect (the **ADR Rules**), by a sole arbitrator with expertise in the advertising media industry; provided, however, that if one Party fails to participate in either the negotiation as agreed herein, the other party may commence arbitration prior to the expiration of the time periods set forth above. The arbitration will be governed by the laws of Ontario and the laws of Canada applicable therein, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. The place of arbitration will be Toronto, Ontario and the arbitration will be conducted in the English language.

8. GENERAL

8.1 Time

Time is of the essence of each provision of this Agreement and the mere lapse of time shall have the effects contemplated herein and by law.

8.2 Notices

Any notice, consent, determination or other communication (herein a "**Notice**") required or permitted to be given or made hereunder shall be in writing and shall be well and sufficiently given or made if:

- a) delivered in person during normal business hours on a Business Day and left with the addressee at the address set forth below; or
- b) sent by any electronic means of sending messages, including facsimile transmission, which produces a paper record or for which confirmation of receipt is received ("**Electronic Transmission**") during normal business hours on a Business Day;

to the Corporation at:

DIGITAL UNDERGROUND MEDIA INC.
219 – 255 West 1st Street
North Vancouver, British Columbia, Canada
V7M 3G8

Email: ken@digitalunderground.com
Attention: Ken Bicknell, Chief Executive Officer

With a copy (which shall not constitute notice) to:
Gowling Lafleur Henderson LLP
1 First Canada Place
100 King Street West, Suite 1600
Toronto, Ontario, Canada
M5X 1G5

Email: nurhan.aycan@gowlings.com
Attention: Nurhan Aycan

to the Investor at:

FORWARD DIMENSION CAPITAL 1 LLP
44 Great Marlborough Street
London, United Kingdom
W1F 7JL

Email: gavin.owston@forwardpe.com
Attention: Gavin Owston

With a copy (which shall not constitute notice) to:
Norton Rose Fulbright Canada LLP
Royal Bank Plaza, South Tower, Suite 3800
200 Bay Street, P.O. Box 84
Toronto, Ontario, Canada
M5J 2Z4

Email: eric.reither@nortonrosefulbright.com
Attention: Eric Reither

or to such other address or telecopier number to the attention of such other individuals as any party may from time to time notify the others in accordance with this Section. Notice so given or made shall be deemed to have been given or made on the day of delivery if delivered as aforesaid or on the Business Day immediately following the day of Electronic Transmission.

8.3 Assignment and Enurement

8.3.1 No party may assign any rights or benefits under this Agreement to any Person without the prior written consent of the other parties.

8.3.2 This Agreement shall enure to the benefit of and be binding upon the parties and their respective heirs, personal representatives, successors (including any successor by reason of amalgamation or statutory arrangement of any party) and permitted assigns.

8.4 Further Assurances

Each party shall do such acts and shall execute such further documents, conveyances, deeds, assignments, transfers and the like, and will cause the doing of such acts and will cause the execution of such documents as are within its power as any other party may in writing at any time and from time to time reasonably request be done and or executed, in order to give full effect to the provisions of this Agreement.

8.5 Costs and Expenses

All costs and expenses (including the fees and disbursements of accountants, financial advisors, legal counsel and other professional advisers) incurred in connection with this Agreement, the obligations under this Agreement and the completion of the transactions contemplated by this Agreement, are the responsibility of and to be paid by the party incurring those costs and expenses. If there is a breach of this Agreement or this Agreement, the obligation of each party to pay its own costs and expenses is subject to each party's respective rights arising from a breach.

8.6 Counterparts and Facsimile Execution

This Agreement may be executed and delivered in several counterparts and by each of the parties on the same or separate counterparts, each of which when so executed and delivered shall be deemed to be an original and such counterparts together shall constitute one and the same instrument and shall be effective as of the date hereof. To evidence the fact that it has executed this Agreement, a party may send a copy of its executed counterpart to the other party by facsimile or other electronic transmission. That party shall be deemed to have executed this Agreement on the date that it sends such facsimile or other electronic transmission. In such event, such party shall forthwith deliver to the other party the counterpart of this Agreement executed by such party.

8.7 Waiver of Rights

Any waiver of, or consent to depart from, the requirements of any provision of this Agreement shall be effective only if it is in writing and signed by the party giving it, and only in the specific instance and for the specific purpose for which it has been given. No failure on the part of any party to exercise, and no delay in exercising, any right under this Agreement shall operate as a waiver of such right. No single or partial exercise of any such right shall preclude any other or further exercise of such right or the exercise of any other right.

8.8 Relationship of Parties

This is an agreement between separate legal entities and neither is the agent or employee of the other for any purpose whatsoever. The parties do not intend to create a partnership or joint venture or similar arrangement between themselves. Neither party shall have the right to bind any other party to any agreement with a Person or to incur any obligation or liability on behalf of any other party.

8.9 Confidential Information and Public Announcements


Each Recipient shall hold Confidential Information in trust and confidence for and on behalf of the Disclosing Party and shall not, except as expressly authorized hereunder or in writing by the Disclosing Party,

use, copy or disclose to any third party any Confidential Information so received. Each Receiving Party shall take appropriate action by instruction, agreement or otherwise to ensure that the Receiving Party, its Affiliates and shareholders, and each of their directors, officers, employees, consultants, agents and customers keep confidential all Confidential Information of the Disclosing Party which is disclosed to or comes into the possession of any of them. No party shall make any public announcement regarding this Agreement or the transactions contemplated hereby unless the timing, content and text thereof have been agreed upon in writing by all the parties.

[SIGNATURES APPEAR ON NEXT PAGE]

TO WITNESS their agreement, the parties have duly executed this Agreement on the date first written above.

DIGITAL UNDERGROUND MEDIA INC.

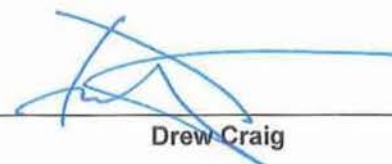
Per: 
Name: KEN BICKNELL
Title: CEO

FORWARD DIMENSION CAPITAL 1 LLP

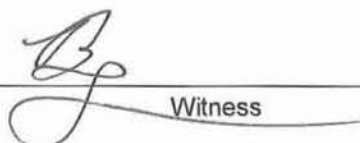
Per: _____
Name: _____
Title: _____



Witness



Drew Craig



Witness



Ken Bicknell

TO WITNESS their agreement, the parties have duly executed this Agreement on the date first written above.

DIGITAL UNDERGROUND MEDIA INC.

Per: _____
Name:
Title:

FORWARD DIMENSION CAPITAL 1 LLP

Per: R. Murphy
Name: ROBERT MURPHY
Title: DESIGNATED MEMBER.

_____	}	_____
Witness		Drew Craig
_____	}	_____
Witness		Ken Bicknell

GUARANTEE AND INDEMNITY – DREW CRAIG

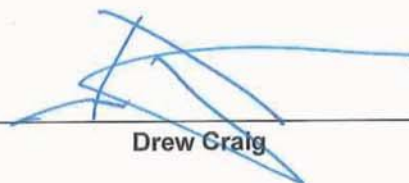
Reference is made to the foregoing Subscription & Investment Agreement (the "**Agreement**"). Capitalized words and phrases used herein have the meanings attributed to them in the Agreement.

The undersigned hereby unconditionally and irrevocably guarantees, undertakes and agrees with the other parties that (i) all amounts from time to time owing by the Corporation, under the Agreement will be promptly paid in full in accordance with the provisions thereof, (ii) he will cause the Corporation to perform, comply with and observe all of its obligations, covenants, terms, conditions and undertakings contained in the Agreement, (iii) he will indemnify and hold harmless each of the parties and their respective shareholders, directors, officers, employees, agents and representatives, on demand, for the amount of any loss, Liability or other damages suffered by the Investor as a result of a breach of paragraphs (i) and (ii) above, subject to the limitations set forth in Article 6, and (iv) and agrees to be bound by the terms of the Agreement as a party thereto for the purposes of the terms that apply to Guarantor.

DATED this 27 day of July, 2015



Witness


Drew Craig

GUARANTEE AND INDEMNITY – KEN BICKNELL

Reference is made to the foregoing Subscription & Investment Agreement (the "**Agreement**"). Capitalized words and phrases used herein have the meanings attributed to them in the Agreement.

The undersigned hereby unconditionally and irrevocably guarantees, undertakes and agrees with the other parties that (i) all amounts from time to time owing by the Corporation, under the Agreement will be promptly paid in full in accordance with the provisions thereof, (ii) he will cause the Corporation to perform, comply with and observe all of its obligations, covenants, terms, conditions and undertakings contained in the Agreement, (iii) he will indemnify and hold harmless each of the parties and their respective shareholders, directors, officers, employees, agents and representatives, on demand, for the amount of any loss, Liability or other damages suffered by the Investor as a result of a breach of paragraphs (i) and (ii) above, subject to the limitations set forth in Article 6, and (iv) and agrees to be bound by the terms of the Agreement as a party thereto for the purposes of the terms that apply to Guarantor.

DATED this 27 day of July, 2015



Witness



Ken Bicknell

SCHEDULE "A"
ADDITIONAL DISCLOSURE

(see attached)

Disclosure in each of the following Schedule shall qualify both the specifically identified sections or subsections hereof and any other section or subsection of this Schedule to the extent relevance of such other section or subsection is reasonably apparent on the face of such disclosure to a reasonable Person.

Section 1.1.36 Permitted Encumbrances

1. General security has been granted against the present and after-acquired assets of the Corporation in favour of Windsor Private Capital Limited Partnership ("**Windsor**") and DUM Holdings Inc., including the following registrations:

Province	Registration / File No.	Secured Party	Collateral Classification
Ontario	20131217 1550 1862 1595	Windsor	Inventory, equipment, accounts, other, motor vehicle included
Manitoba	201322841901	Windsor Private Capital Inc. as general partner and on behalf of Windsor	The security interest is taken in all of the debtor's present and after-acquired personal property.

Section 4.1.6 Subsidiaries

1. Digital Underground Media Espaços Publicitários Ltda ("**Digital Brazil**")
Brazilian Company – Sao Paulo Contract – Material to the Business
 - 1,600,000 quotas issued
 - 1,599,999 quotas owned by the Corporation
 - 1 quota owned by Brazil National – Paulo Myallo – Manager of Brazil Operation
2. Digital Underground Media LLC ("**Digital USA**")
California Company - For Los Angeles Transit Authority Potential Contract
 - 100% owned by the Corporation
3. Brodhead Invest S.L. ("**Digital Spain**")
Spanish Company – For bid on Madrid Transit Authority
 - 100% owned by the Corporation

Section 4.1.8 Consents, Approvals, Etc.

1. Section 6.1.2(iii) of the Provisional Onerous Assignment Agreement of Space dated January 7, 2013 between Concessionária da linha 4 do Metrô de São Paulo S.A. ("**ViaQuatro**") and Digital Brazil, as amended (as amended by an amending agreement including an acknowledgement of the conclusion of the test period and the onset of the contract term, approval by the granting authority, as well as, a requirement to utilize OTS as sales agent, the "**ViaQuatro Agreement**") requires that consent of ViaQuatro is required in connection with a change to the ownership structure of Digital Brazil that characterizes conflict of interest with the activities of ViaQuatro. However, the Corporation does not believe that the transactions contemplated by the Agreement constitute such a conflict.

**Section 4.1.11
Taxes**

1. Digital Brazil has a liability for taxes of approximately Cdn.\$58,000.
2. Digital Spain has not assigned a tax representative in Spain. Digital Spain has not filed any VAT tax forms required in Spain by Applicable Law. Such VAT tax forms, when filed, will be nil returns.

**Section 4.1.13
Material Contracts**

1. Indebtedness Agreements

- a. Offer to finance dated June 1, 2014 between DUM Holdings Inc., as lender, and the Corporation, as borrower, as amended in connection with the Closing (the “**DUM Holdings Loan Agreement**”).
- b. Loan agreement dated December 18, 2013 between Windsor, as lender, the Corporation, as borrower, and Drew Craig, as guarantor, as amended (the “**Windsor Loan Agreement**”), as further amended by the agreement between Windsor and the Corporation amending and restating the terms of the warrants issuable in connection with the Windsor Loan Agreement.
- c. J.D. Craig Holdings Inc. has advanced an aggregate of \$360,000 to the Corporation, which amount will be repaid immediately following Closing.

2. Acquisitions

- a. **TVS.** Confirmation agreement dated January 9, 2015 between TVS Global America Inc., the Corporation, Jong-Hwi Han and Jason Jong Han (subject to the terms of the Intellectual Property Assignment (defined below), the “**TVS Agreement**”), which is intended to supersede the following:
 - i. License Agreement dated May 6, 2010 between TVS Global America Inc., Digital Underground Media Inc. and Han, Jong Hwi.
 - ii. Memorandum of Agreement dated July 2, 2012 between Dasung Elec. Tech. Co. Ltd., Digital Underground Media Inc., TVS Global America Inc., Lee, Yeong Keun and Han, Jong Hwi.
 - iii. 2013 Asset and Purchase Agreement between TVS Global America Inc., Digital Underground Media Inc., Jong-Hwi Han and Jason Jong Han.
 - iv. Employment Agreement dated August 5, 2014 between Jason Han and Digital Underground Media Inc.
 - v. Employment Agreement dated August 5, 2014 between Jong Hwi Han and Digital Underground Media Inc.
- b. **Dasung.** Memorandum of agreement dated as of 2013 between Dasung Elec. Tech. Co. Ltd., the Corporation and Yeong Keun Lee (subject to the terms of the Intellectual Property Assignment (defined below), the “**Dasung Agreement**”).

- c. **Innovex.** Memorandum of agreement dated March 21, 2014 between the Corporation, Gyun Chae and Innovex Co, Ltd., as amended (subject to the terms of the Intellectual Property Assignment (defined below), the “**Innovex Agreement**”)
- d. **SideTrack.** Asset purchase agreement dated January 18, 2011 between Sidetrack Technologies Inc. and the Corporation (the “**SideTrack Agreement**”).
- e. **Tokimoto.** Memorandum of understanding dated January 7, 2015 between the Corporation and Toyotaro Tokimoto (the “**Tokimoto MOU**”).

3. Transit Agreements

- a. ViaQuatro Agreement.
- b. OTS Agreement (defined below).
- c. Agreement between Metro de Madrid SA and Digital Spain for the installation, maintenance and exploitation of an in-tunnel led advertising system (the “**Madrid Agreement**”)

4. Financing Agreement

- a. Engagement letter dated July 16, 2014 between Beacon Securities Limited and the Corporation (the “**Beacon Engagement Letter**”), as amended by the settlement agreement between Beacon Securities Limited and the Corporation.

5. Other

- a. Reciprocal non-disclosure agreement dated January 29, 2015 between the Corporation and Telefonica Soluciones of Spain.
- b. Reciprocal nondisclosure agreement dated January 7, 2013 between the Corporation and ISA Corporativo S.A. DE C.V. of Mexico.
- c. Reciprocal nondisclosure agreement dated May 2, 2012 between the Corporation and METROLAB sas.
- d. Sales agency agreement between Digital Brazil, Telefonica On The Spot Soluções Digitais Do Brasil Ltda. and ViaQuatro (the “**OTS Agreement**”).
- e. Sales agency agreement dated April 12, 2013 between Digital Brazil and Mídia E Metrô Brasil Comunicações Ltda., as amended (the “**Juca Agreement**”).
- f. See Section 4.1.25 of this Schedule “A”.
- g. Patent license agreement dated May 21, 2014 (the “**Spectrum License**”) between the Corporation and Spectrum Motion Media, Ltd. (“**Spectrum**”).
- h. Confidential Covenant Not to Sue dated May 21, 2014 between Spectrum and the Corporation (the “**Spectrum Covenant**”).
- i. Confidential Mutual Covenant Not to Sue dated May 21, 2014 between MotionLED Technology Limited (“**MotionLED**”) and the Corporation (the “**MotionLED Covenant**”).
- j. See also Section 4.1.17 of this Schedule “A”.

- k. Verbal agreement to issue warrants to Bruce Rothney to acquire up to 5,418 Class B Common Shares at a price of \$36.91 per share, until the fifth anniversary of the date of this the Agreement.

Section 4.1.14 Infringements by the Corporation

On April 16, 2015 the Corporation discovered that the Metro de Madrid in Spain had received a claim from a Spanish national claiming that Metro de Madrid and Digital Spain had infringed his intellectual property covered by a copyright dated 1998. The untranslated Spanish language claim was made available to the Investor on April 24, 2015 and shows a mandatory court date of April 28, 2015. Representatives of Digital Spain attended the court hearing, unofficially, with its lawyers. The hearing was delayed to facilitate the completion of powers of attorney on behalf of Digital Spain so that Digital Spain could be properly represented in the Spanish courts. A hearing was held on May 19, 2015 at which Digital Spain denied or rejected all factual claims and allegations made by the claimant. Metro de Madrid's in-house legal team have advised Digital Spain's lawyers that they believe this case to be without merit. Representatives of Digital Spain met with lawyers of the claimant and advised that: (a) based on the Corporation's patent, the claim is without merit, no settlement would be offered, and the claim and intellectual property would be defended vigorously. The Corporation understands that the claimant can withdraw the claim and that there is no form of notice of withdrawal other than by way of receipt of a revised notice or not of the rescheduled hearing. Digital Spain's lawyers advise that, in their view, should the claim proceed it will be procedural, last up to 1.5 years and that Digital Spain can claim expenses to a cap based on the amount sought should Digital Spain prevail.

Section 4.1.16 Intellectual Property Rights

4.1.16a)

Registered IP

The Corporation has, or pursuant to the intellectual property assignments prepared by Investor's counsel (each, an "**Intellectual Property Assignment**"), will acquire upon Closing, the following registered IP ("**Registered IP**"):

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
Digital Underground Media						
US 61/704,750	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	United States	September 24, 2012	N/A	N/A	Expired
US 61/859,906	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	United States	July 30, 2013	N/A	N/A	Expired

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
PCT/CA2013/000796 (WO/2014/043791)	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	PCT	September 23, 2013 (CA 2885777)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Expired
BR112015006508-2	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Brazil	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
2,885,777	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Canada	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
13838557.0	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Europe	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
3007/DELNP/2015	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	India	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
To be assigned	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Japan	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
MX/a/2015/003749	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Mexico	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
QA/201503/00103	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Qatar	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
11201502263U	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	Singapore	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
US 14/430,541	Control of Flicker in Display Images Using Light Emitting Element Arrays as Viewed by a Viewer in Motion	United States	September 23, 2013 (NPE of WO '791)	September 24, 2012 (US 61/704,750) July 30, 2013 (US 61/859,906)	N/A	Pending
US 61/879,367	Public Transport Advertising Using Passenger Demographic Information	United States	September 18, 2013	N/A	N/A	Expired
PCT/CA2014/050891	Public Transport Advertising Using Passenger Demographic Information	PCT	September 18, 2014	September 18, 2013 (US 61/879,367)	N/A	Pending
US 61/879,369	Curved Display for Displaying Digital Images in a Subway Tunnel	United States	September 18, 2013	N/A	N/A	Expired
US 62/052,595	Curved Display for Displaying Digital Images in a Subway Tunnel	United States	September 19, 2014	N/A	N/A	Pending
Toyotaro Tokimoto						
US 5,202,675	N-Dimensional Scanning Type Display Apparatus	United States	September 1, 1989	September 2, 1988	April 13, 1993	Expired
BR 10 2015 005941 8	N-Dimensional Scanning Type Display Apparatus	Brazil	March 17, 2015		N/A	Pending
Sidetrack Technologies						
US 7,251,011 (U.S. 11/032215)	Subway movie/entertainment medium	United States	Jan 11, 2005	July 28, 2000 (U.S. 09/628,333)	July 31, 2007	Granted
RU2267167	System for demonstration of movies/entertainment materials in subway system	Russia	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	December 27, 2005	Granted
MXPA03000021	Subway movie/entertainment medium	Mexico	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	June 28, 2006	Granted
BR0112797	Subway movie/entertainment medium	Brazil	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Pending
CA2314281	Subway movie/entertainment medium	Canada	July 6, 2000	N/A	N/A	Dead (July 7, 2008)

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
PCT/CA2001/00999 (WO/2002/05251)	Subway movie/entertainment medium	PCT	July 5, 2001	July 6, 2000 (CA 2314281)	N/A	Expired
AU 2001272268	Subway movie/entertainment medium	Australia	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	June 15, 2006	Lapsed (January 19, 2009)
CA2414262	Subway movie/entertainment medium	Canada	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Dead (July 6, 2009)
CN1169101 (CN 1446348)	Subway movie/entertainment medium	China	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	September 29, 2004	Lapsed (Septemb er 2, 2009)
CZ 20030350	Subway movie/entertainment medium	Czech Republic	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Negatively terminate d
EP20010951284 (EP1299873)	Subway movie/entertainment medium	Europe	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Withdraw n (February 2, 2009)
HU224779 (HU0303348)	Subway movie/entertainment medium	Hungary	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	December 27, 2005	Lapsed (July 6, 2008)
IN216831 IN0140/KOLNP/2003	Subway movie/entertainment medium	India	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	March 19, 2008	Lapsed (March 21, 2008)
JP2004502974	Subway movie/entertainment medium	Japan	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Unexamin ed
KR100835405 (KR20030021238)	Subway movie/entertainment medium	Korea	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	June 4, 2008	Lapsed (May 30, 2011)
NO323181 (NO20026142)	Subway movie/entertainment medium	Norway	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	January 15, 2007	Lapsed (July 31, 2008)
PL359102	Subway movie/entertainment medium	Poland	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	N/A	Refused (January 30, 2009)
US 6,870,596 (US 10/332100; US2004027540)	Subway movie/entertainment medium	United States	July 5, 2001 (NPE of WO '251)	July 6, 2000 (CA 2314281)	March 22, 2005	Lapsed (April 20, 2009)
PCT/CA2005/001978 (WO/2006/074537)	Subway movie/entertainment medium	PCT	December 29, 2005	January 11, 2005 (US 11/032215)	N/A	Expired
CA 2596378	Subway movie/entertainment medium	Canada	December 29, 2005 (NPE of WO '537)	January 11, 2005 (US 11/032215)	N/A	Dead (Decembe r 29, 2008)

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
EP 2005849188	Subway movie/entertainment medium	Europe	December 29, 2005 (NPE of WO '537)	January 11, 2005 (US 11/032215)	N/A	Withdrawn (July 1, 2009)
TVS/Han – Dasung/Lee						
KR 20-0457941-0000	Switch for tunnel advertisement	Korea	June 17, 2009	N/A	January 12, 2012	Granted – Status Unknown
KR 30-0500171-0000	Switch for metro tunnel advertisement	Korea	January 10, 2008	N/A	July 30, 2007	Granted – In force
CN 301049329 (CN 200830129083.X)	Flasher (subway tunnel advertising use)	China				Status Unknown
KR 30-0512886-0000	Switch for metro tunnel advertisement	Korea	March 7, 2003	N/A	August 21, 2008	Granted – Status Unknown
KR 30-0579153-0000	Switch for metro tunnel advertisement	Korea	June 17, 2009	N/A	November 16, 2010	Granted – Status Unknown
KR 20-2008-003590	Image display unit of wall in tunnel	Korea				Status Unknown
WO/2012/138118 (PCT/KR2012/002521)	Vehicle LED Billboard and Advertisement Method Using Same	Korea	April 4, 2012	April 7, 2011 (KR 10-2011-0032256)	N/A	Expired
Innovex/Chae						
KR 10-1070468	Display System and Display Method	Korea	May 7, 2010	N/A	September 28, 2011	Granted – In force

Licensed IP

Licensed IP pursuant to the Spectrum Covenant (defined in item 4.1.16b)2, below):

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
Spectrum Motion Media						
GB 2309112 (GB 9600519.4)	Visual information system arrangements	UK	January 11, 1996	N/A	November 9, 1999	Granted – In force (Expiry: January 11, 2016)
WO/1997/025703 (PCT/GB1997/000096)	Visual Information Systems	PCT	January 10, 1997	January 11, 1996 (GB 9600519.4)	N/A	Expired
AU1997013928	Visual Information Systems	Australia	January 10, 1997 (NPE of WO '703)	January 11, 1996 (GB 9600519.4)	N/A	Lapsed
US 6,169,368 B1 (US 09/101612)	Visual Information Systems	United States	January 10, 1997 (NPE of WO '703)	January 11, 1996 (GB 9600519.4)	January 2, 2001	Granted – In force subject to US 6,169,368 C1 (Expiry: January

Official Number	Title	Jurisdiction	Filing Date	Earliest Claimed Priority Date	Issue Date	Status
						10, 2017)
US 6,169,368 C1 (US 90/012089) (Re-examination Certificate)	Visual Information Systems	United States	January 10, 1997 (NPE of WO '703)	January 11, 1996 (GB 9600519.4)	October 14, 2014	N/A
CA 2242807	Visual Information Systems	Canada	January 10, 1997 (NPE of WO '703)	January 11, 1996 (GB 9600519.4)	December 5, 2006	Granted – In force
EP 0875057	Visual Information Systems	Europe	January 10, 1997 (NPE of WO '703)	January 11, 1996 (GB 9600519.4)	October 4, 2001	Expired
EP 0875057	Visual Information Systems	UK	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
AT 206553 (EP 0875057)	Visual Information Systems	Austria	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
DE 69707101 (EP 0875057)	Visual Information Systems	Germany	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
ES 2166968 (EP 0875057)	Visual Information Systems	Spain	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
PT 875057	Visual Information Systems	Portugal	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
EP 0875057	Visual Information Systems	France	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
EP 0875057	Visual Information Systems	Italy	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In Force
EP 0875057	Visual Information Systems	Netherlands	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force
EP 0875057	Visual Information Systems	Sweden	Validation of EP '057	January 11, 1996 (GB 9600519.4)	October 4, 2001	Granted – In force

Note – Any Intellectual Property Rights noted above as having a status of “lapsed”, “expired”, “unknown”, “dead” or “withdrawn” are not material to the Corporation and will not be used in connection with the Business on a go-forward basis.

Other IP

Pursuant to the Intellectual Property Assignments, the Corporation will acquire upon Closing, in relation to the Registered IP, full and exclusive right, title and interest in Work Products (as defined in the Intellectual Property Assignments) and IP Rights (as defined in the Intellectual Property Assignments) which, among other things, relate to transit associated displays for viewing from a form of transportation, including, but not limited to, trains, trams and monorails.

Work Products are defined as all writings, drawings, machines, prototypes, compositions of matter, formulas, designs, methods, processes, data, databases, computer programs, concepts and business information.

IP Rights are defined as all trade-marks, goodwill, trade names, distinguishing guises, copyrights, trade secrets, industrial designs, patents, inventions (whether patentable or not), know-how, ideas or other proprietary or intellectual property rights in or related to the Work Products, including without limitation any applications yet filed, patent applications filed and patents granted thereon including but not limited to those patents and patent applications listed in the Registered IP.

**4.1.16b)
Encumbrances**

1. See Section 1.1.36 of this Schedule "A".
2. Section 5.2 of the Spectrum Covenant contains a prohibition on certain rights of action by the Corporation against Spectrum.
3. The MotionLED Covenant contains: (i) a prohibition on certain rights of actions by the Corporation against MotionLED and (ii) a right of first refusal of licence on a non-exclusive basis any patents of the Corporation related to systems, methods and devices for a track-adjacent display disposed on or comprising a fixed structure for viewing from a form of transportation, including, but not limited to, trains, trams and monorails.

**4.1.16d)
Invalid Assignments**

See Section 4.1.14 of this Schedule "A".

**4.1.16e)
Rights of Related Persons in Intellectual Property**

The intellectual property of Dr. Chae and Innovex will be transferred to the Corporation pursuant to the Innovex Agreement in connection with the completion of the transactions contemplated by the Agreement in exchange for, among other things, Chae becoming a shareholder of the Corporation.

**4.1.16f)
Compliance with Laws**

Nil.

**4.1.16g)
Transferability of Intellectual Property**

1. The MotionLED Covenant contains a right of first refusal.

**4.1.16h)
Infringements of other Intellectual Property**

See Section 4.1.14 of this Schedule "A".

**4.1.16i)
Infringements of the Corporation's Intellectual Property**

Nil, but the following two companies are potential competitors known to the Corporation:

- 1 MotionLED (<http://www.motionled.co.uk/>)
- 2 Beijing Jinri Cool Way Culture Communication Co., Ltd. (<http://www.bjrad.com/>)

**4.1.16j)
Misuse of Technology**

Nil.

4.1.16k)

Nil.

**4.1.16l)
Royalties**

1. Spectrum Covenant
2. Spectrum License.

**4.1.16m)
Effect of Consummation**

1. Intellectual property governed by the Innovex Agreement and Dasung Agreement will be transferred to the Corporation concurrent with Closing.

**4.1.16n)
Government Rights**

Nil.

**4.1.16o)
Validity of Patents**

1. See Section 4.1.16a) of this Schedule "A".

**4.1.16p)
Accuracy of Patent Applications**

Nil.

**4.1.16q)
Confidentiality of Technology**

Nil.

**4.1.16r)
Indemnity Agreements**

1. The ViaQuatro Agreement contains an indemnity provision.
2. The Madrid Agreement contains an indemnity provision.

**4.1.16s)
Non-Competition**

1. Spectrum Covenant
2. MotionLED Covenant

**Section 4.1.17
Employees, Independent Contractors, Consultants and Advisors**

**4.1.17a)(i)
Consulting Agreements**

Name	Title	Contract	Comments
Toyotaro Tokimoto	Consultant	Tokimoto MOU	For consulting services provided under Tokimoto MOU, mutually agreeable hourly rate. Tokimoto MOU also included grant of equity in connection with assignment of IP.
J.D. Craig Holdings Inc.	Consultant	Oral	Nil, except as set forth in Omnibus Resolution (defined below). Written agreement to be entered into in connection with transactions contemplated by the Agreement.
Michael Laitinen	Consultant	Agreement dated February 1, 2014, with start date of January 2012.	\$10,000 per month. Written agreement of employment to be entered into with the Corporation in connection with transactions contemplated by the Agreement.
Neil East Sound Broadcasting Ltd.	Consultant	Agreement dated February 20, 2015.	Services provided by Paul East. \$10,000 per month plus equity grant.
Sergio Fakim	Consultant	Oral	Provides translation services on a fee-for-service basis.
Paulo Mylla	Consultant	January 2013	Country Manager. Contingent consideration set out in agreement. Annual remuneration of US\$6,200 per month.

1. See also Section 4.1.17d) of this Schedule "A".

4.1.17d) – Part I

Name	Title	Start Date	Contract	Annual Remuneration	Bonus, Incentive & Benefit Entitlements
Ken Bicknell	President	May 5, 2010	Yes	\$240,000	Set out in agreement.

4.1.17(d) – Part II

Name	Title	Start Date	Contract	Annual Remuneration	Bonus, Incentive & Benefit Entitlements
Ken Bicknell	President	May 5, 2010	Yes	Variable, per written agreement of employment to be entered into with the Corporation in connection with transactions contemplated by the Agreement.	Per written agreement of employment to be entered into with the Corporation in connection with transactions contemplated by the Agreement.
Michael Laitinen	Chief Financial Officer	January 1, 2012	Yes	Variable, per written agreement of employment to be entered into with the Corporation in connection with transactions contemplated by the Agreement.	Per written agreement of employment to be entered into with the Corporation in connection with transactions contemplated by the Agreement.
Yeong Keun Lee	Advisor	Closing	Post-closing with Korean subsidiary to be created.	Cdn\$125,000	Eligibility for stock option plan.
Gyun Chae	Advisor	Closing	Post-closing with Korean subsidiary to be created.	US\$80,000	None.
Ji-Hun Park	To be determined post-closing.	Closing	Post-closing with Korean subsidiary to be created.	US\$60,000	To be determined post-closing.
Dong-Joo Song	To be determined post-closing.	Post-Closing	Post-closing with Korean subsidiary to be created.	US\$50,000	To be determined post-closing.
Hee-Beom Park	To be determined post-closing.	Post-Closing	Post-closing with Korean subsidiary to be created.	US\$40,000	To be determined post-closing.

**Section 4.1.19
Litigation**

See Section 4.1.14 of this Schedule "A".

**Section 4.1.20
Restrictive Covenants**

1. See Sections 4.1.16b) and 4.1.16s) of this Schedule "A".
2. Juca Agreement and OTS Agreement contain exclusivity clauses.
3. In the ordinary course, the Corporation enters reciprocal non-disclosure agreements pursuant to which the Corporation agrees not to use the other party's confidential information except for the purpose contemplated in the non-disclosure agreement.

**Section 4.1.23
Real/Immovable Property**

1. Madrid Agreement.
2. Via Quatro Agreement.

**Section 4.1.24
Leases and Leased Property**

Nil.

**Section 4.1.25
Insurance**

1. Policy / Covernote #14-9025 with a c & d Insurance Services Ltd., effective April 24, 2015 to April 24, 2016, Commercial General Liability & Property (Limit \$4,000,000, Premium \$7,800) and Commercial Umbrella Excess Liability (Limit \$6,000,000, Premium \$10,656).
2. D&O insurance to be obtained post-Closing.

**Section 4.1.30
Jurisdictions**

1. Ontario, British Columbia and Manitoba – the Corporation
2. Brazil – Digital Brazil*
* Not currently in good standing. See Section 4.1.11 of this Schedule "A"
3. Spain – Digital Spain
4. United States of America – Digital USA

**Section 4.1.31
Related Party Transactions**

1. See items 1(a) and (c) in Section 4.1.13 of this Schedule "A".
2. See agreements with Ken Bicknell and Drew Craig referenced in Section 4.1.17 of this Schedule "A".
3. See all transactions with shareholders noted in ratifying director and shareholder resolutions of the Corporation dated January 30, 2015 ("**Omnibus Resolution**").

**4.1.32
No Undisclosed Liabilities**

See Section 4.1.11 of this Schedule "A", except for liabilities incurred in the ordinary course since the date of the last Financial Statements.

**4.1.33
No Broker's Fees**

See item 4(a) in Section 4.1.13 of this Schedule "A".

SCHEDULE "B"
FINANCIAL STATEMENTS

(see attached)

Digital Underground Media Inc.
Consolidated Financial Statements
August 31, 2012

Management's Responsibility

To the Shareholders of Digital Underground Media Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfills these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 15, 2015



Chief Executive Officer



Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Digital Underground Media Inc.:

We have audited the accompanying consolidated financial statements of Digital Underground Media Inc. and its subsidiary, which comprise the consolidated statement of financial position as at August 31, 2012, August 31, 2011, and September 1, 2010 and the consolidated statements of income and other comprehensive income, changes in equity and cash flows for the year ended August 31, 2012 and August 31, 2011, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Digital Underground Media Inc. and its subsidiary as at August 31, 2012, August 31, 2011, and September 1, 2010 and their financial performance, the results of their operations and their cash flows for the year ended August 31, 2012 and August 31, 2011 in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements which indicate that the Company has had ongoing operating losses and negative cash flow from operations. These conditions, along with other matters as set forth in Note 3, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Brandon, Manitoba

April 15, 2015

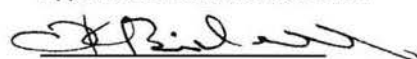
MNP LLP

Chartered Accountants

Digital Underground Media Inc.
Consolidated Statement of Financial Position
As at August 31, 2012

	2012	2011	September 1 2010
Assets			
Current			
Cash	10,245	14,066	100
Trade and other receivables	47,950	11,147	-
Prepaid expenses and deposits	77,254	39,191	-
	135,449	64,404	100
Non-current			
Equipment (Note 6)	2,480	3,100	-
Intangible assets (Note 7)	15,887	16,223	11,839
Note receivable (Note 14)	53,284	-	-
Prepaid deposits (Note 18)	230,966	239,833	-
	302,617	259,156	11,839
Total assets	438,066	323,560	11,939
Liabilities			
Current			
Trade and other payables	56,154	41,583	35,148
Payable to shareholders (Note 8)	-	143,795	22,882
Non-current			
Convertible debentures (Note 9)	-	517,141	-
Total liabilities	56,154	702,519	58,030
Commitments (Note 16)			
Going concern (Note 3)			
Equity			
Share capital (Note 12)	1,389,579	5,100	100
Share premium	42,280	-	-
Equity component of convertible debentures (Note 9)	-	34,961	-
Deficit	(1,049,947)	(419,020)	(46,191)
Total Equity	381,912	(378,959)	(46,091)
Total liabilities and equity	438,066	323,560	11,939

Approved on behalf of the Board


 Director


 Director

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Income Statement and Other Comprehensive Income
For the year ended August 31, 2012

	2012	2011
Revenue	30,342	11,441
Expenses		
Consulting	96,427	-
Depreciation and amortization	1,019	744
Interest accretion on convertible debentures	27,263	15,017
Engineering	-	6,057
Interest and bank charges	69,376	46,653
Meals and entertainment	11,672	100
Office	1,056	495
Professional fees	75,818	53,058
Repairs and maintenance	-	4,549
Royalties	63,007	41,191
Salaries, wages and benefits	236,794	156,529
Telephone, fax and internet	3,977	328
Travel	67,308	56,764
	653,717	381,485
Operating loss	(623,375)	(370,044)
Other income (expense)		
Interest income	3,999	-
Foreign exchange loss	(11,551)	(2,785)
	(7,552)	(2,785)
Loss and comprehensive loss for the year	(630,927)	(372,829)

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Changes in Equity
For the year ended August 31, 2012

	<i>Share capital</i>	<i>Share premium</i>	<i>Deficit</i>	<i>Convertible debentures</i>	<i>Total equity</i>
Balance September 1, 2010	100	-	(46,191)	-	(46,091)
Loss for the year	-	-	(372,829)	-	(372,829)
Issuance of share capital	5,000	-	-	-	5,000
Issuance of convertible debentures	-	-	-	34,961	34,961
Balance August 31, 2011	5,100	-	(419,020)	34,961	(378,959)
Loss for the year	-	-	(630,927)	-	(630,927)
Issuance of convertible debentures	-	-	-	7,319	7,319
Share premium on conversion of convertible debentures	-	42,280	-	-	42,280
Issuance of share capital	260,000	-	-	-	260,000
Debentures converted to share capital	845,589	-	-	(42,280)	803,309
Deferred wages converted to share capital	125,000	-	-	-	125,000
Shareholders' loans converted to share capital	153,890	-	-	-	153,890
Balance August 31, 2012	1,389,579	42,280	(1,049,947)	-	381,912

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the year ended August 31, 2012

	2012	2011
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	1,218	124,954
Cash paid to suppliers and employees	(437,797)	(459,155)
Interest paid	(27,957)	(5,337)
	(464,536)	(339,538)
Financing activities		
Amounts advanced from shareholders	-	90,068
Proceeds from issuance of common shares	260,000	-
Proceeds from issuance of convertible debentures	250,000	500,000
	510,000	590,068
Investing activities		
Deposits on equipment	-	(236,564)
Advances of notes receivable	(49,285)	-
	(3,821)	13,966
Increase (decrease) in cash resources	(3,821)	13,966
Cash resources, beginning of year	14,066	100
Cash resources, end of year	10,245	14,066

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

1. Reporting entity

Digital Underground Media Inc. was incorporated under the laws of the Province of Ontario on January 19, 2010. The Company is domiciled in Canada. The consolidated financial statements are comprised of Digital Underground Media Inc. and Digital Underground Media Espacos Publicitarios Ltda. (collectively "the Company"). The Company is involved in the sale of digital out of home advertising.

The address of the Company's registered office is 255 West 1st Street, North Vancouver, British Columbia.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on December 5, 2014. The statements are presented in Canadian dollars, which is the functional currency of the Company.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") applicable as at August 31, 2012.

3. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

These financial statements do not give effect to adjustments that would be necessary should the Company be required to realize its assets in other than the normal course of business. The use of IFRS applicable to a going concern may not be appropriate as there may be significant doubt with the ability of the Company to continue as a going concern. Consistent with its start up nature the Company has generated negative cash flow from operations and losses for the 2011 and 2012 years.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

4. Change in accounting policies

These statements represent the Company's first financial statements prepared under IFRS. The change in accounting policy was made in accordance with the transitional provision of IFRS 1, First Time Adoption of International Financial Reporting Standards. Under IFRS 1, the standards are applied retrospectively at September 1, 2010 the date of transition with all adjustments to assets and liabilities taken to shareholders' equity unless certain exemptions are applied. Due to the Company's relatively non-complex transactions, the Company's adoption of IFRS have not resulted in a change to the financial position, equity, income or cash flows reported for the current and comparative periods. Further, the transition to IFRS did not require alterations to the Company's data collection systems or other business systems and internal processes.

First-time Adoption

In preparing these consolidated financial statements, the Company has elected to apply the following transitional arrangements permitted by IFRS 1 *First-time Adoption of International Financial Reporting Standards*:

- The Company has elected not to apply IFRS 3 *Business Combinations* retrospectively to business combinations effected prior to September 1, 2010.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

For revenues generated from selling advertising on its digital systems, the Company recognizes revenue upon delivery of the advertising service as it is performed.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of change in value.

Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use.

The methods of depreciation and depreciation rates are as follows:

	<i>Method</i>	<i>Rate</i>
Equipment	declining balance	20 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over the shorter of the contractual agreement or their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Specified intangible assets are recognized separately from goodwill. Such intangible assets are recorded at cost and amortized as follows, based upon management's best estimate of the useful life of the asset.

	<i>Method</i>	<i>Rate</i>
Licences	straight-line	30 years

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. **Summary of significant accounting policies** *(Continued from previous page)*

Income taxes

Taxation on the profit or loss for the year comprises current and deferred tax.

Taxation is recognized in income except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the end of the reporting period, and includes any adjustments to tax payable in respect of previous years.

Deferred Taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or impacts tax or accounting profit or loss. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Share-based payments

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled share-based payments').

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the services provided at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to share capital.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and share capital reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

Financial instruments

Financial assets at fair value through profit or loss

The Company has classified the following financial assets at fair value through profit (loss): cash and cash equivalents.

The Company's financial assets at fair value through profit (loss) are initially recognized at their fair value. Fair value is determined by approximating the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. Summary of significant accounting policies *(Continued from previous page)*

Financial assets at fair value through profit (loss) are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Investments in equity instruments that do not have a quoted market price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are measured at cost. Net gains and losses arising from changes in fair value including interest income and are recognized immediately in profit (loss).

Loans and receivables

The Company has classified the following financial instruments as loans and receivables: trade and other receivables and note receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs directly attributable to their acquisition are included in the fair value cost of these assets, while transaction costs arising from their disposal are immediately recognized in profit (loss).

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Other liabilities

The Company has classified the following financial liabilities as other liabilities: trade and other payables, payable to shareholders, convertible debentures. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs directly attributable to their issue are included in the fair value cost of these liabilities, while transaction costs arising from their disposal are immediately recognized in profit (loss).

Other liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Convertible debentures

The Company's convertible debentures are segregated into their debt and equity elements at the date of issue, based on their initial fair values. The debt element of the instruments is classified as a liability, and recorded as the present value of the Company's obligation to make future interest payments in cash, and settle the redemption value of the instrument in cash or in a variable number of shares. The carrying value of the debt element is accreted to the original face value of the instruments, over their deemed life, using the effective interest method. The equity element equals the difference between the fair value of the convertible debentures as a whole and the fair value of the liability element.

On conversion, if the Company settles in shares, the carrying amount of the equity element and the carrying amount of the debt element, including any accrued interest, are reclassified to share capital. Alternatively, if the Company settles in cash, any gain arising from extinguishment of the debentures are recorded in profit (loss) of the current year. Any gain arising from the settlement of the equity element is recognized in equity.

In the event that the instruments are not converted and the conversion option expires at maturity, the Company accounts for the settlement of the instruments at redemption value, which is equal to the stated principal amount of the instruments. The debt element is derecognized, and the carrying amount of the equity element is reclassified to contributed surplus. If the Company settles the debt element through issuance of shares, the redemption value of the debt element is credited to share capital.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. **Summary of significant accounting policies** *(Continued from previous page)*

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principle currency of the Company's operations.

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Digital Underground Media Inc. owns 99.9% of common shares of a foreign subsidiary in Brazil, operating under the name Digital Underground Media Espacos Publicitarios Ltda. The functional currency of this subsidiary is Brazilian Real.

Measurement uncertainties and judgements

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involve the use of judgement, estimates and approximations based on information available as of the date of the disclosure.

Trade and other receivables are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Depreciation is based on the estimated useful lives of the equipment.

Intangible assets are amortized over the life of the agreements. Recovery of intangibles is analyzed on an annual basis.

Significant judgements made by management include the going concern presentation, determination of only one cash generating unit, one reporting segment, and determination of functional currency. Management has made the judgement that it is not probable the Company will generate sufficient taxable profit to fully utilize losses and therefore deferred tax assets have not been reflected in the financial statements. As the investment in the subsidiary and its non-controlling interest are immaterial they are not represented in these consolidated statements.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual results could differ from those estimates however, it is not expected that results would differ by a material amount.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. **Summary of significant accounting policies** *(Continued from previous page)*

Impairment of long-lived assets

For the purposes of assessing impairment, the Company has a single cash-generating unit comprising the entirety of its equipment as there is no smaller identifiable group of assets that generates cash inflows independently of any other assets or group of assets. If the carrying value of the Company's equipment exceeds its estimated recoverable value, an impairment loss is recognized to write the assets down to recoverable value. The recoverable value is generally determined by a periodic independent appraisal. The appraisal of equipment is determined on a "fair market value - in place" basis. These values are used as an estimate of recoverable value.

Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities - cash.
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly - the Company has no financial instruments classified as level 2.
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions - the Company has no financial instruments classified as level 3.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued but are not yet effective or applied as at August 31, 2012. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013, clarify the definition of "vesting conditions", and separately define a "performance condition" and a "service condition". A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset and the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and there is either an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment to IAS 32, issued in December 2011, clarified the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendment only affects disclosure and is effective for annual periods beginning on or after January 1, 2014.

The related amendment to IFRS 7, issued at the same time, requires new disclosures with respect to offsetting which include gross amounts subject to rights of set off, amounts set off in accordance with the offsetting criteria, amounts of financial instruments subject to master netting arrangements or similar agreements, and the related net amounts. The amendment only affects disclosure and is effective for annual periods beginning on or after January 1, 2013.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. Summary of significant accounting policies *(Continued from previous page)*

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: recognition and measurement*. The standard requires classification of financial assets into two measurement categories based on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity's "own credit risk" is now recognized in other comprehensive income instead of profit or loss. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*. The Company is currently assessing the impact of this standard on its consolidated financial statements.

In November 2013, the International Accounting Standards Board (IASB) amended IFRS 9. The amendments result in significant changes to hedge accounting. In addition, an entity can now apply the "own credit requirement" in isolation without the need to change any other accounting for financial instruments. The mandatory effective date has been deferred to annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

IFRS 13 Fair value measurement

IFRS 13, issued in May 2011, redefines fair value to emphasize that it is a market-based measurement, not an entity-specific measurement. It also provides a single framework for measuring fair value and applies, with limited exceptions, when another standard permits or requires fair value measurement. In addition, IFRS 13 requires specific disclosures about fair value measurement. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programs*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 32 Financial instruments: presentation

The amendment to IAS 32, issued in May 2012, clarified the income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction by requiring that these items be accounted for in accordance with IAS 12 *Income taxes*. The amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

5. **Summary of significant accounting policies** *(Continued from previous page)*

IAS 34 Interim financial reporting

The amendment to IAS 34, issued in May 2012, clarifies the disclosure requirements on segment information for total assets and total liabilities for each reportable segment. IAS 34 requires disclosure of total assets and liabilities for a particular reportable segment if such amounts are regularly provided to the chief operating decision maker and if there has been a material change in those measures since the last annual financial statements. The amendment only affects disclosure and is effective for annual periods beginning on or after January 1, 2013.

IAS 36 Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

6. Equipment

	<i>Furniture and fixtures</i>	<i>Total</i>
Cost		
Additions	3,444	3,444
Balance at August 31, 2011	3,444	3,444
Balance at September 1, 2011	3,444	3,444
Balance at August 31, 2012	3,444	3,444
Depreciation and impairment losses		
Depreciation charge for the year	344	344
Balance at August 31, 2011	344	344
Balance at September 1, 2011	344	344
Depreciation charge for the year	620	620
Balance at August 31, 2012	964	964
Net book value		
At August 31, 2011	3,100	3,100
At August 31, 2012	2,480	2,480

7. Intangible assets

	2012	2011	<i>September 1 2010</i>
Cost	16,818	16,755	11,972
Accumulated amortization	(931)	(532)	(133)
Licences	15,887	16,223	11,839

Intangible assets consist of license fees that have been paid to secure the rights for various media patents. These fees are initially stated at cost and are being amortized over the term of the contractual agreements.

8. Payable to shareholders

Amounts owing to shareholders are unsecured, bear interest at 12% and have no fixed terms of repayment.

The shareholder loans payable and accrued interest thereon contain a conversion option under which the Company may, at any time, convert the shareholder loan into common shares of the Company, at a rate of \$2,510.50 per common share. During 2012 shareholders' loans in the amount of \$153,890, which included \$21,767 of Company expenses paid for personally by the shareholder, were converted to 61.2986 common shares.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

9. Convertible debentures

	2012	2011	<i>September 1</i> 2010
Debt carrying value and accrued interest, beginning of year	517,141	-	-
Debt issued	242,681	465,039	-
Accrued interest	58,504	37,085	-
Accretion	27,263	15,017	-
Converted to shares	(845,589)	-	-
	-	517,141	-

On October 20, 2011, January 20, 2012, collectively (tranche 1 \$500,000) and January 30, 2012 (tranche 2 \$250,000), the Company issued convertible debentures, due May 31, 2012. The instruments are unsecured and bear interest at a rate of 12% per annum. The convertible debentures are convertible, including any unpaid interest, to common shares at the option of the holder, at any time prior to the earlier of the maturity date or redemption date, at the conversion price of \$3,732.17 per share.

The convertible debentures are being accounted for in accordance with their substance and are presented in the financial statements in their component parts, measured at their respective fair values at the time of issue. The debt element of the instruments has been initially recorded on the balance sheet as a debt of \$242,681 (tranche 2) and \$465,039 (tranche 1) respectively, calculated as the present value of the Company's obligation to make interest and principal payments discounted at a rate approximating the interest rate that would have been applicable to non-convertible debt at the time the debt was issued. Over the term of the convertible debentures, the debt element will be accreted to the face value of the convertible debentures by the recording of additional interest expense. The effective interest rate on the debt is 16%. The difference of \$34,961 (tranche 1) and \$7,319 (tranche 2) between the face amount and the estimated fair value of the debt element represents the conversion rights and is classified as a component of equity.

The Company converted \$845,589 of convertible debentures into 226,5676 Common shares. The carrying amounts of \$750,000 of the instruments' debt and equity elements including accrued but unpaid interest of \$95,589 have been transferred to share capital.

10. Share-based payments

The Company has an ownership-based compensation plan for key management personnel of the Company. The compensation plan as approved by the shareholders provides the key management personnel compensation in the form of common shares in exchange for service provided.

No amounts are paid or payable by the recipient on receipt of the shares.

The number of the shares granted is calculated in accordance with the agreed upon remuneration for the position of the employee for which the shares are granted which represents the fair value of these services.

Total compensation for the year was \$125,000 (2011 - nil) which is included in salaries, wages and benefits and consulting fees.

11. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, foreign currency risk, interest rate risk and credit risk.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

11. **Financial instruments** (Continued from previous page)

Foreign currency risk

The Company enters into transactions to carry on operations denominated in multiple different currencies including U.S. Dollars, and Mexican Pesos for which the related revenues, expenses, trade and other receivables, deposits and payable balances are subject to exchange rate fluctuations. The following items are denominated in United States Currency:

	2012	2011
	CAD\$	CAD\$
Cash	131	-
Note receivable	53,284	-
Prepaid deposits	230,966	239,833
Trade and other payables	(22,821)	-
Total	261,560	239,833

Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not engage in hedge accounting to manage adverse movements in the exchange rate.

A 1% increase/decrease in United States dollar foreign exchange rates would increase/decrease other revenue by approximately \$2,600 resulting in an increase/decrease to net loss of \$2,600.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Management applies judgement as to the Company's ability to collect outstanding receivables and, if necessary, provides an allowance for a portion of accounts receivable when collection becomes doubtful.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

The Company does not require collateral or other security relating to the note receivable.

The note receivable is neither past due nor impaired, and the Company expects to receive full payment by the contractual due date. The trade and other receivables are past due but are not impaired as full payment received prior to report date, accordingly, no allowance has been provided.

As at August 31, 2012, the aging of this financial asset is as follows:

	1 - 30 days	31 - 90 days	91 days to 1 year	1 - 5 years	Thereafter	Total
Trade and other receivables	-	-	47,950	-	-	47,950
Total	-	-	47,950	-	-	47,950

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

11. Financial instruments (Continued from previous page)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit; borrow funds from financial institutions, related parties or other creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from its accounts payable and commitments by diversifying its sources of funding. The following table summarizes the Company's financial liabilities with corresponding maturity:

	< 1 year	1-2 years	> 3 years	Total
Trade and other payables	56,154	-	-	56,154
Total	56,154	-	-	56,154

Fair value of all financial assets and liabilities

The carrying amount of cash, trade and other receivables, accounts payable and accruals is approximated by their fair value due to their short term nature.

12. Issued capital

Authorized

Unlimited number of Class A Common shares with nominal par value.

	2012	2011	September 1 2010
661,2219 Common shares (2011 - 220) (2010 - 100)	1,389,579	5,100	100
	1,389,579	5,100	100

Common shares

	Number of shares	Share capital	Share premium
Balance as at September 1, 2010	100	100	-
Issue of shares	120	5,000	-
Balance as at August 31, 2011	220	5,100	-
Balance as at September 1, 2011	220	5,100	-
Issue of shares under employee share payment plan (Note 10)	50	125,000	-
Issue of shares	103	260,000	-
Debentures and shareholder loans converted (Note 9)	288	999,479	42,280
Balance at August 31, 2012	661	1,389,579	42,280

Common shares carry one vote per share and carry a right to dividends.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

13. Related party transactions**Key management compensation of the Company**

Key management of the Company are members of the board of directors, and executive positions. Key management personnel remuneration includes the following expenses:

	2012	2011	August 31 2010
Salaries, including bonuses	186,794	156,529	-
Share-based payments	50,000	-	-
Total remuneration	236,794	156,529	-

14. Note receivable

	2012	2011	September 1 2010
TVS Global America unsecured note receivable bearing interest at 8%, payable in full August, 2015.	53,284	-	-
	53,284	-	-

15. Events after the reporting period

Subsequent to the reporting period for which these financial statements have been issued the following material transactions occurred:

1 - Signing of TVS employment agreement

In August 2014, Digital signed employment agreements for the position of Operations Supervisor, and the position of Vice President Research and Product Development, to be contingent upon the Company completing Initial Public Offering and obtaining concurrent financing in the amount of \$15 million and electing to purchase TVS Global America Inc. (TVS) for a purchase price of \$1,000,000 AD. The company has the option to purchase TVS or to continue with the royalty agreement as outlined in Note 16.

2 - Signing of Madrid agreement

In early 2014, Digital Underground Media Inc. signed an agreement with Metro de Madrid to provide the exclusive rights to Digital Underground Media to install and operate the advertising systems in the Madrid Metro system.

3 - Share purchases

Subsequent to the financial reporting period, Digital Underground Media Inc. issued from treasury an additional 1,654.5634 common shares for consideration of \$1,150,427.

4 - Signing of Chae agreement

Digital entered into an agreement with Innovex Col, Ltd and Gyun Chae, dated March 21, 2014, to purchase assets related to a Tunnel Advertising System for \$700,000 CAD and 107.82 Common Shares representing 2% of issued and outstanding Common Shares at signing date.

5 - Signing of Dasung agreement

Digital entered into an agreement with Dasung Elec. Tech. Co. Ltd. and Yeong Kuen Lee, dated September 2013, to purchase all assets for \$100,000. As part of the purchase agreement, the Company also entered into an employment contract with a principle in the company for consideration of \$125,000 per year.

6 - Spectrum motion settlement

In 2014, Digital Underground Media Inc. reached a settlement with Spectrum Motion Inc for the use of certain intellectual properties. As compensation, Digital Underground Media Inc. has agreed to pay Spectrum Motion Inc. \$1 million as well as royalty revenues from the use of said property as outlined in Note 17.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

16. Commitments

The Company as part of its settlement with Spectrum Motion has entered into a contract setting out the following commitments:

- Commencing May 21, 2014, quarterly payments of 20% of Digital Underground Media Inc. net revenue on the display system located at Heathrow Express in London;
- 7.5% of Digital Underground Media Inc. net revenue for all display systems for a period of three years after commencement of that system generating revenue.

The Company has entered into an agreement with TVS Global America Inc. to purchase the equipment required to build an in-tunnel advertising installation. The contract sets out the following commitments:

- 60% of the quoted price of \$385,000 US\$ within 10 days of order placement. Payment of \$231,000 USD made November 22, 2010.
 - 20% of the quoted price within 10 days of the delivery of equipment to installation site.
 - 20% of the quoted price within 30 days from the date of first commercial operation of the equipment.
- The equipment was delivered to the Company on February 12, 2014 in Sao Paulo Brazil.

As part of its agreement with TVS Global America Inc. the Company has agreed to pay a royalty equal to ten percent of calculated net revenues, not to fall below a minimum royalty threshold amount each calendar year to TVS in accordance with the following schedule:

2013 - \$80,000
 2014 and thereafter - \$120,000

17. Capital management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares.

The Company manages the following as capital:

	2012	2011	2010
Cash and cash equivalents	10,245	14,066	100
Share capital	1,389,579	5,100	100
Equity component of convertible debentures	-	34,961	-
Share premium	42,280	-	-
Deficit	(1,049,947)	(419,020)	(46,191)
	392,157	(364,893)	(45,991)

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations. During the year, the Company's strategy, which was unchanged from the prior year, was to issue sufficient additional shares from treasury to assist in meeting all such obligations.

18. Prepaid deposits

Prepaid deposits consist of payments made for assets for which the Company has not yet taken ownership of. The contract is settled in U.S. Dollars and converted at the year end date to the functional currency.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2012

19. Income taxes

The provision for income taxes differs from the amount that would be obtained by applying the combined federal and provincial statutory income tax rate of 27.5% (2011 - 29.0%) as follows:

	2012	2011
Loss before income taxes	(630,927)	(372,829)
Combined federal and provincial statutory income tax rate	27.5%	29.0%
<hr/>		
Non deductible expenses	(173,505)	(108,120)
Deferred tax assets not recognized in the year	15,355	15
	158,150	108,105
<hr/>		
Provision for income taxes	-	-

The Company has unused tax losses of approximately \$950,000 which expire from 2029 to 2032.

20. Contingencies

During the ordinary course of business activities, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. Accruals for loss contingencies are recorded when the Company determines that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the estimate of the amount of the loss is a range and some amount within the range appears to be a better estimate than any other amount within the range, that amount is accrued as a liability. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued as a liability. Management believes no accruals necessary at this time.

Digital Underground Media Inc.
Consolidated Financial Statements
August 31, 2013

Management's Responsibility

To the Shareholders of Digital Underground Media Inc.:

Management is responsible for the preparation and presentation of the accompanying consolidated financial statements, including responsibility for significant accounting judgments and estimates in accordance with International Financial Reporting Standards. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgment is required.

In discharging its responsibilities for the integrity and fairness of the consolidated financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of consolidated financial statements.

The Board of Directors is composed primarily of Directors who are neither management nor employees of the Company. The Board is responsible for overseeing management in the performance of its financial reporting responsibilities, and for approving the financial information included in the annual report. The Board fulfils these responsibilities by reviewing the financial information prepared by management and discussing relevant matters with management and external auditors. The Board is also responsible for recommending the appointment of the Company's external auditors.

MNP LLP is appointed by the shareholders to audit the consolidated financial statements and report directly to them; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Board and management to discuss their audit findings.

April 15, 2015


Chief Executive Officer
Chief Financial Officer

Independent Auditors' Report

To the Shareholders of Digital Underground Media Inc.:

We have audited the accompanying consolidated financial statements of Digital Underground Media Inc. and its subsidiary, which comprise the consolidated statement of financial position as at August 31, 2013, and the consolidated statements of loss, comprehensive loss, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of Digital Underground Media Inc. and its subsidiary as at August 31, 2013 and their financial performance, the results of their operations and their cash flows for the year then ended in accordance with International Financial Reporting Standards.

Emphasis of Matter

Without qualifying our opinion, we draw attention to Note 3 to the consolidated financial statements which indicate that the Company has had ongoing operating losses and negative cash flows from operations. These conditions, along with other matters as set forth in Note 3, indicate the existence of material uncertainties that may cast significant doubt about the Company's ability to continue as a going concern.

Brandon, Manitoba

April 15, 2015



Chartered Accountants

Digital Underground Media Inc.
Consolidated Statement of Financial Position
As at August 31, 2013

	2013	2012
Assets		
Current		
Cash (Note 5)	69,971	10,245
Trade and other receivables	-	47,950
Prepaid expenses and deposits	158,939	77,254
	228,910	135,449
Non-current		
Equipment (Note 6)	1,984	2,480
Intangible assets (Note 7)	570,826	15,887
Notes receivable (Note 12)	61,355	53,284
Prepaid deposits (Note 17)	326,191	230,966
	960,356	302,617
Total assets	1,189,266	438,066
Liabilities		
Current		
Trade and other payables	223,870	56,154
Current portion of long-term debt (Note 13)	211,060	-
Non-current		
Long-term debt (Note 13)	570,784	-
Total liabilities	1,005,714	56,154
Commitments (Note 15)		
Going concern (Note 3)		
Equity		
Share capital (Note 10)	2,540,005	1,389,579
Share premium	42,280	42,280
Deficit	(2,382,585)	(1,049,947)
Non-controlling interest	(169)	-
Accumulated other comprehensive loss	(15,979)	-
Total Equity	183,552	381,912
Total liabilities and equity	1,189,266	438,066

Approved on behalf of the Board


 Director


 Director

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Loss

For the year ended August 31, 2013

	2013	2012
Revenue	46,749	30,342
Expenses		
Consulting	225,751	96,427
Depreciation and amortization	98,896	1,019
Accretion expense	-	27,263
Interest and bank charges	88,508	69,376
Meals and entertainment	7,630	11,672
Office	5,230	1,056
Professional fees	416,380	75,818
Royalties	85,742	63,007
Salaries, wages and benefits	385,257	236,794
Telephone, fax and internet	4,173	3,977
Travel	52,610	67,308
	1,370,177	653,717
Operating loss	(1,323,428)	(623,375)
Other income (expense)		
Interest income	4,989	3,999
Foreign exchange (loss)	(14,352)	(11,551)
	(9,363)	(7,552)
Loss for the year	(1,332,791)	(630,927)
Loss attributable to:		
Shareholders	(1,332,638)	(630,927)
Non-controlling interest	(153)	-
Loss for the year	(1,332,791)	(630,927)

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Comprehensive Loss

For the year ended August 31, 2013

	2013	2012
Loss for the year	(1,332,791)	(630,927)
Exchange differences on translating foreign operations		
Exchange differences arising during the year	(15,995)	-
Total comprehensive loss for the year	(1,348,786)	(630,927)
Total comprehensive loss attributable to:		
Shareholders	(1,348,617)	(630,927)
Non-controlling interest	(169)	-
Total comprehensive loss for the year	(1,348,786)	(630,927)

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Changes in Equity
For the year ended August 31, 2013

	Share capital	Share premium	Accumulated other comprehensive loss	Deficit	Convertible debentures	Attributable to owners of the Company	Non-controlling Interest	Total equity
Balance August 31, 2011	5,100	-	-	(419,020)	34,961	(378,959)	-	(378,959)
Loss for the year	-	-	-	(630,927)	-	(630,927)	-	(630,927)
Issuance of convertible debentures	-	-	-	-	7,319	7,319	-	7,319
Share premium on conversion of convertible debentures	-	42,280	-	-	-	42,280	-	42,280
Issuance of share capital	260,000	-	-	-	-	260,000	-	260,000
Debtentures converted to share capital	845,589	-	-	-	(42,280)	803,309	-	803,309
Deferred wages converted to share capital	125,000	-	-	-	-	125,000	-	125,000
Shareholders loans converted to share capital	153,890	-	-	-	-	153,890	-	153,890
Balance August 31, 2012	1,389,579	42,280	-	(1,049,947)	-	381,912	-	381,912
Loss for the year	-	-	-	(1,332,638)	-	(1,332,638)	(153)	(1,332,791)
Unrealized exchange loss on translating financial statements of foreign operations	-	-	(15,979)	-	-	(15,979)	(16)	(15,995)
Deferred wages converted to share capital	125,000	-	-	-	-	125,000	-	125,000
Issuance of share capital	1,025,426	-	-	-	-	1,025,426	-	1,025,426
Balance August 31, 2013	2,540,005	42,280	(15,979)	(2,382,585)	-	183,721	(169)	183,552

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Consolidated Statement of Cash Flows

For the year ended August 31, 2013

	2013	2012
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	88,441	1,218
Cash paid to suppliers and employees	(968,258)	(437,797)
Interest received	621	-
Interest paid	(86,504)	(27,957)
	(965,700)	(464,536)
Financing activities		
Proceeds from issuance of common shares	1,025,426	260,000
Proceeds from issuance of convertible debentures	-	250,000
	1,025,426	510,000
Investing activities		
Advances of notes receivable	-	(49,285)
	-	(49,285)
Increase (decrease) in cash resources	59,726	(3,821)
Cash resources, beginning of year	10,245	14,066
Cash resources, end of year	69,971	10,245

The accompanying notes are an integral part of these financial statements

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

1. Reporting entity

Digital Underground Media Inc. was incorporated under the laws of the Province of Ontario on January 19, 2010. The Company is domiciled in Canada. The consolidated financial statements are comprised of Digital Underground Media Inc. and its subsidiary Digital Underground Media Espacos Publicatarios Ltda. (together referred to as the "Company"). The Company is involved in the sale of digital out of home advertising.

The address of the Company's registered office is 255 West 1st Street, North Vancouver, British Columbia.

The consolidated financial statements were approved by the Board of Directors and authorized for issue on March 15, 2015. The consolidated statements are presented in Canadian dollars, which is the functional currency of the parent Company, the functional currency of the foreign subsidiary is Brazilian Real.

2. Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("IFRS") and interpretations adopted by the International Accounting Standards Board ("IASB") applicable as at August 31, 2013.

3. Going concern

These consolidated financial statements have been prepared on a going concern basis which contemplates the realization of assets and the payment of liabilities in the ordinary course of business. Should the Company be unable to continue as a going concern, it may be unable to realize the carrying value of its assets and to meet its liabilities as they become due.

These financial statements do not give effect to adjustments that would be necessary should the Company be required to realize its assets in other than the normal course of business. The use of IFRS applicable to a going concern may not be appropriate as there may be significant doubt with the ability of the Company to continue as a going concern. Consistent with its start up nature the Company has generated negative cash flow from operations and a loss for the 2013 year.

The Company's ability to continue as a going concern is dependent upon its ability to attain profitable operations and generate funds there from, and to continue to obtain borrowings from third parties sufficient to meet current and future obligations and/or restructure the existing debt and payables. These consolidated financial statements do not reflect the adjustments or reclassification of assets and liabilities which would be necessary if the Company were unable to continue its operations.

4. Summary of significant accounting policies

The following principle accounting policies have been adopted in the preparation of these consolidated financial statements.

Revenue recognition

Revenue is recognized when it is probable that the economic benefits associated with a transaction will flow to the Company, and when the amount of revenue can be reliably measured. Revenue is measured at the fair value of the consideration received or receivable, excluding trade discounts, volume rebates, and amounts collected on behalf of third parties.

For revenues generated from selling advertising on its digital systems, the Company recognizes revenue upon delivery of the advertising services as it is performed.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, demand deposits and short-term, highly liquid investments with original maturities of three months or less that are readily convertible into to known amounts of cash and which are subject to an insignificant risk of change in value.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies (Continued from previous page)

Equipment

Equipment is stated at cost less accumulated depreciation and impairment losses. Cost includes expenditures that are directly attributable to the acquisition of the asset. When parts of an item of equipment have different useful lives, they are accounted for as separate items of equipment.

All assets having limited useful lives are depreciated using the declining balance method over their estimated useful lives. Assets are depreciated from the date of acquisition. Internally constructed assets are depreciated from the time an asset is available for use. The methods of depreciation and depreciation rates applicable for each class of asset during the current and comparative period are as follows:

	Method	Rate
Equipment	declining balance	20 %

The residual value, useful life and depreciation method applied to each class of assets are reassessed at each reporting date.

Intangible assets

Intangible assets acquired separately are reported at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight line basis over the shorter of the contractual agreement or their estimated useful lives. The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Specified intangible assets are recognized separately from goodwill. These assets are recognized when it is probable that the future economic benefits attributable to these assets are reasonably assured. Such intangible assets are recorded at cost and amortized as follows, based upon management's best estimate of the useful life of the asset.

The estimated useful life and amortization method are reviewed at the end of each annual reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

	Method	Rate
TVS License	straight-line	30 years
368 Patent Family License	straight-line	5 years

Income taxes

Taxation on the profit or loss for the year comprises current and deferred tax.

Taxation is recognized in income except to the extent that the tax arises from a transaction or event which is recognized either in other comprehensive income or directly in equity, or a business combination.

Current tax is the expected tax payable on the taxable income for the year using rates enacted or substantially enacted at the end of the reporting period, and includes any adjustments to tax payable in respect of previous years.

Deferred taxes

Deferred income taxes are calculated using the liability method on temporary differences between the carrying amounts of assets and liabilities and their tax bases. Deferred tax is not provided on the initial recognition of goodwill or on the initial recognition of an asset or liability unless the related transaction is a business combination or impacts tax or accounting profit or loss. Where an asset has no deductible or depreciable amount for income tax purposes, but has a deductible amount on sale or abandonment for capital gains purposes, the amount is included in the determination of temporary differences.

Deferred tax assets and liabilities are calculated at tax rates that are expected to apply to their respective period of realization, provided they are enacted or substantially enacted by the end of the reporting period.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies *(Continued from previous page)*

Share-based payments

Employees of the Company receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled share-based payments').

Where equity instruments are issued and some or all of the goods or services received by the Company as consideration cannot be specifically identified, these non-identifiable goods or services are measured as the difference between the fair value of the share-based payment and the fair value of any identifiable goods or services received at the grant date.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the services provided at the grant date.

The fair value of the equity instruments granted is recognized as an expense over the estimated vesting period with a corresponding increase to share capital.

Non-market vesting conditions are taken into account by adjusting the number of equity instruments included in the measurement of the transaction. The estimate of the number of equity instruments expected to vest is revised if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimates. The impact of the revision of the original estimates, if any, is recognized in profit or loss such that the cumulative expense and share capital reflects the revised estimate.

Market and non-vesting conditions are taken into account when estimating the fair value of the equity instruments granted and therefore the expense is recognized irrespective of whether or not the market condition is satisfied, provided that all other vesting conditions are satisfied.

Financial instruments

Financial assets at fair value through profit or loss

The Company has classified the following financial asset at fair value through profit (loss): cash and cash equivalents.

The Company's financial asset at fair value through profit (loss) are initially recognized at their fair value. Fair value is determined by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date.

Financial assets at fair value through profit (loss) are subsequently measured at their fair value, without any deduction for transactions costs incurred on sale or other disposal. Investments in equity instruments that do not have a quoted market price in an active market, and derivatives that are linked to and must be settled by delivery of such equity instruments, are measured at cost. Net gains and losses arising from changes in fair value including interest income and are recognized immediately in profit (loss).

Loans and receivables

The Company has classified the following financial instruments as loans and receivables: trade and other receivables and notes receivable. These assets are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs directly attributable to their acquisition are included in the fair value cost of these assets, while transaction costs arising from their disposal are immediately recognized in profit (loss).

Loans and receivables are subsequently measured at their amortized cost, using the effective interest method. Under this method, estimated future cash receipts are exactly discounted over the asset's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial asset is measured at initial recognition less principal repayments, plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount, and less any reduction for impairment or uncollectability. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition or impairment.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies *(Continued from previous page)*

Other liabilities

The Company has classified the following financial liabilities as other liabilities: trade and other payables and long-term debt. These liabilities are initially recognized at their fair value. Fair value is approximated by the instrument's initial cost in a transaction between unrelated parties. Transactions to purchase or sell these items are recorded on the trade date and transaction costs directly attributable to their issue are included in the fair value cost of these liabilities, while transaction costs arising from their disposal are immediately recognized in profit (loss).

Other liabilities measured at amortized cost are subsequently measured at amortized cost using the effective interest method. Under this method, estimated future cash payments are exactly discounted over the liability's expected life, or other appropriate period, to its net carrying value. Amortized cost is the amount at which the financial liability is measured at initial recognition less principal repayments, and plus or minus the cumulative amortization using the effective interest method of any difference between that initial amount and the maturity amount. Net gains and losses arising from changes in fair value are recognized in profit (loss) upon derecognition.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and its subsidiary.

Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are considered.

The results of subsidiaries acquired or disposed of during the year are included in these consolidated financial statements from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Digital Underground Media Inc. owns 99.9% of common shares of a foreign subsidiary in Brazil, operating under the name Digital Underground Media Espacos Publicitarios Ltda. The functional currency of this subsidiary is Brazilian Real.

Foreign currency translation

These financial statements have been presented in Canadian dollars, the principle currency of the Company's operations.

Transactions denominated in foreign currencies are translated into the functional currency of the Company at exchange rates prevailing at the transaction dates (spot exchange rates). Monetary assets and liabilities are retranslated at the exchange rates at the statement of financial position date. Exchange gains and losses on translation or settlement are recognized in profit or loss for the current period.

Non-monetary items that are measured at historical cost are translated using the exchange rates at the date of the transaction and non-monetary items that are measured at fair value are translated using the exchange rates at the date when the items' fair value was determined. Translation gains and losses are included in profit or loss.

Financial statements of foreign operations

On consolidation, assets and liabilities have been translated into Canadian dollars at the closing rate at the reporting date. Revenues and expenses have been translated into the Company's presentation currency at the average rate over the reporting period. Exchange differences are recognized in other comprehensive income (loss) and recognized in the currency translation reserve in equity. Upon disposal of a foreign operation, the cumulative translation differences recognized in equity are reclassified to profit or loss and recognized as part of the gain or loss on disposal.

Prior to translating the consolidated financial statements of foreign operations in hyperinflationary economies, the consolidated financial statements, including comparatives, are restated to account for changes in the general purchasing power of the Canadian dollar. The restatement is based on relevant price indices at the reporting date.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies *(Continued from previous page)*

Measurement uncertainties and judgements

Because a precise determination of many assets and liabilities is dependent upon future events, the preparation of financial statements necessarily involve the use of judgement, estimates and approximations based on information available as of the date of the disclosure.

Trade and other receivable are stated after evaluation as to their collectability and an appropriate allowance for doubtful accounts is provided where considered necessary.

Depreciation is based on the estimated useful lives of the equipment.

Intangible assets are amortized over the life of the agreements. Recovery of intangibles is analyzed on an annual basis.

Significant judgements made by management include the going concern presentation, determination of only one cash generating unit, one reporting segment, and determination of functional currency. Management has made the judgement that it is not probable the Company will generate sufficient taxable profit to fully utilize losses and therefore deferred tax assets have not been reflected in the financial statements. Management has included in the current year's salary an estimate of additional payment to be made to an employee due to difference in interpretation of the employment contract.

In fair valuing its estimate for long-term debt management has used 16% as the discount rate, based on their best judgement for similar debt instruments.

These estimates and assumptions are reviewed periodically and, as adjustments become necessary, they are reported in earnings in the periods in which they become known. Actual results could differ from those estimates however, it is not expected that results would differ by a material amount.

Impairment of long-lived assets

For the purposes of assessing impairment, the Company has a single cash-generating unit comprising the entirety of its equipment as there is no smaller identifiable group of assets that generates cash inflows independently of any other assets or group of assets. If the carrying value of the Company's equipment exceeds its estimated recoverable value, an impairment loss is recognized to write the assets down to recoverable value. The recoverable value is generally determined by a periodic independent appraisal. The appraisal of equipment is determined on a "fair market value - in place" basis. These values are used as an estimate of recoverable value.

Fair value measurements

The Company classifies fair value measurements recognized in the statement of financial position using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

- Level 1: Quoted prices (unadjusted) are available in active markets for identical assets or liabilities - cash.
- Level 2: Inputs other than quoted prices in active markets that are observable for the asset or liability, either directly or indirectly - the Company has no financial instruments classified as level 2.
- Level 3: Unobservable inputs in which there is little or no market data, which require the Company to develop its own assumptions - the Company has no financial instruments classified as level 3.

Fair value measurements are classified in the fair value hierarchy based on the lowest level input that is significant to that fair value measurement. This assessment requires judgment, considering factors specific to an asset or a liability and may affect placement within the fair value hierarchy.

Standards issued but not yet effective

The Company has not yet applied the following new standards, interpretations and amendments to standards that have been issued but are not yet effective or applied as at August 31, 2013. Unless otherwise stated, the Company does not plan to early adopt any of these new or amended standards and interpretations.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies *(Continued from previous page)*

IFRS 2 Share-based payment

The amendments to IFRS 2, issued in December 2013, clarify the definition of “vesting conditions”, and separately define a “performance condition” and a “service condition”. A performance condition requires the counterparty to complete a specified period of service and to meet a specified performance target during the service period. A service condition solely requires the counterparty to complete a specified period of service. The amendments are effective for share-based payment transactions for which the grant date is on or after July 1, 2014. The Company is currently assessing the impact of these amendments on its consolidated financial statements

IFRS 3 Business combinations

The amendments to IFRS 3, issued in December 2013, clarify the accounting for contingent consideration in a business combination. At each reporting period, an entity measures contingent consideration classified as an asset or a financial liability at fair value, with changes in fair value recognized in profit or loss. The amendments are effective for business combinations for which the acquisition date is on or after July 1, 2014. The Company is currently assessing the impact of these amendments on its consolidated financial statements

IFRS 7 Financial instruments: disclosures and IAS 32 Financial instruments: presentation

Financial assets and financial liabilities may be offset and the net amount presented in the statement of financial position, only when there is a legally enforceable right to set off and there is either an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The amendment to IAS 32, issued in December 2011, clarified the meaning of the offsetting criterion “currently has a legally enforceable right to set off” and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The amendment only affects disclosure and is effective for annual periods beginning on or after January 1, 2014.

The related amendment to IFRS 7, issued at the same time, requires new disclosures with respect to offsetting which include gross amounts subject to rights of set off, amounts set off in accordance with the offsetting criteria, amounts of financial instruments subject to master netting arrangements or similar agreements, and the related net amounts. The amendment only affects disclosure and is effective for annual periods beginning on or after January 1, 2013.

IFRS 8 Operating segments

The amendments to IFRS 8, issued in December 2013, require an entity to disclose the judgements made by management in applying the aggregation criteria for reportable segments. The amendments only affect disclosure and is effective for annual periods beginning on or after July 1, 2014.

IFRS 9 Financial instruments

IFRS 9 was issued in November 2009 and subsequently amended as part of an ongoing project to replace IAS 39 *Financial instruments: recognition and measurement*. The standard requires classification of financial assets into two measurement categories based on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. The categories are those measured at fair value and those measured at amortized cost. The classification and measurement of financial liabilities is primarily unchanged from IAS 39. However, for financial liabilities measured at fair value, changes in the fair value attributable to changes in an entity’s “own credit risk” is now recognized in other comprehensive income instead of profit or loss. This new standard will also impact disclosures provided under IFRS 7 *Financial instruments: disclosures*. The Company is currently assessing the impact of this standard on its consolidated financial statements.

In November 2013, the International Accounting Standards Board (IASB) amended IFRS 9. The amendments result in significant changes to hedge accounting. In addition, an entity can now apply the “own credit requirement” in isolation without the need to change any other accounting for financial instruments. The mandatory effective date has been deferred to annual periods beginning on or after January 1, 2018. The Company is currently assessing the impact of these amendments on its consolidated financial statements.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies *(Continued from previous page)*

IFRS 10 Consolidated financial statements

IFRS 10, issued in May 2011, provides a single basis of consolidation for all entities. The principle of control is based on three criteria: power over the investee; exposure to variable returns from involvement in the investee; and the ability of the investor to use its power to affect the amount of its returns. The standard, which supersedes SIC-12 *Consolidation – special purpose entities* and the requirements in IAS 27 *Consolidated and separate financial statements* relating to consolidated financial statements, is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 12 Disclosures of interests in other entities

IFRS 12, issued in May 2011, contains enhanced disclosure requirements for interests in other entities, including subsidiaries, joint arrangements, associates and unconsolidated structured entities. It replaces the disclosure requirements in existing IAS 27 *Consolidated and separate financial statements*, IAS 28 *Investments in associates* and IAS 31 *Interests in joint ventures*. The standard only affects disclosure and is effective for annual periods beginning on or after January 1, 2013.

IFRS 13 Fair value measurement

IFRS 13, issued in May 2011, redefines fair value to emphasize that it is a market-based measurement, not an entity-specific measurement. It also provides a single framework for measuring fair value and applies, with limited exceptions, when another standard permits or requires fair value measurement. In addition, IFRS 13 requires specific disclosures about fair value measurement. The standard is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IFRS 15 Revenue from contracts with customers

IFRS 15, issued in May 2014, specifies how and when entities recognize revenue, as well as requires more detailed and relevant disclosures. IFRS 15 supersedes IAS 11 *Construction contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer loyalty programmes*, IFRIC 15 *Agreements for the construction of real estate*, IFRIC 18 *Transfers of assets from customers* and SIC-31 *Revenue – barter transactions involving advertising services*. The standard provides a single, principles based five-step model to be applied to all contracts with customers, with certain exceptions. The five steps are:

1. Identify the contract(s) with the customer.
2. Identify the performance obligation(s) in the contract.
3. Determine the transaction price.
4. Allocate the transaction price to each performance obligation in the contract.
5. Recognize revenue when (or as) the entity satisfies a performance obligation.

IFRS 15 is effective for annual periods beginning on or after January 1, 2017. The Company is currently assessing the impact of this standard on its consolidated financial statements.

IAS 16 Property, plant and equipment and IAS 38 Intangible assets

The amendments to IAS 16 and IAS 38, issued in December 2013, clarify how an entity calculates the gross carrying amount and accumulated depreciation when a revaluation is performed. The amendments are effective for annual periods beginning on or after July 1, 2014. The Company is currently assessing the impact of these amendments on its consolidated financial statements

The amendments to IAS 16 and IAS 38, issued in May 2014, clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate. Amendments to IAS 38 specify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently assessing the impact of these amendments on its consolidated financial statements

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

4. Summary of significant accounting policies (Continued from previous page)

IAS 24 Related party disclosures

The amendments to IAS 24, issued in December 2013, clarify that a management entity, or any member of a group of which it is a part, that provides key management services to a reporting entity, or its parent, is a related party of the reporting entity. The amendments also require an entity to disclose amounts incurred for key management personnel services provided by a separate management entity. This replaces the more detailed disclosure by category required for other key management personnel compensation. The amendments only affect disclosure and are effective for annual periods beginning on or after July 1, 2014.

IAS 32 Financial instruments: presentation

The amendment to IAS 32, issued in May 2012, clarified the income tax consequences of distributions to holders of an equity instrument and of transaction costs of an equity transaction by requiring that these items be accounted for in accordance with IAS 12 *Income taxes*. The amendment is effective for annual periods beginning on or after January 1, 2013. The Company is currently assessing the impact of this standard on its consolidated financial statements

IAS 36 Impairment of assets

The amendments to IAS 36, issued in May 2013, require:

- Disclosure of the recoverable amount of impaired assets; and
- Additional disclosures about the measurement of the recoverable amount when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount.

The amendments only affect disclosure and are effective for annual periods beginning on or after January 1, 2014.

5. Cash

	2013	2012
Canadian chequing	63,064	10,114
U.S. chequing	9	131
Brazil chequing	5,506	-
Brazil annuity savings	1,392	-
	69,971	10,245

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

6. **Equipment**

	<i>Furniture and fixtures</i>	<i>Total</i>
Cost		
Balance at August 31, 2011	3,444	3,444
Balance at August 31, 2012	3,444	3,444
Balance at August 31, 2013	3,444	3,444
Depreciation and impairment losses		
Balance at August 31, 2011	344	344
Depreciation charge for the year	620	620
Balance at August 31, 2012	964	964
Depreciation charge for the year	496	496
Balance at August 31, 2013	1,460	1,460
Net book value		
At August 31, 2012	2,480	2,480
At August 31, 2013	1,984	1,984

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

7. Intangible assets

	2013	2012
Net book value		
Cost	670,157	16,818
Accumulated amortization	(99,331)	931
Licences	570,826	15,887
 Cost		
Balance August 31, 2011		16,818
Balance at August 31, 2012		16,818
Acquisition		653,339
Balance at August 31, 2013		670,157
 Depreciation and impairment losses		
Balance August 31, 2011		532
Amortization for the year		399
Balance at August 31, 2012		931
Amortization for the year		98,400
Balance at August 31, 2013		99,331

Intangible assets consist of license fees that have been paid to secure the rights for various media patents. These fees are initially stated at cost and are being amortized over the term of the contract agreements. The rights to use the various patents were acquired in June 2014 and were recorded in the financial statements with an effective date being November 2012, the month the litigation started with the result of the litigation being a settlement in June 2014.

8. Share-based payments

The Company has an ownership-based compensation plan for key management personnel of the Company. The compensation plan as approved by the shareholders provides the key management personnel compensation in the form of common shares in exchange for service provided.

No amounts are paid or payable by the recipient on receipt of the shares.

The number of the shares granted is calculated in accordance with the agreed upon remuneration for the position of the employee for which the shares are granted which represents the fair value of these services.

Total compensation for the year was \$125,000 (2012 - \$125,000) which is included in salaries, wages and benefits and consulting.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

9. Financial instruments

All significant financial assets, financial liabilities and equity instruments of the Company are either recognized or disclosed in the financial statements together with other information relevant for making a reasonable assessment of future cash flows, foreign currency risk, interest rate risk and credit risk.

Foreign currency risk

The Company enters into transactions to carry on operations denominated in multiple different currencies including U.S. Dollars, Mexican Pesos, and Brazilian Real for which the related revenues, expenses, trade and other receivables, deposits and payable balances are subject to exchange rate fluctuations. The Company does not have any balances at year end reflected in Mexican Pesos. The following items are denominated in United States Currency and Brazil Currency, shown in Canadian Currency:

	2013 <i>Real\$</i>	2013 <i>US\$</i>	2012 <i>Real\$</i>	2012 <i>US\$</i>
Cash	6,898	9	-	131
Note receivable	-	61,355	-	53,284
Prepaid deposits	-	326,191	-	230,966
Trade and other payables	-	(173,404)	-	(22,821)
Long-term debt	-	(800,699)	-	-
	6,898	(586,548)	-	261,560

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Company does not engage in hedge accounting to manage adverse movements in the exchange rate.

A 1% increase/decrease in United States Dollar foreign exchange rates would increase/decrease other revenue by \$5,865 resulting in an increase/decrease to net loss of \$5,865. A 1% increase/decrease in Brazilian Real foreign exchange rates would increase/decrease other revenue by \$69 resulting in an increase/decrease to net loss of \$69.

Credit risk

Credit risk is the risk of financial loss because a counter party to a financial instrument fails to discharge its contractual obligations. Management applies judgement as to the Company's ability to collect outstanding receivables and, if necessary, provides an allowance for a portion of accounts receivable when collection becomes doubtful.

The carrying amount of the Company's financial instruments best represents the maximum exposure to credit risk.

The Company does not require collateral or other security relating to the note receivable.

The accounts receivable and notes receivable are neither past due nor impaired, and the Company expects to receive full payment by the due date.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

9. Financial instruments (Continued from previous page)

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivery of cash or another financial asset. The Company enters into transactions to purchase goods and services on credit; borrow funds from financial institutions, related parties or other creditors, for which repayment is required at various maturity dates. Liquidity risk is measured by reviewing the Company's future net cash flows for the possibility of negative net cash flow.

The Company manages the liquidity risk resulting from its trade and other payables, long-term debt and commitments by diversifying its sources of funding. The following table summarizes the Company's financial liabilities with corresponding maturity:

	<i>< 1 year</i>	<i>1-2 years</i>	<i>> 3 years</i>	<i>Total</i>
Trade and other payables	223,871	-	-	223,871
Long term debt	211,060	316,590	527,650	1,055,300
Total	434,931	316,590	527,650	1,279,171

Fair value of all financial assets and liabilities

The carrying amount of cash, trade and other receivables, trade and other payables is approximated by their fair value due to their short term nature. Fair value of long-term debt and notes receivable approximate the carrying value due to no material changes in the underlying conditions of the entities since issuance.

10. Issued capital

Authorized

Unlimited number of Class A Common shares with nominal par value.

	<i>2013</i>	<i>2012</i>
2,315.7789 Common shares (2012 - 661.2219)	2,540,005	1,389,579
	2,540,005	1,389,579

Common shares

	<i>Number of shares</i>	<i>Share capital</i>	<i>Share premium</i>
Balance at August 31, 2012	661	1,389,579	42,280
Issue of shares under employee share payment plan	234	125,000	-
Issue of shares	1,420	1,025,426	-
Balance at August 31, 2013	2,315	2,540,005	42,280

Common shares carry one vote per share and carry a right to dividends.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

11. Related party transactions**Key management compensation of the Company**

Key management of the Company are members of the board of directors, and executive positions. Key management personnel remuneration includes the following expenses:

	2013	2012
Salaries, including bonuses	230,163	186,794
Share-based payments	50,000	50,000
Share-based payments included in consulting	75,000	-
Total remuneration	355,163	236,794

12. Notes receivable

	2013	2012
TVS Global America note receivable bearing interest at 8%, payable in full August, 2015.	61,355	53,284
	61,355	53,284

13. Long-term debt

	2013	2012
Long-term debt bearing interest at 0%, payable in quarterly instalments of \$100,000 USD, with initial payment of \$200,000USD May 31, 2014, remaining payments to begin January 2015, due in 2016.	781,844	-
Less: current portion	211,060	-
	570,784	-

Principal repayments on long-term debt in each of the next four years are estimated as follows:

2014	211,060
2015	316,590
2016	422,120
2017	105,530
	1,055,300

Long-term debt recorded at its fair value, using an effective interest rate of 16%.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

14. Events after the reporting period

Subsequent to the reporting period for which these financial statements have been issued the following material transactions occurred:

1 - Signing of TVS agreement

In May 2013, Digital entered into an option to purchase TVS Global America Inc. for the sum of \$1,000,000. The purchase agreement includes employment contracts with the two principles in the company for total salaries of \$175,000 per year for five years. Digital has the option to enter into the agreement at anytime and is subject to the Company completing a Public Offering with financing in the amount of \$15,000,000.

2 - Signing of Madrid agreement

In early 2014, Digital Underground Media Inc. signed an agreement with Metro de Madrid to provide the exclusive rights to Digital Underground Media to install and operate the advertising systems in the Madrid Metro system. As part of the bid requirement, the Company incorporated a wholly owned subsidiary in Madrid.

3 - Share purchases

Subsequent to the financial reporting period, Digital Underground Media Inc. issued from treasury an additional 2,994.4899 common shares for consideration of \$565,730.

4 - Signing of Chae agreement

Digital entered into an agreement with Innovex Col, Ltd and Gyun Chae, dated March 21, 2014, to purchase assets related to a Tunnel Advertising System for \$700,000 CAD and 107.82 Common Shares representing 2% of issued and outstanding Common Shares at signing date.

5 - Signing of Dasung agreement

Digital entered into an agreement with Dasung Elec. Tech. Co. Ltd. and Yeong Kuen Lee, dated September 2013, to purchase all assets for \$100,000. As part of the purchase agreement, the Company also entered into an employment contract with a principle in the company for consideration of \$125,000 per year.

6 - Spectrum Motion Media settlement

In 2014, Digital Underground Media Inc. reached a settlement with Spectrum Motion Inc for the use of certain intellectual properties. As compensation, Digital Underground Media Inc. has agreed to pay Spectrum Motion Inc. \$1 million as well as royalty revenues from the use of the property as outlined in Note 15. The Company has recorded the license asset (Note 7) and the obligation (Note 13) in the August 31, 2013 financial statements.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

15. Commitments

The Company as part of its settlement with Spectrum Motion has entered into a contract setting out the following commitments:

- Commencing May 21, 2014, quarterly payments of 20% of Digital Underground Media Inc. net revenue on the display system located at Heathrow Express in London;
- 7.5% of Digital Underground Media Inc. net revenue for all display systems for a period of three years after commencement of that system generating revenue.

The Company has entered into an agreement with TVS Global America Inc. to purchase the equipment required to build an in-tunnel advertising installation. The contract sets out the following commitments:

- 60% of the quoted price of \$385,000 US\$ within 10 days of order placement. Payment of \$231,000 USD made November 22, 2010.
 - 20% of the quoted price within 10 days of the delivery of equipment to installation site.
 - 20% of the quoted price within 30 days from the date of first commercial operation of the equipment.
- The equipment was delivered to the Company on February 12, 2014 in Sao Paolo Brazil.

As part of its agreement with TVS Global America Inc. the Company has agreed to pay a royalty equal to ten percent of calculated net revenues, not to fall below a minimum royalty threshold amount each calendar year to TVS in accordance with the following schedule:

2013 - \$80,000
 2014 and thereafter - \$120,000

16. Capital management

The Company's objectives when managing capital is to safeguard the entity's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Company sets the amount of capital in proportion to risk and manages the capital structure and makes adjustments to it in light of changes to economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Company may issue new shares.

The Company manages the following as capital:

	2013	2012
Cash and cash equivalents	69,971	10,245
Share capital	2,540,005	1,389,579
Share premium	42,280	42,280
Deficit	(2,384,689)	(1,049,947)
	267,567	392,157

The Company monitors capital on the basis of maintaining sufficient cash flow to comply with financial obligations. During the year, the Company's strategy, which was unchanged from the prior year, was to issue sufficient additional shares from treasury to meet all such obligations.

17. Prepaid deposits

Prepaid deposits consist of payments made for assets for which the Company has not yet taken ownership of. The contract is settled in U.S. Dollars and converted upon the year end date to the functional currency.

Digital Underground Media Inc.
Notes to the Consolidated Financial Statements
For the year ended August 31, 2013

18. Income taxes

The provision for income taxes differs from the amount that would be obtained by applying the expected combined federal and provincial statutory income tax rate of 27.0% (2012 - 27.5%) as follows:

	2013	2012
Loss before income taxes	(1,334,895)	(630,927)
Combined federal and provincial statutory income tax rate	27.0%	27.5%
<hr/>		
Non deductible expenses	(360,422)	(173,505)
Deferred tax assets not recognized in the year	21,464	15,355
Effect of different foreign income tax rates	353,974	158,150
Effect of foreign exchange	(10,449)	-
	(4,567)	-
<hr/>		
Provision for income taxes	-	-

The Company's deferred tax assets (liabilities) are as follows:

	2013	2012
Intangible assets	58,019	-
Long-term debt	(58,019)	-
<hr/>		
	-	-

The Company has unused tax losses approximately as follows:

	2013	2012
Canada (expiring from 2029 to 2033)	1,997,813	-
Brazil (no expiry)	137,000	-
<hr/>		
	2,134,813	-

19. Contingencies

During the ordinary course of business activities, the Company is subject to loss contingencies, such as claims and assessments arising from litigation and other legal proceedings, contractual indemnities, product and environmental liabilities, and tax matters. Accruals for loss contingencies are recorded when the Company determines that it is both probable that a liability has been incurred and the amount of loss can be reasonably estimated. If the estimate of the amount of the loss is a range and some amount within the range appears to be a better estimate than any other amount within the range, that amount is accrued as a liability. If no amount within the range is a better estimate than any other amount, the minimum amount of the range is accrued as a liability.

Digital Underground Media Inc.
Consolidated Financial Statements
August 31, 2014

Digital Underground Media Inc.
Consolidated Statement of Financial Position
August 31

	2014	2013
Assets		
Current		
Cash	194,119	69,971
Trade and other receivables	61,236	0
Prepaid expenses and deposits	168,902	158,939
	424,258	228,910
Non-current		
Equipment	821,298	1,984
Intangible assets	450,114	570,826
Notes receivable	68,282	61,355
Prepaid deposits	0	326,191
	1,339,693	960,356
Total assets	1,763,951	1,189,266
Liabilities		
Current		
Trade and other payables	685,768	223,870
Bridge loan	1,624,288	0
Due to Spectrum Motion Media	717,124	781,844
Non Current		
Due to DUM Holdings Inc.	168,652	0
Total liabilities	3,195,832	1,005,714
Equity		
Share Capital	3,105,736	2,540,005
Share Premium	42,280	42,280
Deficit	(4,555,369)	(2,382,585)
Non Controlling Interest	(169)	(169)
Accumulated other comprehensive loss	(24,359)	(15,979)
Total equity	(1,431,881)	183,552
Total liabilities and equity	1,763,951	1,189,266

Digital Underground Media Inc.
Consolidated Statement of Loss
August 31

	2014	2013
Revenue	110,496	46,749
Cost of sales	26,512	0
Gross profit	83,984	46,749
Expenses		
Consulting	303,541	225,751
Debt finance fee	45,000	0
Depreciation and amortization	141,879	98,896
Insurance	16,324	0
Interest and bank charges	105,655	88,508
Meals and entertainment	33,469	7,630
Office	30,193	5,230
Professional fees	718,995	416,380
Rent	14,795	0
Royalties	96,495	85,742
Salaries, wages and expenses	413,146	385,257
Telephone, fax and internet	6,510	4,173
Travel	205,272	52,610
Total expenses	2,131,273	1,370,177
Operating loss	(2,047,289)	(1,323,428)
Other income (expense)		
Interest income	4,651	4,989
Interest on SMM liability	(127,800)	0
Foreign Exchange loss	(2,346)	(14,352)
	(125,495)	(9,363)
Loss for the Year	(2,172,784)	(1,332,791)
Loss Attributable to:		
Shareholders	(2,172,784)	(1,332,638)
Non-controlling interest	0	(153)
Loss for the Year	(2,172,784)	(1,332,791)

Digital Underground Media Inc.
Consolidated Statement of Comprehensive Loss
August 31

	2014	2013
Loss for the Year	(2,172,784)	(1,332,791)
Exchange differences on translating foreign operations		
Exchange differences arising during the year	(8,380)	(15,995)
Total comprehensive loss for the year	(2,181,164)	(1,348,786)
Total comprehensive loss attributable to:		
Shareholders	(2,181,164)	(1,348,617)
Non-controlling interests	0	(169)
Total comprehensive loss for the year	(2,181,164)	(1,348,786)

Digital Underground Media Inc.
Consolidated Statement of Changes in Equity
August 31

	Non control Interest	Accumulated Other Comp Loss	Share Premium	Share Capital	Deficit	Total Equity
Balance August 31, 2012	0	0	42,280	1,389,579	(1,049,947)	381,912
Net loss for the year	(153)	0		0	(1,332,638)	(1,332,791)
Unrealized loss on translating financial statements of foreign operations	(16)	(15,979)				(15,995)
Deferred wages converted to share capital	0	0	0	125,000		125,000
Issuance of share capital	0	0	0	1,025,426	0	1,025,426
Balance August 31, 2013	(169)	(15,979)	42,280	2,540,005	(2,382,585)	183,552
Net loss for the year	0			0	(2,172,784)	(2,172,784)
Unrealized loss on translating financial statements of foreign operations	0	(8,380)				(8,380)
Deferred wages converted to share capital				162,500		162,500
Issuance of share capital				403,231	0	403,231
Balance August 31, 2014	(169)	(24,359)	42,280	3,105,736	(4,555,369)	(1,431,881)

Digital Underground Media Inc.
Consolidated Statement and of Cash Flows
August 31

	2014	2013
Cash provided by (used for) the following activities		
Operating activities		
Cash received from customers	48,856	88,439
Cash paid to suppliers and employees	(1,289,951)	(1,051,138)
Interest received	0	623
Interest paid	(3,154)	(3,624)
	(1,244,249)	(965,700)
Financing activities		
Proceeds from issuance of common shares	403,231	1,025,426
Proceeds from issuance of debt	1,792,940	0
	2,196,171	1,025,426
Investing activities		
Purchase of Equipment	(827,774)	0
Purchase of Intangibles	0	0
Increase (decrease) in cash resources	124,148	59,726
Cash resources, beginning of year	69,971	10,245
Cash resources, end of year	194,119	69,971

Digital Underground Media Inc
Financial Statements
September 30, 2014

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	41,206	46,981	0	88,188
Accounts Receivable	68,282	58,818	0	127,100
Prepays	110,764	87,321	0	198,085
Total Current Assets	220,252	193,121	0	413,373
Systems	0	807,725	0	807,725
F&F	3,489	0	0	3,489
Total Fixed Asset	3,489	807,725	0	811,214
SMM Patent	413,781	0	0	413,781
Sidetrack Assets	5,000	0	0	5,000
TVS License	10,094	0	0	10,094
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	439,225	0	0	439,225
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	1,834,670	1,000,845	(1,171,704)	1,663,812
Liabilities				
A/P	489,554	114,658	0	604,213
Accrued Liabilites	171,249	29,985	0	201,234
Bridge Loan	1,640,308	0	0	1,640,308
Due to SMM	749,481	0	0	749,481
Due to DUM Holdings Inc	168,653	0	0	168,653
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,219,246	553,237	(408,594)	3,363,889
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(244,647)	(23,539)	0	(268,185)
Total Equity	(1,384,575)	447,608	(763,110)	(1,700,077)
Total Equity and Liabilities	1,834,670	1,000,845	(1,171,704)	1,663,812

Income Statement

September 30, 2014

	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	29,486	0	29,486
Cost of Sales				
Transit Share	0	7,738	0	7,738
Sales Commissions	0	2,601	0	2,601
Operating Costs	0	0	0	0
Taxes	0	0	0	0
Bonus Volume	0	0	0	0
Total Cost of Sales	0	10,340	0	10,340
Gross Profit	0	19,146	0	19,146
Expenses				
Salaries	0	26,098	0	26,098
Consulting	4,500	0	0	4,500
Professional Fees	144,628	5,614	0	150,242
Rent	1,570	0	0	1,570
Insurance	2,721	0	0	2,721
Interest & Bank Charges	529	948	0	1,478
Debt Finance Fee	0	0	0	0
Office Supplies	1,258	0	0	1,258
Phone/Internet	0	0	0	0
Travel	23,046	0	0	23,046
Meals and Entertainment	5,407	0	0	5,407
Depreciation	10,948	10,025	0	20,973
Total Expenses	194,608	42,685	0	237,293
Interest on Loans	25,749	0	0	25,749
Foreign Exchange	24,290	0	0	24,290
	50,039	0	0	50,039
Net Loss	(244,647)	(23,539)	0	(268,185)

Digital Underground Media Inc
Financial Statements
October 31, 2014

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	32,908	7,801	0	40,709
Accounts Receivable	68,282	111,088	0	179,370
Prepays	110,764	87,321	0	198,085
Total Current Assets	211,954	206,210	0	418,164
Systems	0	797,700	0	797,700
F&F	3,431	0	0	3,431
Total Fixed Asset	3,431	797,700	0	801,131
SMM Patent	402,893	0	0	402,893
Sidetrack Assets	5,000	0	0	5,000
TVS License	10,094	0	0	10,094
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	428,336	0	0	428,336
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	1,815,425	1,003,910	(1,171,704)	1,647,631
Liabilities				
A/P	565,666	116,519	0	682,185
Accrued Liabilities	166,117	33,712	0	199,829
Bridge Loan	1,657,026	0	0	1,657,026
Due to SMM	763,004	0	0	763,004
Due to DUM Holdings Inc	168,653	0	0	168,653
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,320,466	558,825	(408,594)	3,470,697
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(365,113)	(26,061)	0	(391,175)
Total Equity	(1,505,042)	445,086	(763,110)	(1,823,066)
Total Equity and Liabilities	1,815,424	1,003,911	(1,171,704)	1,647,631
	(0)	0	0	(0)

Income Statement

October 31, 2014

	Year to Date				Month to Date			
	CDN CO	Brazil CO	Elimination	Combined	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	110,469	0	110,469	0	80,983	0	80,983
Cost of Sales								
Transit Share	0	28,736	0	28,736	0	20,997	0	20,997
Sales Commissions	0	10,413	0	10,413	0	7,812	0	7,812
Operating Costs	0	244	0	244	0	244	0	244
Taxes	0	0	0	0	0	0	0	0
Bonus Volume	0	3,727	0	3,727	0	3,727	0	3,727
Total Cost of Sales	0	43,120	0	43,120	0	32,781	0	32,781
Gross Profit	0	67,349	0	67,349	0	48,203	0	48,203
Expenses								
Salaries	0	61,305	0	61,305	0	35,207	0	35,207
Consulting	9,000	955	0	9,955	4,500	955	0	5,455
Professional Fees	184,336	10,094	0	194,429	39,708	4,479	0	44,187
Rent	3,141	0	0	3,141	1,570	0	0	1,570
Insurance	4,943	0	0	4,943	2,223	0	0	2,223
Interest & Bank Charges	550	1,007	0	1,557	20	59	0	79
Debt Finance Fee	0	0	0	0	0	0	0	0
Office Supplies	1,518	0	0	1,518	260	0	0	260
Phone/Internet	1,219	0	0	1,219	1,219	0	0	1,219
Travel	48,309	0	0	48,309	25,263	0	0	25,263
Meals and Entertainment	9,128	0	0	9,128	3,720	0	0	3,720
Depreciation	21,895	20,049	0	41,944	10,947	10,025	0	20,972
Total Expenses	284,038	93,410	0	377,448	89,431	50,725	0	140,155
Interest on Loans	52,806	0	0	52,806	27,057	0	0	27,057
Foreign Exchange	28,269	0	0	28,269	3,979	0	0	3,979
	81,075	0	0	81,075	31,036	0	0	31,036
Net Loss	(365,113)	(26,061)	0	(391,175)	(120,467)	(2,522)	0	(122,989)

Digital Underground Media Inc
Financial Statements
November 30, 2014

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	6,420	22,170	0	28,590
Accounts Receivable	68,282	53,410	0	121,692
Prepays	110,764	87,321	0	198,085
Total Current Assets	185,466	162,902	0	348,367
Systems	0	787,676	0	787,676
F&F	3,374	0	0	3,374
Total Fixed Asset	3,374	787,676	0	791,049
SMM Patent	392,004	0	0	392,004
Sidetrack Assets	5,000	0	0	5,000
TVS License	10,094	0	0	10,094
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	417,447	0	0	417,447
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	1,777,990	950,577	(1,171,704)	1,556,864
Liabilities				
A/P	573,746	88,371	0	662,117
Accrued Liabilities	163,678	33,712	0	197,390
Bridge Loan	1,673,369	0	0	1,673,369
Due to SMM	784,840	0	0	784,840
Due to DUM Holdings Inc	225,718	0	0	225,718
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,421,350	530,677	(408,594)	3,543,433
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(503,431)	(51,247)	0	(554,678)
Total Equity	(1,643,360)	419,900	(763,110)	(1,986,570)
Total Equity and Liabilities	1,777,990	950,577	(1,171,704)	1,556,864

Income Statement

November 30, 2014

	Year to Date				Month to Date			
	CDN CO	Brazil CO	Elimination	Combined	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	110,469	0	110,469	0	0	0	0
Cost of Sales								
Transit Share	0	28,736	0	28,736	0	0	0	0
Sales Commissions	0	10,413	0	10,413	0	0	0	0
Operating Costs	0	313	0	313	0	69	0	69
Taxes	0	0	0	0	0	0	0	0
Bonus Volume	0	3,727	0	3,727	0	0	0	0
Total Cost of Sales	0	43,189	0	43,189	0	69	0	69
Gross Profit	0	67,280	0	67,280	0	(69)	0	(69)
Expenses								
Salaries	0	73,333	0	73,333	0	12,028	0	12,028
Consulting	23,500	955	0	24,455	14,500	0	0	14,500
Professional Fees	222,403	13,108	0	235,511	38,067	3,014	0	41,082
Rent	4,711	0	0	4,711	1,570	0	0	1,570
Insurance	7,664	0	0	7,664	2,721	0	0	2,721
Interest & Bank Charges	898	1,058	0	1,956	348	51	0	399
Debt Finance Fee	0	0	0	0	0	0	0	0
Office Supplies	8,224	0	0	8,224	6,705	0	0	6,705
Phone/Internet	1,914	0	0	1,914	695	0	0	695
Travel	65,056	0	0	65,056	16,747	0	0	16,747
Meals and Entertainment	10,573	0	0	10,573	1,445	0	0	1,445
Depreciation	32,841	30,074	0	62,915	10,946	10,025	0	20,971
Total Expenses	377,784	118,527	0	496,311	93,745	25,117	0	118,862
Interest on Loans	80,403	0	0	80,403	27,597	0	0	27,597
Foreign Exchange	45,245	0	0	45,245	16,975	0	0	16,975
	125,647	0	0	125,647	44,572	0	0	44,572
Net Loss	(503,431)	(51,247)	0	(554,678)	(138,317)	(25,186)	0	(163,504)

Digital Underground Media Inc
Financial Statements
December 31, 2014

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	325,475	40,640	0	366,115
Accounts Receivable	68,282	7,282	0	75,564
Prepays	110,764	87,321	0	198,085
Total Current Assets	504,521	135,243	0	639,764
Systems	0	777,651	0	777,651
F&F	3,318	0	0	3,318
Total Fixed Asset	3,318	777,651	0	780,969
SMM Patent	381,115	0	0	381,115
Sidetrack Assets	5,000	0	0	5,000
TVS License	10,094	0	0	10,094
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	406,558	0	0	406,558
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,086,101	912,893	(1,171,704)	1,827,290
Liabilities				
A/P	442,638	85,897	0	528,535
Accrued Liabilities	163,256	33,712	0	196,968
Bridge Loan	2,191,739	0	0	2,191,739
Due to SMM	808,195	0	0	808,195
Due to DUM Holdings Inc	225,718	0	0	225,718
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,831,545	528,203	(408,594)	3,951,154
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(605,516)	(86,457)	0	(691,972)
Total Equity	(1,745,444)	384,690	(763,110)	(2,123,864)
Total Equity and Liabilities	2,086,101	912,893	(1,171,704)	1,827,290

Income Statement

December 31, 2014

	Year to Date				Month to Date			
	CDN CO	Brazil CO	Elimination	Combined	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	110,469	0	110,469	0	0	0	0
Cost of Sales								
Transit Share	0	28,736	0	28,736	0	0	0	0
Sales Commissions	0	10,413	0	10,413	0	0	0	0
Operating Costs	0	424	0	424	0	111	0	111
Taxes	0	0	0	0	0	0	0	0
Bonus Volume	0	3,727	0	3,727	0	0	0	0
Total Cost of Sales	0	43,301	0	43,301	0	111	0	111
Gross Profit	0	67,169	0	67,169	0	(111)	0	(111)
Expenses								
Salaries	20,000	93,606	0	113,606	20,000	20,273	0	40,273
Consulting	38,000	955	0	38,955	14,500	0	0	14,500
Professional Fees	199,508	17,860	0	217,368	(22,896)	4,752	0	(18,143)
Rent	6,281	0	0	6,281	1,570	0	0	1,570
Insurance	10,384	0	0	10,384	2,721	0	0	2,721
Interest & Bank Charges	1,042	1,106	0	2,148	145	48	0	193
Debt Finance Fee	15,000	0	0	15,000	15,000	0	0	15,000
Office Supplies	9,930	0	0	9,930	1,707	0	0	1,707
Phone/Internet	1,914	0	0	1,914	0	0	0	0
Travel	73,564	0	0	73,564	8,508	0	0	8,508
Meals and Entertainment	11,074	0	0	11,074	501	0	0	501
Depreciation	43,787	40,099	0	83,885	10,945	10,025	0	20,970
Total Expenses	430,485	153,625	0	584,110	52,701	35,098	0	87,799
Interest on Loans	110,279	0	0	110,279	29,877	0	0	29,877
Foreign Exchange	64,751	0	0	64,751	19,507	0	0	19,507
	175,031	0	0	175,031	49,383	0	0	49,383
Net Loss	(605,516)	(86,457)	0	(691,972)	(102,085)	(35,210)	0	(137,294)

Digital Underground Media Inc
Financial Statements
January 31, 2015

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	9,610	15,817	0	25,427
Accounts Receivable	63,647	49,631	0	113,278
Prepays	124,679	85,421	0	210,100
Total Current Assets	197,936	150,869	0	348,805
Systems	0	767,626	0	767,626
F&F	3,262	0	0	3,262
Total Fixed Asset	3,262	767,626	0	770,889
SMM Patent	370,226	0	0	370,226
Sidetrack Assets	5,000	0	0	5,000
TVS License	346,794	0	0	346,794
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	732,369	0	0	732,369
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,105,271	918,496	(1,171,704)	1,852,063
Liabilities				
A/P	449,562	74,995	0	524,557
Accrued Liabilities	50,118	51,736	0	101,854
Bridge Loan	2,214,077	0	0	2,214,077
Due to SMM	768,556	0	0	768,556
Due to DUM Holdings Inc	389,519	0	0	389,519
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,871,832	535,325	(408,594)	3,998,563
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(626,632)	(87,976)	0	(714,608)
Total Equity	(1,766,560)	383,170	(763,110)	(2,146,500)
Total Equity and Liabilities	2,105,271	918,496	(1,171,704)	1,852,063

Income Statement

January 31, 2015

	Year to Date				Month to Date			
	CDN CO	Brazil CO	Elimination	Combined	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	160,505	0	160,505	0	50,036	0	50,036
Cost of Sales								
Transit Share	0	46,248	0	46,248	0	17,512	0	17,512
Sales Commissions	0	22,922	0	22,922	0	12,509	0	12,509
Operating Costs	0	894	0	894	0	470	0	470
Taxes	0	0	0	0	0	0	0	0
Bonus Volume	0	3,727	0	3,727	0	0	0	0
Total Cost of Sales	0	73,792	0	73,792	0	30,491	0	30,491
Gross Profit	0	86,713	0	86,713	0	19,544	0	19,544
Expenses								
Salaries	12,214	104,697	0	116,911	(7,786)	11,091	0	3,305
Consulting	52,500	(1,301)	0	51,199	14,500	(2,255)	0	12,245
Professional Fees	80,208	19,831	0	100,039	(119,300)	1,971	0	(117,329)
Rent	7,852	0	0	7,852	1,570	0	0	1,570
Insurance	13,105	0	0	13,105	2,721	0	0	2,721
Interest & Bank Charges	1,371	1,339	0	2,709	328	233	0	561
Debt Finance Fee	19,500	0	0	19,500	4,500	0	0	4,500
Office Supplies	10,191	0	0	10,191	260	0	0	260
Phone/Internet	1,914	0	0	1,914	0	0	0	0
Travel	88,564	0	0	88,564	15,000	0	0	15,000
Meals and Entertainment	11,074	0	0	11,074	0	0	0	0
Depreciation	54,731	50,123	0	104,854	10,944	10,025	0	20,969
Total Expenses	353,223	174,689	0	527,912	(77,262)	21,064	0	(56,198)
Interest on Loans	152,369	0	0	152,369	42,089	0	0	42,089
Foreign Exchange	121,041	0	0	121,041	56,289	0	0	56,289
	273,409	0	0	273,409	98,379	0	0	98,379
Net Loss	(626,632)	(87,976)	0	(714,608)	(21,116)	(1,520)	0	(22,636)

Digital Underground Media Inc
Financial Statements
February 28, 2015

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	6,561	1,084	0	7,645
Accounts Receivable	62,535	85,155	0	147,690
Prepays	122,108	79,173	0	201,281
Total Current Assets	191,204	165,412	0	356,616
Systems	0	771,897	0	771,897
F&F	3,208	0	0	3,208
Total Fixed Asset	3,208	771,897	0	775,105
SMM Patent	359,337	0	0	359,337
Sidetrack Assets	5,000	0	0	5,000
TVS License	346,794	0	0	346,794
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	721,480	0	0	721,480
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,087,597	937,308	(1,171,704)	1,853,201
Liabilities				
A/P	483,103	113,946	0	597,049
Accrued Liabilities	111,550	50,859	0	162,409
Bridge Loan	2,234,458	0	0	2,234,458
Due to SMM	764,391	0	0	764,391
Due to DUM Holdings Inc	402,521	0	0	402,521
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	3,996,023	573,398	(408,594)	4,160,828
Equity				
Common	3,105,736	763,110	(763,110)	3,105,736
Share Premium	42,280			42,280
Deficit	(4,287,946)	(291,963)	0	(4,579,909)
Profit (loss) for period	(768,498)	(107,237)	0	(875,734)
Total Equity	(1,908,426)	363,910	(763,110)	(2,307,626)
Total Equity and Liabilities	2,087,597	937,309	(1,171,704)	1,853,202
	0	0	0	1

(0)

Income Statement

February 28, 2015

	Year to Date				Month to Date			
	CDN CO	Brazil CO	Elimination	Combined	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	195,507	0	195,507	0	35,002	0	35,002
Cost of Sales								
Transit Share	0	55,758	0	55,758	0	9,510	0	9,510
Sales Commissions	0	19,443	0	19,443	0	(3,480)	0	(3,480)
Operating Costs	0	885	0	885	0	(9)	0	(9)
Taxes	0	21,343	0	21,343	0	21,343	0	21,343
Bonus Volume	0	5,765	0	5,765	0	2,038	0	2,038
Total Cost of Sales	0	103,194	0	103,194	0	29,402	0	29,402
Gross Profit	0	92,313	0	92,313	0	5,600	0	5,600
Expenses								
Salaries	12,214	103,605	0	115,818	0	(1,093)	0	(1,093)
Consulting	67,000	9,275	0	76,275	14,500	10,576	0	25,076
Professional Fees	162,697	18,583	0	181,280	82,489	(1,248)	0	81,241
Rent	9,422	0	0	9,422	1,570	0	0	1,570
Insurance	15,826	0	0	15,826	2,721	0	0	2,721
Interest & Bank Charges	2,924	1,344	0	4,269	1,554	6	0	1,559
Debt Finance Fee	19,500	0	0	19,500	0	0	0	0
Office Supplies	11,282	0	0	11,282	1,092	0	0	1,092
Phone/Internet	3,467	0	0	3,467	1,553	0	0	1,553
Travel	96,160	0	0	96,160	7,596	0	0	7,596
Meals and Entertainment	14,913	0	0	14,913	3,839	0	0	3,839
Depreciation	65,674	60,148	0	125,822	10,943	10,025	0	20,968
Total Expenses	481,079	192,955	0	674,034	127,857	18,266	0	146,123
Interest on Loans	185,021	0	0	185,021	32,652	0	0	32,652
Foreign Exchange	102,398	6,595	0	108,992	(18,643)	6,595	0	(12,049)
	287,418	6,595	0	294,013	14,009	6,595	0	20,603
Net Loss	(768,498)	(107,237)	0	(875,734)	(141,866)	(19,260)	0	(161,126)

Digital Underground Media Inc
Financial Statements
March 31, 2015

Balance Sheet

	CDN CO	Brazil CO	Spanish CO	Elimination	Combined
Cash	10,152	9,695	0	0	19,848
Accounts Receivable	40,000	77,406	0	0	117,407
Prepays	121,846	71,379	0	0	193,225
Total Current Assets	171,998	158,480	0	0	330,479
Systems	0	761,872	0	0	761,872
F&F	3,155	0	0	0	3,155
Total Fixed Asset	3,155	761,872	0	0	765,027
SMM Patent	348,448	0	0	0	348,448
Sidetrack Assets	5,000	0	0	0	5,000
TVS License	365,787	0	0	0	365,787
Spanish Company	10,349	0	0	0	10,349
Total Intangible Assets	729,584	0	0	0	729,584
Due from Sub	408,594	0	0	(408,594)	0
Investment in Brazil	763,110	0	0	(763,110)	0
Total Assets	2,076,441	920,353	0	(1,171,704)	1,825,090
Liabilities					
A/P	548,976	99,566	55,571	0	704,113
Accrued Liabilites	92,617	66,353	0	0	158,971
Bridge Loan	2,191,046	0	0	0	2,191,046
Due to SMM	784,380	0	0	0	784,380
Due to DUM Holdings Inc	476,144	0	0	0	476,144
Due to Parent Co	0	408,594	0	(408,594)	0
Total Liabilities	4,093,163	574,514	55,571	(408,594)	4,314,653
Equity					
Common	3,148,017	763,110	0	(763,110)	3,148,017
Deficit	(4,290,154)	(289,754)	0	0	(4,579,909)
Profit (loss) for period	(874,584)	(127,517)	(55,571)	0	(1,057,672)
Total Equity	(2,016,722)	345,838	(55,571)	(763,110)	(2,489,564)
Total Equity and Liabilities	2,076,442	920,352	0	(1,171,704)	1,825,090
	0	(1)		0	(0)

Digital Underground Media Inc
Financial Statements
March 31, 2015

Income Statement

	CDN CO	Brazil CO	Spanish CO	Elimination	Combined
Revenue	0	246,900	0	0	246,900
Cost of Sales					
Transit Share	0	73,518	55,571	0	129,088
Sales Commissions	0	24,582	0	0	24,582
Operating Costs	0	988	0	0	988
Revenue Taxes	0	23,912	0	0	23,912
Bonus Volume	0	8,367	0	0	8,367
Total Cost of Sales	0	131,367	55,571	0	186,937
Gross Profit	0	115,533	(55,571)	0	59,963
Expenses					
Salaries	12,214	120,095	0	0	132,309
Consulting	81,500	9,610	0	0	91,110
Professional Fees	208,337	21,854	0	0	230,190
Rent	10,992	0	0	0	10,992
Insurance	15,826	0	0	0	15,826
Interest & Bank Charges	3,083	1,394	0	0	4,477
Debt Finance Fee	19,500	0	0	0	19,500
Office Supplies	11,543	0	0	0	11,543
Phone/Internet	3,467	0	0	0	3,467
Travel	96,420	0	0	0	96,420
Meals and Entertainment	14,913	0	0	0	14,913
Depreciation	76,617	70,172	0	0	146,789
Total Expenses	554,410	223,126	0	0	777,536
Interest on Loans	150,532	0	0	0	150,532
Accretion on SMM Loan	71,215	0	0	0	71,215
Foreign Exchange	98,427	19,925	0	0	118,352
	320,174	19,925	0	0	340,099
Net Loss	(874,584)	(127,517)	(55,571)	0	(1,057,672)

Exchange Rates as at	31-Mar-15
USD	1.25695
Euro	1.364141
Real	0.396549

Digital Underground Media Inc
Financial Statements
April 30, 2015

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	26,146	33,623	0	59,769
Accounts Receivable	42,350	51,991	0	94,341
Prepays	118,158	72,210	0	190,368
Total Current Assets	186,654	157,824	0	344,478
Systems	0	751,847	0	751,847
F&F	3,101	0	0	3,101
Total Fixed Asset	3,101	751,847	0	754,949
SMM Patent	337,559	0	0	337,559
Sidetrack Assets	5,000	0	0	5,000
TVS License	362,739	0	0	362,739
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	715,647	0	0	715,647
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,077,106	909,672	(1,171,704)	1,815,074
Liabilities				
A/P	579,451	106,163	0	685,614
Accrued Liabilites	90,765	79,142	0	169,907
Bridge Loan	2,191,046	0	0	2,191,046
Due to SMM	637,115	0	0	637,115
Due to JD Craig	275,000	0	0	275,000
Due to DUM Holdings Inc	480,058	0	0	480,058
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	4,253,434	593,899	(408,594)	4,438,739
Equity				
Common	3,148,017	763,110	(763,110)	3,148,017
Deficit	(4,290,154)	(289,754)	0	(4,579,908)
Profit (loss) for period	(1,034,192)	(157,583)	0	(1,191,774)
Total Equity	(2,176,329)	315,773	(763,110)	(2,623,666)
Total Equity and Liabilities	2,077,106	909,672	(1,171,704)	1,815,074
	(0)	0	0	(0)

Digital Underground Media Inc
Financial Statements
April 30, 2015

Income Statement

	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	273,023	0	273,023
Cost of Sales				
Transit Share	61,288	82,164	0	143,451
Sales Commissions	0	24,582	0	24,582
Operating Costs	0	1,092	0	1,092
Revenue Taxes	0	53,106	0	53,106
Bonus Volume	0	8,367	0	8,367
Total Cost of Sales	61,288	169,311	0	230,598
Gross Profit	(61,288)	103,713	0	42,425
Expenses				
Salaries	12,214	132,347	0	144,561
Consulting	96,000	9,776	0	105,776
Professional Fees	259,704	31,444	0	291,148
Rent	12,563	0	0	12,563
Insurance	15,826	0	0	15,826
Interest & Bank Charges	3,564	1,457	0	5,021
Debt Finance Fee	19,500	0	0	19,500
Office Supplies	12,168	0	0	12,168
Phone/Internet	4,587	0	0	4,587
Travel	101,772	0	0	101,772
Meals and Entertainment	15,395	0	0	15,395
Depreciation	90,606	80,197	0	170,804
Total Expenses	643,899	255,220	0	899,120
Interest on Loans	177,626	0	0	177,626
Accretion on SMM Loan	79,815	0	0	79,815
Foreign Exchange	71,564	6,075	0	77,639
	329,005	6,075	0	335,080
Net Loss	(1,034,192)	(157,583)	0	(1,191,774)

Exchange Rates as at 30-Apr-15
 USD 1.21
 Euro 1.355926
 Real 0.401168

Digital Underground Media Inc
Financial Statements
May 31, 2015

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	16,803	32,944	0	49,747
Accounts Receivable	43,608	2,058	0	45,667
Prepays	121,024	70,584	0	191,609
Total Current Assets	181,435	105,587	0	287,023
Systems	0	741,823	0	741,823
F&F	3,050	0	0	3,050
Total Fixed Asset	3,050	741,823	0	744,873
SMM Patent	326,670	0	0	326,670
Sidetrack Assets	5,000	0	0	5,000
TVS License	356,643	0	0	356,643
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	698,662	0	0	698,662
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,054,850	847,410	(1,171,704)	1,730,557
Liabilities				
A/P	775,977	90,104	0	866,082
Accrued Liabilities	87,278	73,326	0	160,604
Bridge Loan	2,213,377	0	0	2,213,377
Due to SMM	664,959	0	0	664,959
Due to JD Craig	275,000	0	0	275,000
Due to DUM Holdings Inc	484,135	0	0	484,135
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	4,500,726	572,024	(408,594)	4,664,156
Equity				
Common	3,148,017	763,110	(763,110)	3,148,017
Deficit	(4,290,154)	(289,754)	0	(4,579,908)
Profit (loss) for period	(1,303,739)	(197,970)	0	(1,501,709)
Total Equity	(2,445,876)	275,386	(763,110)	(2,933,600)
Total Equity and Liabilities	2,054,850	847,410	(1,171,704)	1,730,557
	(0)	0	0	(0)

Digital Underground Media Inc
Financial Statements
May 31, 2015

Income Statement

	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	279,452	0	279,452
Cost of Sales				
Transit Share	84,254	84,836	0	169,090
Sales Commissions	0	27,656	0	27,656
Operating Costs	0	1,194	0	1,194
Revenue Taxes	0	53,703	0	53,703
Bonus Volume	0	8,945	0	8,945
Total Cost of Sales	84,254	176,334	0	260,588
Gross Profit	(84,254)	103,118	0	18,864
Expenses				
Salaries	12,214	150,698	0	162,912
Consulting	110,500	10,088	0	120,588
Professional Fees	383,466	40,084	0	423,550
Rent	12,563	0	0	12,563
Insurance	21,732	0	0	21,732
Interest & Bank Charges	4,420	1,511	0	5,931
Debt Finance Fee	19,500	0	0	19,500
Office Supplies	16,188	0	0	16,188
Phone/Internet	6,382	0	0	6,382
Travel	117,759	0	0	117,759
Meals and Entertainment	16,993	0	0	16,993
Depreciation	107,644	90,222	0	197,865
Total Expenses	829,361	292,602	0	1,121,963
Interest on Loans	205,881	0	0	205,881
Accretion on SMM Loan	88,730	0	0	88,730
Foreign Exchange	95,513	8,486	0	103,999
	390,124	8,486	0	398,610
Net Loss	(1,303,739)	(197,970)	0	(1,501,709)

Exchange Rates as at	31-May-15
USD	1.24595
Euro	1.364328
Real	0.392136

Digital Underground Media Inc
Financial Statements
June 30th, 2015

Balance Sheet

	CDN CO	Brazil CO	Elimination	Combined
Cash	32,216	10,958	0	43,173
Accounts Receivable	43,712	28,889	0	72,601
Prepays	121,780	72,270	0	194,050
Total Current Assets	197,708	112,117	0	309,824
Systems	0	731,798	0	731,798
F&F	3,000	0	0	3,000
Total Fixed Asset	3,000	731,798	0	734,798
SMM Patent	315,781	0	0	315,781
Sidetrack Assets	5,000	0	0	5,000
TVS License	353,594	0	0	353,594
Spanish Company	10,349	0	0	10,349
Total Intangible Assets	684,724	0	0	684,724
Due from Sub	408,594	0	(408,594)	0
Investment in Brazil	763,110	0	(763,110)	0
Total Assets	2,057,135	843,915	(1,171,704)	1,729,346
Liabilities				
A/P	771,770	99,129	0	870,899
Accrued Liabilites	96,206	84,669	0	180,875
Bridge Loan	2,235,207	0	0	2,235,207
Due to SMM	675,299	0	0	675,299
Due to JD Craig	360,000	0	0	360,000
Due to DUM Holdings Inc	488,114	0	0	488,114
Due to Parent Co	0	408,594	(408,594)	0
Total Liabilities	4,626,596	592,391	(408,594)	4,810,393
Equity				
Common	3,148,017	763,110	(763,110)	3,148,017
Deficit	(4,290,154)	(289,754)	0	(4,579,908)
Profit (loss) for period	(1,427,324)	(221,832)	0	(1,649,156)
Total Equity	(2,569,461)	251,524	(763,110)	(3,081,047)
Total Equity and Liabilities	2,057,135	843,915	(1,171,704)	1,729,346
	(0)	0	0	(0)

Digital Underground Media Inc
Financial Statements
June 30th, 2015

Income Statement

	CDN CO	Brazil CO	Elimination	Combined
Revenue	0	363,029	0	363,029
Cost of Sales				
Transit Share	107,665	119,583	0	227,248
Sales Commissions	0	34,482	0	34,482
Operating Costs	0	1,298	0	1,298
Revenue Taxes	0	68,698	0	68,698
Bonus Volume	0	16,467	0	16,467
Total Cost of Sales	107,665	240,528	0	348,193
Gross Profit	(107,665)	122,502	0	14,836
Expenses				
Salaries	12,214	173,136	0	185,350
Consulting	125,000	13,317	0	138,317
Professional Fees	413,599	49,110	0	462,709
Rent	12,563	0	0	12,563
Insurance	23,701	0	0	23,701
Interest & Bank Charges	4,596	1,547	0	6,142
Debt Finance Fee	19,500	0	0	19,500
Office Supplies	16,188	0	0	16,188
Phone/Internet	6,382	0	0	6,382
Travel	117,759	0	0	117,759
Meals and Entertainment	16,993	0	0	16,993
Depreciation	121,632	100,246	0	221,879
Total Expenses	890,127	337,356	0	1,227,483
Interest on Loans	231,690	0	0	231,690
Interest on SMM Loan	97,495	0	0	97,495
Foreign Exchange	100,346	6,978	0	107,323
	429,531	6,978	0	436,509
Net Loss	(1,427,324)	(221,832)	0	(1,649,156)

Exchange Rates as at	30-Jun-15
USD	1.2489
Euro	1.3908
Real	0.401499

SCHEDULE "C"
ARTICLES AND BY-LAWS OF THE CORPORATION

(see attached)

Request ID: 011878928
Demande n°:
Transaction ID: 040364244
Transaction n°:
Category ID: CT
Catégorie:

Province of Ontario
Province de l'Ontario
Ministry of Government Services
Ministère des Services gouvernementaux

Date Report Produced: 2010/01/19
Document produit le:
Time Report Produced: 12:20:33
Imprimé à:

Certificate of Incorporation Certificat de constitution

This is to certify that

Ceci certifie que

DIGITAL UNDERGROUND MEDIA INC.

Ontario Corporation No.

Numéro matricule de la personne morale en
Ontario

002230983

is a corporation incorporated,
under the laws of the Province of Ontario.

est une société constituée aux termes
des lois de la province de l'Ontario.

These articles of incorporation
are effective on

Les présents statuts constitutifs
entrent en vigueur le

JANUARY 19 JANVIER, 2010



Director/Directrice

Business Corporations Act/Loi sur les sociétés par actions

Page: 1

Request ID / Demande n°

Ontario Corporation Number
Numéro de la compagnie en Ontario

11878928

2230983

FORM 1

FORMULE NUMÉRO 1

BUSINESS CORPORATIONS ACT

/

LOI SUR LES SOCIÉTÉS PAR ACTIONS

ARTICLES OF INCORPORATION
STATUTS CONSTITUTIFS

1. The name of the corporation is: *Dénomination sociale de la compagnie:*
DIGITAL UNDERGROUND MEDIA INC.
2. The address of the registered office is: *Adresse du siège social:*
181 BAY STREET Suite 2100
(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit édifice à bureau, numéro du bureau)
TORONTO ONTARIO
CANADA M5J 2T3
(Name of Municipality or Post Office) (Postal Code/Code postal)
(Nom de la municipalité ou du bureau de poste)
3. Number (or minimum and maximum number) of directors is: *Nombre (ou nombres minimal et maximal) d'administrateurs:*
Minimum 1 Maximum 10
4. The first director(s) is/are: *Premier(s) administrateur(s):*
First name, initials and surname *Resident Canadian State Yes or No*
Prénom, initiales et nom de famille Résident Canadien Oui/Non
Address for service, giving Street & No. *Domicile élu, y compris la rue et le*
or R.R. No., Municipality and Postal Code *numéro, le numéro de la R.R., ou le nom*
de la municipalité et le code postal
- * DREW YES
CRAIG
24 HAZELTON AVE.
TORONTO ONTARIO
CANADA M5R 2E2

Page: 2

Request ID / Demande n°

Ontario Corporation Number
Numéro de la compagnie en Ontario

11878928

2230983

-
5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la compagnie.

No restrictions.

6. The classes and any maximum number of shares that the corporation is authorized to issue:
Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre.

An unlimited number of common shares.

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11878928

2230983

-
7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

As prescribed by the Business Corporations Act.

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2230983

-
8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:
L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:

No shares issued by the Corporation shall be transferred without the approval of:

(a) the directors of the Corporation, expressed by a resolution of the board of directors;

or

(b) the shareholders of the Corporation, expressed by a resolution of the shareholders.

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Numéro de la compagnie en Ontario

11878928

2230983

9. Other provisions, (if any, are):
Autres dispositions, s'il y a lieu:

It shall be a condition of these Articles that:

1. The number of shareholders of the Corporation, exclusive of persons who are in its employment and exclusive of persons who, having been formerly in the employment of the Corporation, were, while in that employment, and have continued after the termination of that employment to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered owners of one or more shares being counted as one shareholder.

2. Any invitation to the public to subscribe for securities of the Corporation is prohibited.

3. No securities, other than non-convertible debt securities, shall be transferred without

(a) the approval of

(i) the directors of the Corporation, expressed by a resolution of the directors; or

ii) the shareholders of the Corporation, expressed by a resolution of the shareholders; or alternatively

(b) compliance with the restrictions contained in any security holders' agreement if the transfer of such securities is restricted by a security holders' agreement.

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11878928

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-
10. The names and addresses of the incorporators are
Nom et adresse des fondateurs

First name, initials and last name
or corporate name

*Prénom, initiale et nom de
famille ou dénomination sociale*

Full address for service or address of registered office or of principal place of business
giving street & No. or R.R. No., municipality and postal code
*Domicile élu, adresse du siège social ou adresse de l'établissement principal, y compris
la rue et le numéro, le numéro de la R.R., le nom de la municipalité et le code postal*

* DREW CRAIG

24 HAZELTON AVE.

TORONTO ONTARIO
CANADA M5R 2E2

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Government Services

Ministère des
Services gouvernementaux

**Ontario
CERTIFICATE**

This is to certify that these articles
are effective on

CERTIFICAT

Ceci certifie que les présents statuts
entrent en vigueur le

MAY 06 MAI, 2010

Ontario Corporation Number
Numéro de la société en Ontario

2230983

Director / Directrice

Business Corporations Act / Loi sur les sociétés par actions

**ARTICLES OF AMENDMENT
STATUTS DE MODIFICATION**

Form 3
Business
Corporations
Act

Formule 3
Loi sur les
sociétés par
actions

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)
Dénomination sociale actuelle de la société (écrire en LETTRES MAJUSCULES SEULEMENT) :

D	I	G	I	T	A	L		U	N	D	E	R	G	R	O	U	N	D		M	E	D	I	A		I	N	C	.

2. The name of the corporation is changed to (if applicable): (Set out in BLOCK CAPITAL LETTERS)
Nouvelle dénomination sociale de la société (s'il y a lieu) (écrire en LETTRES MAJUSCULES SEULEMENT) :

3. Date of incorporation/amalgamation:
Date de la constitution ou de la fusion :

2010/01/19

(Year, Month, Day)
(année, mois, jour)

4. **Complete only if there is a change in the number of directors or the minimum / maximum number of directors.**
Il faut remplir cette partie seulement si le nombre d'administrateurs ou si le nombre minimal ou maximal d'administrateurs a changé.

Number of directors is/are: minimum and maximum number of directors is/are:
Nombre d'administrateurs : nombres minimum et maximum d'administrateurs :

Number minimum and maximum
Nombre minimum et maximum

or

5. The articles of the corporation are amended as follows:
Les statuts de la société sont modifiés de la façon suivante :

See attached pages 1A - 1B

- (a) To create an unlimited number of Preferred shares;
- (b) To declare that the authorized capital of the Corporation after giving effect to the foregoing shall consist of an unlimited number of Common shares and an unlimited number of Preferred shares;
- (c) To attach to the Preferred shares and the Common shares the following rights, privileges, restrictions and conditions:

Common Shares

1. The holders of the common shares shall be entitled to receive, as and when properly declared by the board of directors of the Corporation dividends on the common shares at any time outstanding which the directors may determine to declare and pay in any fiscal year of the Corporation.
2. In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the common shares shall be entitled to receive the remaining property and assets of the Corporation.
3. At all meetings of the shareholders, the holders of the common shares of the Corporation shall be entitled to one (1) vote for each common share held by them.
4. Any amendment to the articles of the Corporation to delete or vary any right, privilege, restriction or condition attaching to the common shares or to create shares ranking in priority to or on a parity with the common shares, in addition to the authorization by special resolution, shall be authorized by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the common shares duly called for that purpose.

Preferred Shares

1. The holders of the Preferred Shares shall not be entitled to receive dividends.
2. The holders of the Preferred Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting; the holders of the Special Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all the property of the Corporation other than in the ordinary course of business of the Corporation under subsection 184(3) of the Business Corporations Act, R.S.O. 1990, c. B. 16.
3. In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Special Shares shall be

entitled to receive, before any distribution of any part of the assets of the Corporation among the holders of the common shares, an amount equal to the amount paid up thereon, and any dividends declared thereon and unpaid and no more.

4. The Corporation may, upon giving notice as hereinafter provided, redeem the whole of the Preferred Shares on payment of the aggregate amount of \$300,000. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Corporation in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada, as specified in the notice, on or before the date fixed for redemption. Notice of such redemption may be waived by the holders of the Preferred Shares to be redeemed.

5. The holders of Preferred Shares shall be entitled to require the Corporation to redeem at any time after a minimum of two years after the initial date of issuance of the Preferred Shares, all of the Preferred Shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office share certificates representing the Preferred Shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying that the registered holder desires to have the Preferred Shares represented by such certificate redeemed by the Corporation, the aggregate price to be paid upon such redemption to be the amount of \$300,000. The Corporation shall tender payment in full for such Preferred Shares within thirty (30) days of receipt of notice from the registered holder of the Preferred Shares.

6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2010/05/06

(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

DIGITAL UNDERGROUND MEDIA INC.

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une).

By/
Par :

(Signature)
(Signature)

President
(Description of Office)
(Fonction)

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Ministry of
Government Services

Ministère des
Services gouvernementaux

Ontario

CERTIFICATE
This is to certify that these
articles are effective on

CERTIFICAT
Ceci certifie que les présents
statuts entrent en vigueur le

JULY 27 JUILLET, 2015

Ontario Corporation Number
Numéro de la société en Ontario

2230983

17

Director / Directeur
Business Corporations Act / Loi sur les sociétés par actions

Form 3
Business
Corporations
Act

Formule 3
Loi sur les
sociétés par
actions

**ARTICLES OF AMENDMENT
STATUTS DE MODIFICATION**

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)
Dénomination sociale actuelle de la société (écrire en LETTRES MAJUSCULES SEULEMENT) :

D	I	G	I	T	A	L	U	N	D	E	R	G	R	O	U	N	D	M	E	D	I	A	I	N	C	.

2. The name of the corporation is changed to (if applicable) : (Set out in BLOCK CAPITAL LETTERS)
Nouvelle dénomination sociale de la société (s'il y a lieu) (écrire en LETTRES MAJUSCULES SEULEMENT) :

3. Date of incorporation/amalgamation:
Date de la constitution ou de la fusion :

2010-01-19

(Year, Month, Day)
(année, mois, jour)

4. Complete only if there is a change in the number of directors or the minimum / maximum number of directors.
Il faut remplir cette partie seulement si le nombre d'administrateurs ou si le nombre minimal ou maximal d'administrateurs a changé.

Number of directors is/are: minimum and maximum number of directors is/are:
Nombre d'administrateurs : nombres minimum et maximum d'administrateurs :

Number minimum and maximum
Nombre minimum et maximum

or

5. The articles of the corporation are amended as follows:
Les statuts de la société sont modifiés de la façon suivante :

See attached pages 1A to 1P.

The Articles of the Corporation be and the same are hereby amended as follows:

1. to create an unlimited number of Class A Common Shares; and
2. to redesignate all of the authorized and issued and outstanding common shares of the Corporation as Class B Common Shares on the basis of 100 Class B Common Shares for each common share outstanding, rounded to the nearest whole;
3. to eliminate the preferred shares of the Corporation;
4. to declare that effective immediately following the issuance of the Certificate of Articles of Amendment as provided herein the authorized capital of the Corporation shall consist of:
 - (a) an unlimited number of Class A Common Shares; and
 - (b) an unlimited number of Class B Common Shares;
5. to provide that (i) the rights, privileges, restrictions and conditions attached to the Class B Common Shares are amended and restated as hereinafter set forth, and (ii) the Class A Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

PART 1: INTERPRETATION

1.1 Definitions:

For the purpose of these share provisions:

“**Act**” means *Business Corporations Act* (Ontario);

“**Aggregate Class A Common Share Catch-Up Amount**” means with respect to the Class A Common Shares, the Class A Common Share Catch-Up Amount in respect of all outstanding Class A Common Shares;

“**Aggregate Class A Common Redemption Amount**” means, with respect to the Class A Common Shares of the Corporation, an amount equal to:

- (a) if, at the relevant time, the Equity Value in the Corporation is \$30,000,000 or lower, the Investment Amount;
- (b) if, at the relevant time, the Equity Value in the Corporation is between \$30,000,000.01 and \$130,000,000.00, the amount determined by the formula:

$$(A \times B + C) \times D$$

where:

A = - 0.00000001;

B = Equity Value;

C = 1.3; and

D = Investment Amount;

and

- (c) if, at the relevant time, the Equity Value in the Corporation exceeds \$130,000,000.01, \$0;

“**Business**” means, collectively, the business of the Corporation, carried on or to be carried on by the Corporation and its Subsidiaries, at any relevant time, including owning and operating a digital media advertising business and related infrastructure and businesses, including the development and operation of underground advertising systems in underground transit tunnels;

“**Class A Common Share Catch-Up Amount**” means, at the relevant time:

- (a) where the IRR Threshold is or has been exceeded, nil;
- (b) where the IRR Threshold is and has not been exceeded, the amount necessary for the holders of Class A Common Shares outstanding at that time to have achieved the IRR Threshold upon the conclusion of the relevant liquidation, dissolution, winding up or Liquidity Event, as applicable.

“**Class A Common Share Percentage**” has the meaning given to it in Section 5.2(b) of the Class A Common Share Provisions;

“**Class A Common Share Vote**” means, at the relevant time, in respect of each Class A Common Share (i) in respect of a class vote, one vote; and (ii) at any other time, the number of votes determined by the following formula:

$$\frac{(E \times F)}{G}$$

where

E = the Class A Proportionate Interest;

F = the aggregate number of Common Shares outstanding; and

G = the aggregate number of Class A Common Shares outstanding;

“**Class A Common Shares**” means class A common shares in the capital of the Corporation;

“Class A Common Share Proportionate Interest” means, at the relevant time, the number given by the formula:

$$\frac{(H \times I) + J}{(H \times I) + J + H + K}$$

where

H = the sum of (i) 541,813 (being the outstanding number of each of the Class A Common Shares and Class B Common Shares immediately following the Closing); plus (ii) the number of Class B Common Shares issued pursuant to any transactions contemplated by Section 4.8 of the Unanimous Shareholders' Agreement;

I = (i) prior to the Redemption Notice, 1.0; and (ii) following the Redemption Notice, the result of: (A) the Investment Amount immediately prior to the Redemption Notice; divided by (B) the hypothetical Investment Amount had the funding in respect of which the Redemption Notice was issued been completed;

J = the result of (i) the number of Class A Common Shares outstanding at the relevant time; minus (ii) 541,813 (being the outstanding number of Class A Common Shares immediately following the Closing); and

K = the result of (i) the number of Class B Common Shares outstanding at the relevant time; minus (ii) H;

“Class B Common Share Proportionate Interest” means, at the relevant time, the number determined by (i) 1.0; minus (ii) the Class A Common Share Proportionate Interest;

“Class B Common Share Vote” means, at the relevant time, in respect of each Class B Common Share (i) in respect of a class vote, one vote; and (ii) at any other time, the the number of votes determined by the following formula:

$$\frac{(L \times M)}{N}$$

where

L = the Class B Common Share Proportionate Interest;

M = the aggregate number of Common Shares outstanding; and

N = the aggregate number of Class B Common Shares outstanding;

“Class B Common Shares” means class B common shares in the capital of the Corporation;

“Closing” has the meaning given to it in the Subscription & Investment Agreement;

“Common Shares” means the Class A Common Shares and the Class B Common Shares;

“Control” means, when applied to the relationship between a Person or group of Persons and a corporation, the beneficial ownership by such Person(s) at the relevant time of shares of such corporation carrying more than the greater of (i) 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation; and (ii) the percentage of voting rights ordinarily exercisable at meetings of shareholders of such corporation that are sufficient to elect a majority of the directors of such corporation, and the words **“Controlled by”**, **“Controlling”** and similar words have corresponding meanings; provided that a Person or group of Persons who Control a corporation shall be deemed to Control a corporation which is Controlled by such corporation and so on;

“Conversion Value” means the value of the equity in the Corporation as a going concern in a manner consistent with the value of the Corporation established for the purposes of the Initial Public Offering;

“Corporation” means Digital Underground Media Inc.;

“Equity Value” means:

(a) the total amount of consideration (whether in the form of cash, securities or other property) delivered, paid, available to be paid or deemed to be available to be paid, as applicable, to the holders of Common Shares and any other class of shares in the capital of the Corporation, as determined:

(i) pursuant to the liquidation, dissolution or winding up of the Corporation (taken as a single transaction);

(ii) pursuant to a Liquidity Event transaction (other than an Initial Public Offering) where the consideration for such transaction was paid or is payable to the Corporation, as if the Corporation were deemed to make a liquidating distribution upon the consummation of such Liquidity Event transaction; or

(iii) pursuant to a Liquidity Event transaction (other than an Initial Public Offering) where the consideration for such transaction was paid directly to the shareholders of the Corporation; or

(b) in the case of an Initial Public Offering, the Conversion Value; or

(c) in all other circumstances, the Fair Market Value of the Common Shares and any other class of shares in the capital of the Corporation.

“Fair Market Value” means, in respect of assets other than securities, their fair market value as determined in good faith by the board of directors of the Corporation, and in respect of securities:

- (a) if such securities are not subject to any statutory hold periods or contractual restrictions on transfer:
- (i) if traded on one or more securities exchanges or markets, the weighted average of the closing prices of such securities on the exchange or market on which the securities are primarily traded over the 30-day period ending three trading days prior to the relevant date;
 - (ii) if actively traded over-the-counter, the weighted average of the closing bid or sale prices (whichever are applicable) over the 30-day period ending three trading days prior to the relevant date; or
 - (iii) if there is no active public market, the fair market value of such securities as determined in good faith by the board of directors of the corporation, but no discount or premium is to be applied to their valuation on the basis of the securities constituting a minority block or a majority block of securities; or
- (b) if such securities are subject to statutory hold periods or contractual restrictions on transfer, or both, the fair market value of such securities as determined by applying an appropriate discount, as determined in good faith by the board of directors, to the value as calculated in accordance with subsection (a) above; but if any Majority Holders object to any determination by the board of directors of the Corporation and notify the board of directors of such objection within ten days of receiving notice of such determination, the Corporation and the Majority Holders will, within ten days following such ten-day period, jointly appoint an independent valuator that is a nationally recognized investment banking firm or business valuation firm with media advertising industry experience to determine the fair market value. If the Corporation and the Majority Holders cannot agree on the valuator with media advertising industry experience within such time period, then the Corporation and the Majority Holders will, within the next 10 days, jointly select an arbitrator to appoint such valuator with media advertising industry experience, failing which an arbitrator may be appointed in accordance with Section 10 of the *Arbitration Act, 1991* (Ontario), and such arbitrator will select the valuator with media advertising industry experience who will determine the fair market value. The determination by the valuator of the fair market value is final and binding on the holders of Class A Common Shares, the holders of Class B Common Shares and the Corporation, absent manifest error. The costs of any such valuation shall be paid for by the Corporation unless otherwise determined by the arbitrator;

“Initial Public Offering” means an initial public offering of any Common Shares or any common shares of any of the Corporation's Subsidiaries or the securities in the capital of another Person formed for the purpose of taking the Business public or another transaction, as a result of which (in either case) any Common Shares (or the securities in the capital of another Person issued in exchange for all outstanding shares and/or issued as consideration for the sale or transfer by the Corporation of all or substantially all of its

assets) or the shares of any Subsidiary are listed and posted for trading, traded or quoted on one or more of The Toronto Stock Exchange, the TSX Venture Exchange, the New York Stock Exchange, the NASDAQ National Market System or the AMEX Exchange or on such other exchange or quotation system as may be approved by the Corporation;

“Investment Amount” the amount of consideration paid to the Corporation in exchange for the issuance the Class A Common Shares and any contributed surplus paid to the Corporation in respect of the Class A Common Shares prior to or at the relevant time;

“IRR” means the compounded pre-tax internal rate of return, expressed as a percentage rate per annum, realized by the holder of the Class A Common Shares on the Investment Amount, taking into account, without duplication (i) all dividends paid on, returns of capital in respect of, or other distributions paid on the Class A Common Shares; and (ii) the amount of consideration receivable by such holder of Class A Common Shares in respect of such holder’s Class A Common Shares in connection with a liquidation, dissolution, winding-up or Liquidity Event, as applicable;

“IRR Threshold” means an IRR of 7.5%;

“Liquidity Amount” has the meaning given to it in Section 4.1(a) of the Class A Common Share provisions;

“Liquidity Event” means:

- (a) the amalgamation or merger of the Corporation with another corporation, or an arrangement, reorganization or other transaction or series of transactions, pursuant to which the holders of voting securities of the Corporation immediately prior to the transaction or series of transactions hold, immediately after such transaction, directly or indirectly, less than 50% of the voting power to elect directors of the Corporation or the surviving corporation;
- (b) a sale, lease or other disposition of all or substantially all of the assets of the Corporation to a person at arm’s length (within the meaning of the *Income Tax Act* (Canada));
- (c) an Initial Public Offering; or
- (d) a sale, exchange or other disposition of all or substantially all of the outstanding shares of the Corporation pursuant to which the holders of voting securities of the Corporation immediately prior to the transaction or series of transactions hold, immediately after such transaction, directly or indirectly, less than 50% of the voting power to elect directors of the Corporation or the surviving corporation;

“Majority Holders” means the holders, at the relevant time, of:

- (a) at least more than 50% of the issued and outstanding Class A Common Shares;

- (b) voting securities of the Corporation carrying in the aggregate more than 50% of the votes attached to all voting securities of the Corporation;

“Person” includes any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his capacity as trustee, executor, administrator, or other legal representative;

“Proportionate Interest” means in respect of the Class A Common Shares, the Class A Common Share Proportionate Interest, and in respect of the Class B Common Shares, the Class B Common Share Proportionate Interest;

“Redemption Notice” has the meaning given to it in the Subscription & Investment Agreement; and

“Subscription & Investment Agreement” means the subscription and investment agreement dated on or about July 27, 2015 by and among the Corporation, Forward Dimension Capital 1 LLP, Drew Craig and Ken Bicknell as amended, restated or replaced from time to time in accordance with its terms.

1.2 Meaning of “Subsidiary”

For purposes of these share provisions, a corporation shall be a subsidiary (a “**Subsidiary**”) of another corporation if:

- (a) it is Controlled by (i) that other, (ii) that other and one or more corporations each of which is Controlled by that other, or (iii) two or more corporations each of which is Controlled by that other; or
- (b) it is a Subsidiary of a corporation that is that other's Subsidiary.

PART 2: CLASS A COMMON SHARE PROVISIONS

The rights, privileges, restrictions and conditions of the Class A Common Shares are as set out below.

ARTICLE 1 VOTING RIGHTS

1.1 Entitlement to Vote

- (a) Each holder of Class A Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares or specified series of shares are entitled to vote.
- (b) At all meetings of which notice must be given to the holders of the Class A Common Shares, each holder of Class A Common Shares is entitled to the number of votes that is equal to the Class A Common Share Vote in respect of each Class A Common Share so held.

1.2 Single Class

Except as otherwise provided in these Class A Common Share provisions or required by applicable law, the holders of Class A Common Shares will vote together with holders of Class B Common Shares and any other class of shares as a single class on all matters submitted to a vote of shareholders.

1.3 Exceptions to Class Voting

The holders of Class A Common Shares are not entitled to vote separately as a class upon, and are not entitled to dissent rights in respect of (but for greater certainty are entitled to vote against), any proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized Class A Common Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Class A Common Shares; or
- (b) create a new class or series of shares equal or superior to the Class A Common Shares.

ARTICLE 2 DIVIDENDS

2.1 Entitlement to Dividends

- (a) The holders of Class A Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of

shares of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation.

- (b) Subject to any rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, and other than in respect of the payment of a dividend as contemplated by ARTICLE 4 of the Class A Common Share provisions, no dividend (including stock dividends) or other distribution will be paid, declared or set apart for payment in respect of the Class A Common Shares unless a corresponding dividend is paid or declared and set apart for payment in respect of the Class B Common Shares. Dividends shall be paid, declared or set apart for payment on the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 3 LIQUIDATION, DISSOLUTION AND WINDING-UP

3.1 Liquidation, Dissolution and Winding-Up

- (a) Prior to the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Common Shares shall first be entitled to receive in priority to the holders of Class B Common Shares, (i) the Aggregate Class A Common Redemption Amount; and (ii) the Aggregate Class A Common Share Catch-Up Amount. Any assets thereafter remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.
- (b) Following the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, any assets remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 4 LIQUIDITY EVENT

4.1 Liquidity Events

In the event of a Liquidity Event where the nature of the transaction is such that the consideration (whether in the form of cash, securities or other property) in connection with such Liquidity Event would be:

- (a) receivable by the Corporation, then, upon the closing of such Liquidity Event, the Corporation will repurchase the outstanding Class A Common Shares for an amount equal to the total of all amounts that would be distributed in respect of the Class A Common Shares pursuant to ARTICLE 3 of these Class A Common Share provisions as if the Corporation were to make a liquidating distribution at that time (the “**Liquidity Amount**”); or

- (b) receivable by the shareholders of the Corporation, then:
- (i) the Corporation will not permit such Liquidity Event to occur unless the transaction (or series of transactions) provides for the receipt by the holders of Class A Common Shares (through consideration received by the shareholders in connection with such transaction and/or a distribution by the Corporation) of an amount equal to the Liquidity Amount; or
 - (ii) if the Corporation cannot prevent such Liquidity Event from occurring, the Corporation shall pay (by dividend or other distribution by the Corporation or otherwise) to the holders of Class A Common Shares an amount such that such payment, together with any amounts received by the holders of the Class A Common Shares from any other source in connection with the Liquidity Event, is an amount equal to the Liquidity Amount or, if the Corporation cannot legally pay such amounts in full at that time, it shall at that time and from time to time when possible, pay all amounts it is legally able to pay and any unpaid amount shall increase at a rate of 15% per annum, compounded annually until such unpaid amount is paid in full.

Written notice of any proposed Liquidity Event stating an estimated payment date, the amount and form of the payments to be made to the holders of Class A Common Shares on repurchase of their shares, as a distribution by the Corporation or otherwise, and the place where such payments shall be made, shall be delivered to the holders of all classes and series of shares not less than 45 days prior to the proposed date of such proposed Liquidity Event (or, if such period of advance notice is impracticable, notice shall be provided as far in advance of the proposed Liquidity Event as possible).

ARTICLE 5 CONVERSION

5.1 Automatic Conversion

The Class A Common Shares automatically convert into Class B Common Shares immediately prior to the completion of an Initial Public Offering.

5.2 Conversion Rate

Each Class A Common Share is convertible into that number of Class B Common Shares calculated as follows:

- (a) determine the Conversion Value;
- (b) determine the amount that would be distributed to the Class A Common Shareholders if the Conversion Value were distributed to the holders of the Common Shares on a liquidation of the Corporation in accordance with ARTICLE 3 of these Class A Common Share provisions immediately before the

time of conversion, and express it as a percentage of the total Conversion Value (the “**Class A Common Share Percentage**”); and

- (c) divide (i) the product of (A) the number of Class B Common Shares outstanding immediately prior to the conversion; and (B) the Class A Common Share Percentage by (ii) the product of (A) the number of Class A Common Shares outstanding immediately prior to the conversion and (B) 100% minus the Class A Common Share Percentage.

Upon the pricing of the Initial Public Offering, the Conversion Value will be determined in good faith by the board of directors of the Corporation; but if the Majority Holders object to any determination by the board of directors of the Corporation and notify the board of directors of such objection within ten days of receiving notice of such determination, the Corporation and the Majority Holders will, within ten days following such ten-day period, jointly appoint an independent valuator that is a nationally recognized investment banking firm or business valuation firm with media advertising industry expertise to determine the fair market value. If the Corporation and the Majority Holders cannot agree on the valuator within such time period, then the Corporation and the Majority Holders will, within the next 10 days, jointly select an arbitrator to appoint such valuator with media advertising industry expertise, failing which an arbitrator may be appointed in accordance with Section 10 of the *Arbitration Act, 1991* (Ontario), and such arbitrator will select the valuator with media advertising industry expertise who will determine the fair market value. The determination by the valuator of the fair market value is final and binding on the holders of Class A Common Shares and holders of Class B Common Shares and the Corporation, absent manifest error. The costs of any such valuation shall be paid for by the Corporation unless otherwise determined by the arbitrator.

5.3 Time of Conversion

Conversion is deemed to be effected immediately prior to the completion of the Initial Public Offering.

5.4 Effect of Conversion

As at the time of the conversion of the Class A Common Shares:

- (a) the rights of a holder of Class A Common Shares as a holder of the converted Class A Common Shares shall cease; and
- (b) each Person in whose name any certificate for Class B Common Shares is issuable upon such conversion is deemed to have become the holder of record of such Class B Common Shares.

5.5 Mechanics of Conversion

- (a) Upon the automatic conversion of any Class A Common Shares into Class B Common Shares, each holder of Class A Common Shares must surrender the certificate or certificates formerly representing that holder's Class A Common

Shares at the principal office of the Corporation or the office of any transfer agent for the Class B Common Shares.

- (b) Upon receipt by the Corporation of the certificate or certificates, the Corporation will issue and deliver to such holders of Class A Common Shares, promptly at the office and in the name shown on the surrendered certificate or certificates, a certificate or certificates for the number of Class B Common Shares into which such Class A Common Shares are converted.
- (c) The Corporation is not required to issue certificates evidencing the Class B Common Shares issuable upon conversion until certificates formerly evidencing the converted Class A Common Shares are either delivered to the Corporation or its transfer agent, or the holder of Class A Common Shares notifies the Corporation or such transfer agent that such certificates have been lost, stolen or destroyed, and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection with the loss, theft or destruction.
- (d) On the date upon which all Class A Common Shares are converted in accordance with the provisions hereof, each holder of Class A Common Shares will be deemed to have become a holder of Class B Common Shares for all purposes, notwithstanding any delay in the surrender of certificates representing the Common Shares into which such Class A Common Shares have been converted and all certificates representing the converted Class A Common Shares are deemed to represent the Class B Common Shares into which such Class A Common Shares are converted and all certificates representing Class A Common Shares will be deemed to have been cancelled.
- (e) If the board of directors of the Corporation expects, acting reasonably, that the Class A Common Shares will convert pursuant to the provisions of Section 5.1 of these Class A Common Share provisions, the Corporation will, at least 20 days before the date it reasonably believes will be the date of the automatic conversion, send by prepaid priority overnight courier or deliver, to each holder of Class A Common Shares a notice in writing of the intention of the Corporation to close an Initial Public Offering and thereby convert such shares. Accidental failure or omission to give that notice to one or more holders of Class A Common Shares will not affect the validity of such conversion, but if that failure or omission is discovered, the Corporation will send such notice promptly to any holder of Class A Common Shares that was not given notice. That notice will have the same force and effect as if given in due time. The notice will set out the number of Class A Common Shares held by the person to whom it is addressed that are to be converted, the number of Class B Common Shares into which those shares will be converted, the expected date of closing of and details regarding the Initial Public Offering and the place or places in Canada at which holders of Class A Common Shares may present and surrender the certificate or certificates representing such shares for conversion.

5.6 Reservation of Shares Issuable Upon Conversion.

The Corporation shall at all times keep available out of its authorized but unissued Class B Common Shares, solely for the purpose of effecting the conversion of the Class A Common Shares in accordance herewith, such number of Class B Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Class A Common Shares into Class B Common Shares; and if at any time the number of authorized but unissued Class B Common Shares or other securities or property shall not be sufficient to effect the conversion of all then outstanding Class A Common Shares, in addition to such other remedies as shall be available to the holder of such Class A Common Shares, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Class B Common Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in commercially reasonable efforts to obtain the requisite shareholder approval of any necessary amendment to its articles of incorporation.

5.7 Change

None of the Class B Common Shares or the Class A Common Shares shall be subdivided or consolidated or otherwise changed unless, contemporaneously therewith, the issued shares of such other class of shares are subdivided or consolidated or otherwise changed to give effect to the intent of these Articles.

5.8 Other

Other than as expressly provided for in these Class A Common Share provisions and the Class B Common Share provisions, respectively, the Class A Common Shares and the Class B Common Shares shall be identical in all respects and, without limiting the generality of the foregoing, no rights of any kind shall be conferred by the Corporation upon the holders of either of such classes of shares unless the same rights are conferred on the holders of the other class of shares, without distinction as to the class of share held.

ARTICLE 6 MISCELLANEOUS

6.1 Distributions Other than Cash

Where payments which are to be made hereunder are payable in securities or property other than cash, the value of such securities or other property is their Fair Market Value.

6.2 Notice Entitlement

The holders of the Class A Common Shares of the Corporation shall be entitled to receive not less than ten (10) days notice in writing on the occurrence of a proposal to change the banking services of the Corporation

PART 3: CLASS B COMMON SHARE PROVISIONS

The rights, privileges, restrictions and conditions of the Class B Common Shares are as set out below.

ARTICLE 1 VOTING RIGHTS

1.1 Entitlement to Vote

- (a) Each holder of Class B Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares (other than Class B Common Shares) or specified series of shares are entitled to vote.
- (b) At all meetings of which notice must be given to the holders of the Class B Common Shares, each holder of Class B Common Shares is entitled to the number of votes that is equal to the Class B Common Share Vote in respect of each Class B Common Share so held.

1.2 Single Class

Except as otherwise provided in these Class B Common Share provisions or required by applicable law, the holders of Class B Common Shares will vote together with the holders of Class A Common Shares and any other class of shares as a single class on all matters submitted to a vote of shareholders.

1.3 Exceptions to Class Voting

The holders of Class B Common Shares are not entitled to vote separately as a class upon, and are not entitled to dissent rights in respect of (but for greater certainty are entitled to vote against), any proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized Class B Common Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Class B Common Shares; or
- (b) create a new class or series of shares equal or superior to the Class B Common Shares.

ARTICLE 2 DIVIDENDS

2.1 Entitlement to Dividends

- (a) The holders of Class B Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of

shares of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation.

- (b) Subject to any rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, no dividend (including stock dividends) or other distribution will be paid, declared or set apart for payment in respect of the Class B Common Shares unless a corresponding dividend is paid or declared and set apart for payment in respect of the Class A Common Shares. Dividends shall be paid, declared or set apart for payment on the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 3 LIQUIDATION, DISSOLUTION AND WINDING-UP

3.1 Liquidation, Dissolution and Winding-Up

- (a) Prior to the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Common Shares shall first be entitled to receive in priority to the holders of Class B Common Shares, (i) the Aggregate Class A Common Redemption Amount; and (ii) the Aggregate Class A Common Share Catch-Up Amount. Any assets thereafter remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.
- (b) Following the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, any assets remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 4 CHANGES TO CLASS A COMMON SHARES AND CLASS B COMMON SHARES

4.1 Change

None of the Class A Common Shares or the Class B Common Shares shall be subdivided or consolidated or otherwise changed unless, contemporaneously therewith, the issued shares of such other class of shares are subdivided or consolidated or otherwise changed to give effect to the intent of these Articles.

4.2 Other

Other than as expressly provided for in these Class B Common Share provisions and the Class A Common Share provisions, respectively, the Class A Common Shares and the Class B Common

Shares shall be identical in all respects and, without limiting the generality of the foregoing, no rights of any kind shall be conferred by the Corporation upon the holders of either of such classes of shares unless the same rights are conferred on the holders of the other class of shares, without distinction as to the class of share held.

ARTICLE 5 MISCELLANEOUS

5.1 Distributions Other than Cash

Where payments which are to be made hereunder are payable in securities or property other than cash, the value of such securities or other property is their Fair Market Value.

5.2 Notice Entitlement

The holders of the Class B Common Shares of the Corporation shall be entitled to receive not less than ten (10) days notice in writing on the occurrence of a proposal to change the financial year end of the Corporation

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6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2015, 07, 24

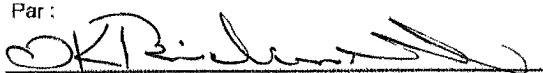
(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

DIGITAL UNDERGROUND MEDIA INC.

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une)

By/
Par :



(Signature)
(Signature)

Oswald Kenneth Bicknell, President

(Description of Office)
(Fonction)

BY-LAW NO. 1

A by-law relating generally to the transaction
of the business and affairs of

DIGITAL UNDERGROUND MEDIA INC.

(hereinafter called the "Corporation")

Section 1
INTERPRETATION

1.01 **Definitions:** In this by-law, unless the context otherwise requires:

- (a) "Act" means the *Business Corporations Act*, as amended or re-enacted from time to time;
- (b) "articles" means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of arrangement, articles of continuance, articles of dissolution, articles of reorganization, articles of revival and includes any amendments thereto;
- (c) "board" means the board of directors of the Corporation;
- (d) "by-law" means any by-law of the Corporation as from time to time in force and effect;
- (e) "resident Canadian" means an individual who is,
 - (i) a Canadian citizen ordinarily resident in Canada,
 - (ii) a Canadian citizen not ordinarily resident in Canada who is a member of a prescribed class of persons, or
 - (iii) a permanent resident within the meaning of the *Immigration Act* (Canada) and ordinarily resident in Canada ("résident canadien");
- (f) "unanimous shareholder agreement" means a written agreement among all the shareholders of the Corporation or among all the shareholders and one or more persons who are not shareholders, or a written declaration of the beneficial holder of all of the issued shares of the Corporation that restricts in whole or in part the

power of the directors to manage or supervise the management of the business and affairs of the Corporation;

- (g) All terms contained in the by-laws which are defined in the Act shall have the meanings given to such terms in the Act save as specifically provided herein to the contrary.

1.02 **Interpretation:** Words importing the singular number only shall include the plural and vice versa; words importing masculine gender shall include the feminine and neuter genders. Wherever reference is made in this or any other by-law or in any special resolution of the Corporation to any statute or section thereof, such reference shall be deemed to extend and refer to any amendment or to re-enactment of such statute or section, as the case may be.

Section 2 **GENERAL**

2.01 **Corporate Seal:** The Corporation may have a corporate seal which the directors may by resolution from time to time adopt.

2.02 **Fiscal Period:** The fiscal period of the Corporation shall terminate on such day in each year as the board of directors may from time to time by resolution determine.

2.03 **Execution of Documents:** Contracts, documents, share certificates or any instruments in writing requiring the signature of the Corporation may be signed by any one of the directors or officers of the Corporation and all contracts, documents, share certificates and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. Notwithstanding this, the board may at any time and from time to time direct the manner in which and the person or persons by whom any particular deed, transfer, contract or obligation or any class of deeds, transfers, contracts or obligations may be signed.

Section 3 **DIRECTORS**

3.01 **Powers:** Subject to any unanimous shareholder agreement, the board shall manage, or supervise the management of, the business and affairs of the Corporation. The board may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by the Act, the articles, the by-laws, a unanimous shareholder agreement, any special resolution of the Corporation or by statute expressly directed or required to be done in some other manner.

3.02 **Election and Term:** Subject to subsection 120(a) of the Act, the election of directors shall take place at the first meeting of shareholders after the effective date of

this by-law, and at each succeeding annual meeting at which an election of directors is required. The directors shall hold office for a term expiring not later than the close of the third annual meeting of shareholders following the election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his election. Incumbent directors, if qualified, shall be eligible for re-election. If an election of directors is not held at the proper time the directors shall continue in office until their successors are elected.

Section 4 **MEETING OF DIRECTORS**

4.01 **Calling of Meetings:** Meetings of the board shall be held from time to time at such place within or outside Ontario as the Chairman of the Board, the President or a majority of the directors may determine. A meeting of the board may be convened by the Chairman of the Board, the President or any one director at any time and the Secretary shall, upon direction from any of the foregoing, convene a meeting of the board.

4.02 **Notice of Meeting:** Notice of the time and place of each meeting of the board shall be given in the manner provided in section 9.01 to each director not less than forty-eight hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A director may in any manner and at any time waive notice of or otherwise consent to a meeting of the board and attendance of a director at a meeting of directors is a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

4.03 **Meetings by Telephone or Electronic Facilities:** If all the directors present at or participating in the meeting consent, a director or all of the directors may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and any director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board held while a director holds office. For the purpose hereof, participation in a meeting by such means shall be deemed to be such consent. If a majority of the directors participating in such a meeting are then in Canada the meeting shall be deemed to have been held in Canada.

4.04 **Quorum:** Subject to any unanimous shareholder agreement, a quorum at any meeting of directors shall be a majority of the directors.

4.05 **Chairman of Meetings:** Subject to the provisions of any resolution of the directors specifying the duties of the Chairman of the Board hereof, the President (if he is a director and if he is present), shall preside as chairman at all meetings of the board. In the absence of a President who is a director, the directors present shall choose one of their number to be chairman of the meeting.

4.06 **Votes to Govern:** All questions arising at any meeting of directors shall, subject to any unanimous shareholder agreement, be decided by a majority of the votes cast on the question.

4.07 **Committees of Directors:** Directors may appoint from their number a committee of directors and delegate to such committee any of the powers of the directors except those which, under the Act, a committee of directors has no authority to exercise. If the directors appoint a committee of directors, a majority of the members of the committee must be resident Canadians. The meetings and proceedings of the committee shall be governed by the provisions of the by-laws of the Corporation for regulating the meetings and proceedings of the directors as far as the same are applicable thereto.

Section 5 **OFFICERS**

5.01 **Appointment:** Subject to the Act and to any unanimous shareholder agreement, the board may from time to time designate the offices of the Corporation, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of the Corporation. None of the officers, except the Chairman of the Board, if any, need be a director of the Corporation. Two or more offices of the Corporation may be held by the same person.

5.02 **Chairman of the Board:** The Chairman of the Board (if any) shall, when present, preside at all meetings of the directors and shareholders and of any committee of directors; he shall sign such contracts, documents or instruments in writing as may require his signature in accordance with the by-laws and shall have such other powers and duties as may from time to time be assigned to him by the board of directors.

5.03 **President:** If appointed, the President shall be the chief executive officer of the Corporation and, subject to the authority of the board, shall exercise general supervision of the business and affairs of the Corporation; and he shall have such other powers and duties as the board may specify. In the absence of the Chairman of the Board, if any, the President shall, when present, chair all meetings of the directors and the shareholders and of any committee of directors.

5.04 **Vice-President:** In the absence or disability or refusal to act of the President, a Vice-President may be vested with all the powers and may perform all the duties of the President, or if there is more than one Vice-President, by the Vice-President

in order of seniority or designation (as determined by the board), except that no Vice-President shall preside at a meeting of the board unless he is also a director.

5.05 **Secretary:** The Secretary shall attend and be the Secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board may specify.

5.06 **Treasurer:** The Treasurer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as Treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board may specify or as are incident to his office.

5.07 **Managing Director:** The directors may appoint from their number a managing director who is a resident Canadian and, subject to the Act and any unanimous shareholder agreement, may delegate to such managing director any of the powers of the board.

Section 6

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.01 **Limitation of Liability:** Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interest of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other director, officer or employee, or for joining in any act for conformity, or for any loss, damage or expense suffered or incurred by the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his or her part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of his or her office or in relation thereto. Nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

6.02 **Indemnity:** Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer of the Corporation, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs or legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

6.03 **Right to Indemnification:** The Corporation shall also indemnify an individual referred to in section 6.02 in such other circumstances as the Act or law permits or requires. Nothing in these by-laws shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of these by-laws.

6.04 **Insurance:** Subject to the limitations contained in the Act, the Corporation may purchase and maintain insurance for the benefit of any individual referred to in section 6.02 as the board may from time to time determine.

Section 7 **MEETINGS OF SHAREHOLDERS**

7.01 **Calling of Meetings:** The directors of the Corporation shall call an annual meeting of shareholders not later than eighteen (18) months after the Corporation comes into existence and subsequently not later than fifteen (15) months after holding the last preceding annual meeting. The directors of the Corporation may at any time call a special meeting of shareholders. The Secretary shall cause notice of a meeting of shareholders to be given in accordance with section 7.03 hereof when directed to do so by the board or the President.

7.02 **Place of Meetings:** Subject to the articles and any unanimous shareholder agreement, meetings of shareholders shall be held at such place in or outside Ontario as the directors determine or at the registered office of the Corporation.

7.03 **Notice of Meetings:** Notice of the time and place of each meeting of shareholders shall be given by the Secretary of the Corporation in the manner provided in section 9.01 hereof not less than ten (10), nor more than fifty (50) days before the date of

the meeting to each director, to the auditor and to each shareholder entitled to vote at the meeting. A shareholder may in any manner and at any time waive notice of or otherwise consent to a meeting of shareholders.

7.04 Meetings Without Notice: A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and
- (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact.

7.05 Meetings by Electronic Means: A meeting of shareholders may be held by telephone or electronic means and a shareholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be present at the meeting.

7.06 Chairman and Secretary: Subject to the provisions of this section and of section 5.02 hereof, the President shall preside as chairman at each meeting of the shareholders. In the event that the President is not present within fifteen (15) minutes from the time fixed for holding the meeting, or is unable or refuses to preside as Chairman at such meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The Secretary shall be the secretary of any meeting of shareholders. If the Secretary is absent, the chairman shall appoint some person, who need not be a shareholder, to act as Secretary of the meeting.

7.07 Persons Entitled to be Present: The only persons entitled to be present at a meeting of the shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

7.08 Quorum: Subject to any unanimous shareholder agreement, the holders of a majority of the shares entitled to vote at a meeting of shareholders, whether present in person or represented by proxy, constitute a quorum, irrespective of the number of persons actually present at the meeting. No business shall be transacted at any meeting while a quorum is not present. If the Corporation has only one (1) shareholder or only one (1) shareholder of any class or series of shares, the shareholder present in person or represented by proxy constitutes a meeting.

7.09 **Proxies:** Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders as the shareholder's nominee, to attend and act at the meeting in the manner, to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his duly appointed attorney and shall conform with the requirements of the Act.

7.10 **Votes to Govern:** At any meeting of shareholders every question shall, unless otherwise required by the Act, the articles, by-laws or any unanimous shareholder agreement, be determined by the majority of the votes cast on the question.

7.11 **Show of Hands:** Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

7.12 **Ballots:** On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereof, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct except if the ballot be demanded on the election of a chairman or on the question or adjournment or termination, in which event the ballot shall be taken forthwith without adjournment. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

Section 8

SHARES AND TRANSFERS

8.01 **Lien for Indebtedness:** If the articles of the Corporation provide that the Corporation has a lien on a share or shares registered in the name of a shareholder or the shareholder's personal representative for a debt of that shareholder to the Corporation, the right of the Corporation to the lien shall be noted conspicuously on every security certificate. The directors may refuse to permit the registration of a transfer of any share or share of the Corporation registered in the name of a shareholder who is indebted to the Corporation. Subject to the Act, the directors of the Corporation may

apply any dividends or other distributions paid or payable on or in respect of the share or shares in respect of which the Corporation has such a lien in repayment of the debt of that shareholder to the Corporation.

8.02 **Transfer of Shares:** Subject to the provisions of the Act and subject to the restrictions on transfer (if any) set forth in the articles, by-laws and any unanimous shareholder agreement, shares of the Corporation shall be transferable on the books of the Corporation upon surrender of the certificate representing such shares properly endorsed or accomplished by a properly executed transfer.

8.03 **Defaced, Destroyed, Stolen or Lost Certificates:** Where the owner of a share or shares of the Corporation claims that the certificate for such share or shares has been defaced, lost, apparently destroyed or wrongfully taken, the Corporation shall issue a new share certificate in place of the original share certificate on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

Section 9 NOTICES


9.01 **Method of Giving Notice:** Any notice, communication or other document to be given by the Corporation to a shareholder, director, officer, or auditor of the Corporation under any provision of the Act, the articles or by-laws shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his latest address as shown in the records of the Corporation or if mailed by prepaid ordinary mail or airmail in a sealed envelope addressed to him at his latest address as shown in the records of the Corporation or if sent by any means of any telephonic, electronic or other communication facility. The Secretary may change the address on the records of the Corporation of any shareholder that produces a written copy in accordance with any information believed by him to be reliable. A notice, communication or document so delivered shall be deemed to have been given when it is delivered personally or at the address aforesaid. A notice, communication or document so mailed shall be deemed to have been given on the fifth day after it is deposited in a post office or public letter box. A notice sent by any means of electronic or recorded telephonic communication shall be deemed to have been given when delivered to the appropriate communication corporation or agency or its representative for dispatch.

Section 10 MISCELLANEOUS

10.01 **Effective Date:** These by-laws shall come into force when made by the board and confirmed by the shareholders in accordance with the Act.

10.02 **Paramountcy:** In the event of any conflict between any provision of these by-laws and any unanimous shareholder agreement, the provisions of the unanimous shareholder agreement shall prevail to the extent of the conflict, and the directors and the shareholders shall amend these by-laws accordingly.

EFFECTIVE as of the 6th day of May, 2010.



President and Secretary - Drew Craig

**SCHEDULE “D”
CLOSING DOCUMENTS**

1. Corporation Closing Documents

- (a) A fully executed copy of the agreement dated May 4, 2015 between Concessionária Da Linha 4 Do Metrô De São Paulo S.A. and Digital Brazil on terms and conditions satisfactory to the Investor;
- (b) A fully executed copy of the sales agency agreement dated April 30, 2015 between Telefonica On The Spot Soluções Digitais Do Brasil Ltda. and Digital Brazil;
- (c) Fully executed copy of the loan extension agreement dated on or about the date hereof between the Corporation and DUM Holdings in form and substance satisfactory to the investor;
- (d) Fully executed copy of the settlement agreement dated on or about the date hereof between the Corporation and Beacon Securities Limited;
- (e) Fully executed copy of the warrant agreement between the Corporation and Windsor Private Capital Limited Partnership;
- (f) Fully executed copies of employment agreements or independent consulting agreements, as applicable, between the Corporation and each of the following in form and substance satisfactory to the Investor:
 - Ken Bicknell;
 - Michael Laitinen;
 - J.D. Craig Holdings. Inc.;
 - Gyun Chae; and
 - Yeong Keun Lee.
- (g) Fully executed copies of non-competition agreements between the Corporation, the Investor and each of the following in form and substance satisfactory to the Investor:
 - Ken Bicknell;
 - Michael Laitinen;
 - Drew Craig and J.D. Craig Holdings Inc.;
 - Gyun Chae and Innovex Co., Ltd.;
 - Yeong Keun Lee and Daesung Elec. Tech. Co. Ltd.; and
 - Paul East and Neil East Sound Broadcasting Ltd. ;
- (h) Executed copies of the following intellectual property assignment agreements between the Corporation and each of the following counterparties in form and substance satisfactory to the Investor:
 - TVS Global America Inc.;
 - Jason Jong Han;
 - Jong-Hwi Han;
 - Gug Hyun Kim;
 - Dasung Elec. Tech. Co. Ltd. ;
 - Yeong Keun Lee;
 - Innovex Co., Ltd.;
 - Gyun Chae;
 - Hee-Beom Park;

- Dong-Joo Song; and
 - Ji-Hun Park.
- (i) Evidence satisfactory to the Investor that the transactions contemplated in the memoranda agreements between the Corporation and the following parties:
- Gyun Chae and Innovex Co., Ltd.; and
 - Yeong Keun Lee Dasung Elec. Tech. Co. Ltd.
- have closed or will close concurrently with the Closing, in each case on terms acceptable to the Investor;
- (j) An opinion from Gowling Lafleur Henderson LLP in form and substance satisfactory to the Investor with respect to the matters specified in respect of such opinion;
- (k) Share certificates representing the Class A Common Shares to be issued at the Closing registered in the name of the Investor together with evidence satisfactory to the Investor that the Investor has been entered in the corporate records of the Corporation as the holder of record of such Class A Common Shares;
- (l) Copies of the following certified by an officer of the Corporation:
- charter documents of the Corporation;
 - by-laws of the Corporation;
 - the resolutions of the board of directors of Corporation approving the entering into and completion of the transaction contemplated by this Agreement, all ancillary transactions and agreements, and the Unanimous Shareholders Agreement;
 - the resolutions of the shareholders of the Corporation authorizing the contribution to stated capital in respect of each Class A Common Share Contribution Amount for the purposes contemplated by subparagraph 84(1)(C.3)(ii) of the *Income Tax Act* (Canada) and providing for the election of directors, conditional upon Closing; and
 - a list of the officers and directors authorized to sign agreements together with their specimen signatures, all in form and substance satisfactory to the Investor, acting reasonably.
- (m) Except as set out in Section 4.1.30 of Schedule "A, certificate of status, compliance, good standing or like certificate with respect to the Corporation and each of its Subsidiaries issued by appropriate government officials of their respective jurisdictions of incorporation and of each jurisdiction in which the Corporation or such Subsidiary carries on its business as set out in Section 4.1.30 of Schedule "A;
- (n) Resolutions of the shareholders of the Corporation in form and substance satisfactory to the Investor appointing the following individuals as directors as specified below, of the Corporation:
- Gavin Owston; and
 - David Rigby;
- (o) Director's Indemnity given by the Corporation to each of:
- Gavin Owston;
 - David Rigby;
 - Drew Craig; and
 - Ken Bicknell.
- (p) Unanimous Shareholders Agreement fully executed by all parties other than the Investor;

2. Investor Closing Documents

- (a) Consents of Gavin Owston and David Rigby to act as directors;
- (b) Incumbency certificate of the Investor; and
- (c) a counterpart to the Unanimous Shareholders Agreement executed by the Investor.

SCHEDULE "E"
UNANIMOUS SHAREHOLDERS AGREEMENT

(see attached)

Dated **July 27, 2015**

DIGITAL UNDERGROUND MEDIA INC.

UNANIMOUS SHAREHOLDERS AGREEMENT

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Exhibit 3.6(a)	Accounting Principles, Procedures and Methodology

THIS UNANIMOUS SHAREHOLDERS AGREEMENT is dated July 27, 2015, and made between:

- (1) **DIGITAL UNDERGROUND MEDIA INC.**, a corporation existing under the laws of Ontario (the **Corporation**);
- (2) **FORWARD DIMENSION CAPITAL 1 LLP**, a limited liability partnership registered in England and Wales with registration number OC399433 (**Forward**);
- (3) **J.D. CRAIG HOLDINGS INC.**, a corporation existing under the laws of Ontario (**J.D. Craig Holdings**);
- (4) **DUM HOLDINGS INC.**, a corporation existing under the laws of Ontario (**DUM Holdings**);
- (5) **KENNETH BICKNELL**, an individual resident in British Columbia (**Bicknell**);
- (6) **THE BICKNELL FAMILY TRUST**, a trust existing under the laws of Manitoba and represented by its sole trustee Bicknell (**Bicknell Trust**);
- (7) **OLIVER PLETT**, an individual resident in Manitoba (**Plett**);
- (8) **MICHAEL LAITINEN**, an individual resident in British Columbia (**Laitinen**);
- (9) **PAUL EAST**, an individual resident in Manitoba (**East**);
- (10) **NEIL EAST SOUND BROADCASTING LTD.**, a corporation existing under the laws of Canada (**SBL**);
- (11) **TOYOTARO TOKIMOTO**, an individual resident in Japan (**Tokimoto**);
- (12) **DR. GYUN CHAE** an individual resident in the Republic of Korea (**Chae**);
- (13) **6789502 MANITOBA LTD.**, a corporation existing under the laws of Manitoba (**678**);
- (14) **DREW CRAIG**, an individual resident in British Columbia (**Craig**); and
- (15) Any Person who becomes a party to this Agreement in accordance with the terms of this Agreement or pursuant to applicable law.

RECITALS:

- (A) The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares, of which 541,813 Class A Common Shares and 541,813 Class B Common Shares have been issued and are outstanding.
- (B) Forward is the registered and beneficial owner of all of the outstanding Class A Common Shares and the Class B Shareholders (as defined herein) are the registered and beneficial owners of all of the outstanding Class B Shares Common Shares in the capital of the Corporation.

- (C) The Parties have entered into this Agreement for the purpose of setting out, *inter alia*, the manner in which the business and affairs of the Corporation is to be conducted, the manner in which the Corporation is to be financed and the respective rights and obligations of the Parties arising out of, or in connection with, the ownership of Shares.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Parties agree as follows:

Article 1 - Interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and expressions have the following meanings:

10% Shareholders means at the relevant time, Shareholders holding a Shareholder Proportionate Interest of at least 10%.

Act means the *Business Corporations Act* (Ontario).

ADR Rules has the meaning specified in Section 13.3.

Affiliate of any Person means any other Person who, directly or indirectly, controls, or is controlled by, or is under common control with, such Person, and for these purposes:

- (a) a body corporate is controlled by one or more Persons if (i) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned by the Person or Persons, and (b) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
- (b) an association, partnership or other organization is controlled by one or more Persons if (i) more than 50% of the partnership or other ownership interests, however designated, into which the association, partnership or other organization is divided are beneficially owned by the Person or Persons, and (ii) the Person or Persons are able to direct the business and affairs of the association, partnership or other organization or the appointment of its management;
- (c) a body corporate, association, partnership or other organization that controls another body corporate, association, partnership or other organization is deemed to control any body corporate, association, partnership or other organization that is controlled or deemed to be controlled by the other body corporate, association, partnership or other organization;
- (d) a trust is controlled by the Person or Persons who are able to direct the business and affairs of the trust; and
- (e) "Control", "Controlled" and similar expressions have corresponding meanings, and, for the purposes of this Agreement, Craig will be deemed to Control J.D. Craig Holdings.

Agreement means this unanimous shareholders' agreement and all schedules and exhibits attached to it as the same may be amended, restated, replaced, supplemented or novated from time to time and the words "Article" and "Section", followed by a number or letter means and refers to the specified Article or Section of this Agreement.

Agreement To Be Bound means a counterpart of this Agreement or a written agreement, in form and substance satisfactory to the Corporation, pursuant to which a Person, including in respect of any Shareholder which has a Principal such Shareholder's Principal, agrees to be bound by the terms and conditions of this Agreement, which agreement includes the making of representations and warranties contained in Section 2.2 and, to the extent applicable, Section 2.3 to the other Shareholders and to the Corporation in respect of the Shareholder and where applicable the Principal of such Shareholder.

Annual Business Plan has the meaning specified in Section 3.13.

Arm's Length has the meaning used for such term within the Income Tax Act.

Articles means the certificate and articles of incorporation of the Corporation dated January 19, 2010, the certificate and articles of amendment of the Corporation dated May 6, 2010, and the certificate and articles of amendment of the Corporation dated July 27, 2015 as the same may from time to time be amended, replaced or superseded from time to time in accordance with the terms of this Agreement and applicable Laws.

Associate has the meaning specified in the Act as of this date.

Auditor means MNP LLP, or such other firm of nationally recognized chartered accountants as may at any time be appointed as auditors of the Corporation in accordance with this Agreement.

Available New Securities has the meaning specified in Section 4.4(b).

Beacon Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to or as directed by Beacon Securities Limited, and as evidenced by warrant certificates W2015-B1 through W2015-B8 and includes any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants);

Board means, at any time, the board of directors of the Corporation constituted in accordance with this Agreement.

Business means (i) the business carried on by the Corporation and its Subsidiaries at any relevant time, including owning and operating a digital media advertising business and related infrastructure and business, including the development and operation of, and sales of advertising for, track associated transit systems; and (ii) for purposes of Article 11 in respect of the Restricted Period of any Person means (A) such business as carried on during the period such Person was a Shareholder; and (B) such business as planned to be carried on in any Annual Business Plan to which such Person had access during the period such Person was a Shareholder.

Business Day means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or London, England.

Buyer means any Person who elects or is required to purchase Shares pursuant to a Sale Transaction.

By-laws means the by-laws of the Corporation, as such by-laws may from time to time be amended, replaced or superseded.

Class A Common Share Contribution Amount has the meaning given to it in the Subscription & Investment Agreement.

Class A Common Shares means class A common shares in the capital of the Corporation, as described in the Articles.

Class A Common Share Proportionate Interest has the meaning given to it in the Articles.

Class A Director has the meaning specified in Section 3.2(c).

Class B Common Shares means class B common shares in the capital of the Corporation, as described in the Articles.

Class B Common Share Proportionate Interest has the meaning given to it in the Articles.

Class B Director has the meaning specified in Section 3.2(c).

Class B Shareholders means each of J.D. Craig Holdings, DUM Holdings, Bicknell, Bicknell Trust, Plett, Laitinen, East, SBL, Tokimoto, Chae and 678, and any other holder of Class B Shares from time to time for so long as any such person holds any Class B Shares, and **Class B Shareholder** means any one of them.

Competing Shareholders means each of those Shareholders who is, on his, her or its own behalf or on behalf of, or together with, any other Person, directly or indirectly, in any capacity whatsoever (including as or through a Connected Person), carrying on, engaged in, has any financial or other interest in, or is otherwise commercially involved in, any endeavour, activity or business in all or any part of the Restricted Territory which is substantially the same as or in competition with the Business.

Connected Person means, in relation to a Shareholder (a) any Affiliate of a Shareholder, or (b) any Person in which a Shareholder or an Affiliate of a Shareholder has or will have an interest or owe or be owed an obligation whether as an employer, employee, principal, agent, joint venturer, partner, shareholder or other equity holder, independent contractor, licensor, licensee, franchiser, franchisee, director, officer, advisor, investor, promoter, lender, guarantor, distributor, consultant, supplier or otherwise

Control has the meaning specified in the definition of “Affiliate” in this Section 1.1.

Corporation means Digital Underground Media Inc. and includes any successor corporation resulting from any amalgamation, reorganization, arrangement or other combination with any other Person.

Co-Vivant means, in relation to a Person who is an individual, any individual with whom that Person is living in a conjugal relationship outside marriage.

Customer means, at the relevant time, all Persons who are, or who have been customers or clients of the Corporation or any of its Subsidiaries and during the Restricted Period in respect of a Person following such Person, or in the case of a Principal the Person for whom such Person is Principal, ceasing to be a Shareholder all Persons who were customers or clients of the Corporation or any of its Subsidiaries at any time within the thirty-six (36) month period prior to such Person ceasing to be a Shareholder.

Date of Closing means the date upon which a Sale Transaction is scheduled to occur, determined in accordance with the provisions of Article 6, or Article 7 as applicable, or such other date as the Seller and the Buyer in the Sale Transaction mutually agree.

Deferred Financing Closing has the meaning specified in the Subscription & Investment Agreement.

Director means any Individual who has been elected or appointed to the Board and is a member of the Board at the relevant time.

Dispute has the meaning specified in Section 13.1.

DUM Shareholder Loan has the meaning specified in Section 4.2(a)(iii).

EBITDA means the consolidated earnings before interest, taxes, depreciation and amortization of the Corporation, calculated in accordance with the principles set out in Exhibit 3.6(a).

Estimated Valuation Report means a report that is prepared in accordance with Standard No. 110 (Valuation Reports) as promulgated by The Canadian Institute of Chartered Business Valuators.

Exercise Notice has the meaning specified in Section 7.2(b).

Exercise Period has the meaning specified in Section 7.2(b).

Extraordinary Resolution means, (a) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Directors, a resolution to which (i) at a properly constituted meeting of the Board at least two thirds of the Directors present have given their approval provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such two thirds approval must include the approval in writing of a Class A Director or nominee of Forward, as applicable, which approval shall be required and if given be deemed to be given on behalf of the Shareholders of Class A Common Shares and/or Forward, as applicable, as

Shareholders (in addition to any such approval required by such individual as a director); or (ii) all of the Directors have consented by an instrument in writing, and (b) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Shareholders, a resolution to which (iii) at a properly constituted meeting of Shareholders at least two thirds of the votes entitled to vote on such matter of Shareholders present or represented by proxy are cast in favour of the resolution provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such two thirds approval must include the approval of holders of at least 50% of the Class A Common Shares or Forward, or (iv) all of the Shareholders have consented by an instrument in writing.

Fair Market Value has the meaning specified in Section 10.2.

Family Law Act means the *Family Law Act* (Ontario).

Final Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Financial Statements has the meaning specified in Section 3.14(c).

Financial Year means, in relation to the Corporation, its financial year commencing on September 1 of each calendar year and ending August 31 of the immediately following year, as such financial year may be changed in accordance with the Act and this Agreement.

First Valuator has the meaning specified in Section 10.3(a).

First Valuator's Report has the meaning specified in Section 10.3(a).

First Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Forward Complete Purchase Bid has the meaning specified in Section 6.5.

Forward Management Event has the meaning specified in Section 3.6(a).

Funded Debt of any Person means, without duplication, (a) indebtedness for borrowed money, including obligations with respect to bankers' acceptances, letters of credit or letters of guarantee, (b) indebtedness for the deferred purchase price of property or services represented by a note, debenture or other evidence of indebtedness, (c) indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (d) all obligations under leases which have been or should be, in accordance with GAAP, recorded as capital leases, and (e) all Funded Debt Guaranteed by such Person.

Funded Debt Guaranteed by a Person means all Funded Debt of the kind referred to in (a) through (d) of the definition of Funded Debt which is, directly or indirectly, guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which such Person has otherwise assured a creditor against loss.

Funding Default means that a Redemption Notice (as defined in the Subscription & Investment Agreement) has been issued by the Corporation.

Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

GAAP means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the "IASC Foundation"), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation but only to the extent the same are adopted by the Chartered Professional Accountants of Canada ("CPA Canada") as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CPA Canada.

Governmental Authority means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, board, arbitrator, tribunal, bureau or agency, domestic or foreign, (b) subdivision or authority of any of the above, or (c) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

Inactive Shareholder means a Shareholder who is deemed to be an Inactive Shareholder pursuant to Section 7.1(a).

Income Tax Act means the *Income Tax Act* (Canada).

Initial Notice has the meaning specified in Section 13.2(a).

Initial Period has the meaning specified in Section 6.1(b).

Initiator has the meaning specified in Section 6.2.

In-Person Meeting has the meaning specified in Section 3.4(d).

Issuance Notice has the meaning specified in Section 4.4(a).

Issuance Period has the meaning specified in Section 4.4(b).

Issue means the natural born and legally adopted children of any Person who is an individual and all natural born or legally adopted descendants of such children.

Laws means any and all (a) laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards of any Governmental Authorities.

Lien means (a) any mortgage, charge, pledge, hypothec, security interest, or lien (statutory or otherwise), and (b) any other encumbrance of any nature or any arrangement or condition which, in substance, secures payment or performance of an obligation.

Liquidity Mandate means a mandate of the Board to seek one or more Liquidity Offers in respect of a transaction or series of transactions the objective of which is to directly or indirectly provide liquidity for the benefit of or cash to the Shareholders in respect of their Shares.

Liquidity Notice has the meaning specified in Section 8.2(a).

Liquidity Offer means a bona fide offer in respect of a transaction or series of transactions relating to the Corporation and/or its Subsidiaries the objective of which is to directly or indirectly provide liquidity for the benefit of the Shareholders in respect of their Shares, including without limitation a sale of the Corporation and/or its Subsidiaries by way of a sale of assets, a sale of all or any part of the issued and outstanding securities of the Corporation or such Subsidiaries whether as part of a public offering of fully participating shares or otherwise, a share buy-back or a recapitalization of the Corporation or such Subsidiaries or a merger, amalgamation or other business combination of the Corporation and/or its Subsidiaries and another Person.

Liquidity Sale Acceptance has the meaning specified in Section 8.1(b).

Liquidity Sale Accepters has the meaning specified in Section 8.1(b).

Liquidity Sale Offer has the meaning specified in Section 8.1(a).

New Securities has the meaning specified in Section 4.3.

Notice of Intention has the meaning specified in Section 4.4(b).

Offer has the meaning specified in Section 6.2.

Ordinary Resolution means, (a) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Directors, a resolution to which (i) at a properly constituted meeting of the Board more than 50% of the Directors present have given their approval (and, except in respect of approval of the Annual Business Plan, in the event of a deadlock where there is no majority, which has been approved by the casting vote of the Chairperson of the Board), or (ii) all of the Directors have consented by an instrument in writing, and (b) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Shareholders, a resolution to which (iii) at a properly constituted meeting of Shareholders more than 50% of the votes entitled to vote on such matter of Shareholders present or represented by proxy are cast in favour of the resolution, or (iv) all of the Shareholders have consented by an instrument in writing.

Parties means, collectively, the Corporation, the Principals, the Shareholders and any other Person who may, at any time or from time to time, be a party to this Agreement.

Permitted Liens means, in respect of any Person, (a) Liens for Taxes, assessments or governmental charges or levies which relate to obligations not yet due or delinquent, (b) easements, servitudes, encroachments and other minor imperfections of title which do not, individually or in the aggregate, detract from the value of or impair the use or marketability of any real property, (c) undetermined or inchoate Liens arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with applicable Laws or of which written notice has not been given in accordance with applicable Laws; (d) the rights of any Party under this Agreement; and (e) in respect of the Corporation, the Liens listed on Schedule 1.1(a).

Permitted Transferee means, in relation to a Shareholder, any one or more of:

- (a) its Principal;
- (b) the Spouse, Co-Vivant or Issue of such Shareholder or its Principal;
- (c) a custodian, trustee (including an RRSP, RIF, IRA or similar retirement or investment fund) or other fiduciary for the Shareholder and/or the Persons specified in (a) or (b) of this definition; and
- (d) a corporation, partnership, limited partnership, or Permitted Trust, provided such Person is Controlled by the Principal and all of the securities or other ownership interests in such Person are owned by such Shareholder, its Principal or by a Person specified in (a), (b) or (c) of this definition.

Permitted Trust means a trust for which the Principal is a trustee, the beneficiaries of which are one or more of (a) the Shareholder or its Principal, (b) a Spouse or Co-Vivant of the Shareholder or its Principal or (c) the Issue of the Shareholder or its Principal.

Person means a natural person, partnership, limited partnership, limited liability partnership, syndicate, sole proprietorship, corporation or company (with or without share capacity), limited liability company, stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority.

Place of Closing means the offices of Norton Rose Fulbright Canada LLP, 200 Bay Street, Suite 3800, Toronto, Ontario or such other place as the Seller and the Buyer under the relevant Sale Transaction mutually agree.

Principals means (a) Craig in respect of J.D. Craig Holdings and DUM Holdings, (b) Bicknell in respect of the Bicknell Trust and DUM Holdings, (c) Plett in respect of 678, (d) East in respect of SBL and (e) any Party that Transfers its Shares directly or indirectly to a Permitted Transferee in accordance with the terms of this Agreement in respect of such Permitted Transferee(s) and **Principal** means any one of them in respect of the Person for which such Person is Principal.

Proportionate Interest has the meaning given to it in the Articles.

Prospective Customer means, at the relevant time, all persons canvassed or solicited for the purposes of becoming customers or clients of the Corporation or any of its Subsidiaries and during the Restricted Period in respect of a Person following such Person, or in the case of a Principal the Person for whom such Person is Principal, ceasing to be a Shareholder all Persons who were canvassed or solicited for the purposes of becoming customers or clients of the Corporation or any of its Subsidiaries at any time within the twelve (12) month period prior to such Person ceasing to be a Shareholder.

Purchase Option has the meaning specified in Section 7.2(a).

Purchase Price has the meaning specified in (a) Sections 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6, (b); Section 7.3 for the purposes of Article 7.

Purchased Shares has the meaning specified in (a) Section 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6, and (b) Section 7.2(a) for the purposes of Article 7.

Recipients has the meaning specified in Section 6.2.

Representative has the meaning specified in Section 7.1(b).

Restricted Period in respect of a Shareholder and, as applicable, its Principal, means the period commencing on the date hereof and ending on the second anniversary of the date on which neither such Shareholder nor any Permitted Transferee of such Shareholder, or as applicable its Principal, is a Shareholder.

Rothney Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to Bruce Rothney as evidenced by the warrant certificate W2015-W3 and any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants).

Sale Transaction has the meaning specified in Sections 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6; and (b) Section 7.4 for the purposes of Article 7.

Second Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Second Notice has the meaning Specified in Section 6.3.

Second Valuator has the meaning specified in Section 10.3(d).

Second Valuator's Report has the meaning specified in Section 10.3(e).

Seller means any Person who elects or is required to sell Shares pursuant to a Sale Transaction.

Shares means the Class A Common Shares and the Class B Common Shares.

Shareholders means the Persons who, from time to time, hold Shares and are bound by this Agreement being as at the date hereof, Forward and the Class B Shareholders.

Shareholder Proportionate Interest means, in respect of a Shareholder, the number, expressed as a percentage given by the formula:

$$(A + B) \times 100\%$$

where

A = (i) the proportion that the number of Class A Common Shares held by such Shareholder bears to the total number of outstanding Class A Common Shares; multiplied by (ii) the Class A Common Share Proportionate Interest; and

B = (i) the proportion that the number of Class B Common Shares held by such Shareholder bears to the total number of outstanding Class B Common Shares; multiplied by (ii) the Class B Common Share Proportionate Interest.

SIA Closing means the Closing (as defined in the Subscription & Investment Agreement).

Specified Percentage has the meaning specified in Section 4.4(b).

Spouse means, in relation to any Person who is an individual, any Person to whom that Person is married.

Subscription & Investment Agreement means the subscription and investment agreement dated July 27, 2015 by and among the Corporation, Forward, Craig and Bicknell providing for, *inter alia* the subscription by Forward for and issue by the Corporation to Forward of Class A Common Shares at the times and on the terms contained therein.

Subsidiary has the meaning specified in the Act.

Stock Option Plan means the incentive stock option plan of the Corporation as and when adopted by the Corporation in accordance with the terms of this Agreement, pursuant to which the Corporation may, from time to time, grant options to acquire Class B Common Shares to directors, officers, employees and contractors of the Corporation and its Subsidiaries.

Tag-Along Offer has the meaning specified in Section 6.4.

Tag-Along Notice has the meaning specified in Section 6.4.

Time of Closing means 10:00 am or such other time on the Date of Closing as the Seller and the Buyer in a Sale Transaction mutually agree.

Total Percentage has the meaning specified in Section 4.5(a).

Triggering Event has the meaning specified in Section 7.1(a).

Transferor has the meaning specified in Section 5.3(a).

Valuation Date means in respect of a Triggering Event, the last day of the month immediately preceding such Triggering Event.

Windsor Funded Debt has the meaning specified in Section 4.2(a)(i).

Windsor Take-Out Lenders has the meaning specified in Section 4.2(a)(i).

Windsor Take-Out Loans has the meaning specified in Section 4.2(a)(i).

Windsor Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to Windsor Private Capital Inc. as evidenced by the warrant certificates W2015-W1 and W2015-W2 and any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants).

1.2 Extended Meaning of Transfer

In the Agreement unless the context otherwise requires, any references to a “transfer” of shares or other securities of a Person includes (a) any transfer of such securities, directly or indirectly, by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment, and (b) any sale, assignment, gift, donation, redemption, conversion or other disposition of such securities, directly or indirectly, pursuant to an agreement, arrangement, instrument or understanding by which legal title to, or beneficial ownership of, such securities passes from one Person to another Person or to the same Person in a different legal capacity, whether or not for value.

1.3 Reclassification of Shares

The provisions of this Agreement apply, *mutatis mutandis*, to (a) any securities into which the Shares may be converted, changed, reclassified, redesignated, divided or consolidated, (b) any securities that are received by a Shareholder as a stock dividend or distribution payable in securities of the Corporation, and (c) any securities of the Corporation or any successor continuing company or corporation of the Corporation that may be received by any Shareholder on a reorganization, amalgamation, consolidation, arrangement, or merger, statutory or otherwise; all of which securities shall be deemed to be Shares for all purposes of this Agreement.

1.4 Gender and Number

In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

1.5 Certain Phrases and Calculation of Time

- (a) In this Agreement (i) the words “including” and “includes” mean “including (or includes) without limitation” and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”. If the last day of any such period is not a Business Day, such period will end on the next Business Day.
- (b) When calculating the period of time “within” which or “following” which any act or event is required or permitted to be done, notice given or steps taken, the date which is the reference date in calculating such period is to be excluded from the calculation. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

1.6 Headings etc.

The inclusion of a table of contents, the division of this Agreement into articles and sections and the insertion of headings are for convenient reference only and do not affect and should not be used in the construction or interpretation of this Agreement.

1.7 Currency

All monetary amounts in this Agreement, unless otherwise specifically indicated, are expressed in Canadian currency.

1.8 Accounting Terms

All accounting terms not specifically defined in this Agreement are to be construed in accordance with GAAP.

1.9 Statutory References

Unless otherwise specifically indicated, any reference to a statute in this Agreement refers to that statute and the regulations and ministerial orders made under that statute, as the same may, from time to time, be amended, re-enacted or replaced.

1.10 Schedules

The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it.

1.11 No Presumption

The Parties and their counsel have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or a question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties. No presumption or burden of proof should arise in favour of any Party by virtue of the authorship of any provision of this Agreement.

1.12 Governing Law

- (a) This Agreement is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Subject to the dispute resolution provisions of this Agreement, each of the Parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Ontario in any action or proceeding arising out of or relating to this Agreement. Each of the Parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

Article 2 - Scope of Agreement and Share Ownership

2.1 Unanimous Shareholders' Agreement

- (a) This Agreement constitutes a unanimous shareholders agreement within the meaning of the Act. The powers of the Directors to manage or supervise the management of the business and affairs of the Corporation are hereby restricted to the extent provided in this Agreement.
- (b) Where so provided in this Agreement, the Shareholders have the rights, powers and duties of Directors and the obligations and liabilities relating to such rights, power and duties, whether arising from the Act or otherwise and, to the extent such powers and rights are given to the Shareholders, the Directors are hereby relieved of their duties and liabilities in regards thereto.

2.2 Representations and Warranties of Shareholders

Each Shareholder represents and warrants to the other Parties that:

- (a) It is the registered and beneficial owner of the Shares set out opposite its name in Schedule 2.2(a) (as such Schedule may be updated from time to time), it has good title to those Shares, free and clear of all Liens other than Permitted Liens and no Person has any agreement or any option or right capable of becoming an agreement for the purchase or other acquisition of such Shares except as set out in this Agreement.
- (b) It has the power and capacity to own its Shares and enter into and perform its obligations under this Agreement.
- (c) If the Shareholder is not an individual: (i) it is an entity, trust or partnership, existing under the laws of its jurisdiction of formation and has the power and

capacity to own its Shares and to enter into and perform its obligations under this Agreement; and (ii) the execution, delivery and performance of this Agreement has been duly authorized by all necessary action.

- (d) In respect of each Shareholder for which there is a Principal, (i) such Shareholder is a Permitted Transferee of such Principal, and (ii) no Person has any agreement or any option or right capable of acquiring any interest in such Shareholder which would result in the Shareholder ceasing to be a Permitted Transferee of such Principal.
- (e) The execution, delivery and performance by it of this Agreement will not result in:
 - (i) a breach or a violation of, or conflict with, or allow any other Person to exercise any right of acceleration or termination under, any of its constating documents (to the extent applicable) or any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (ii) a breach of, or cause the termination or revocation of, any authorization, licence or permit held by it or necessary to its ownership of the Shares;
 - (iii) the violation of any applicable Law; or
 - (iv) the creation or imposition of any Lien other than a Permitted Lien upon any of its property or assets.
- (f) This Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms.
- (g) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement.
- (h) Except in the case of Forward, it is not a non-resident of Canada within the meaning of the Income Tax Act, or if it is a non-resident of Canada within the meaning of the Income Tax Act, it has so advised the Corporation in writing. Forward is a non-resident of Canada within the meaning of the Income Tax Act.
- (i) This Agreement constitutes the only agreement which it has entered into with any other Person (including other Shareholders) with respect to the manner in which it will vote or deal with its Shares.
- (j) Except to the extent it provided notice to the Corporation in writing prior to becoming a Shareholder that it is a Competing Shareholder, it is not a Competing Shareholder.

2.3 Representations and Warranties of Principals

Each Principal represents and warrants to the other Parties that:

- (a) The Shareholder in respect of which it is Principal is a Permitted Transferee.
- (b) The ownership and/or beneficiaries of such Principal's Shareholder are as set out opposite its name in Schedule 2.3(a) (as such Schedule may be updated from time to time).
- (c) No Person has any agreement or any option or right capable of becoming an agreement for the purchase or other acquisition of shares and other securities or interests in the Shareholder of such Principal which would result in such Shareholder ceasing to be a Permitted Transferee of such Principal.
- (d) It has the power and capacity to enter into and perform its obligations under this Agreement.
- (e) The execution, delivery and performance by it of this Agreement will not result in:
 - (i) a breach or a violation of, or conflict with, or allow any other Person to exercise any right of acceleration or termination under, any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (ii) a breach of, or cause the termination or revocation of, any authorization, licence or permit held by it or necessary to its ownership of the Shareholder of which it is Principal;
 - (iii) the violation of any applicable Law; or
 - (iv) the creation or imposition of any Lien other than a Permitted Lien upon any of its property or assets.
- (f) This Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms.
- (g) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement.
- (h) It is not a non-resident of Canada within the meaning of the Income Tax Act, or if it is a non-resident of Canada within the meaning of the Income Tax Act, it has so advised the Corporation in writing.
- (i) This Agreement constitutes the only agreement which it has entered into with any other Person (including other Shareholders) with respect to the manner in which it votes or deals with the shares or other securities of the Shareholder in respect of which it is principal or with the Shares owned by such Shareholder.
- (j) Except to the extent it provided notice to the Corporation in writing prior to becoming a Principal that it would be a Competing Shareholder if such Principal were a Shareholder, such Principal, if it was a Shareholder, would not be a Competing Shareholder.

2.4 Representations and Warranties of Corporation

The Corporation represents and warrants to the other Parties that:

- (a) It is a corporation incorporated and existing under the laws of Ontario and has the corporate power to own and operate its property and assets, carry on the Business and enter into and perform its obligations under this Agreement.
- (b) It is duly licenced and qualified in all jurisdictions in which the nature of its assets or the Business makes such licencing or qualification necessary.
- (c) The execution, delivery and performance by the Corporation of this Agreement:
 - (i) have been duly authorized by all necessary corporate action on the part of the Corporation;
 - (ii) will not result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any of its constating documents or any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (iii) will not result in a breach of, or cause the termination or revocation of, any authorization held by the Corporation or necessary to the operation of the Business;
 - (iv) will not result in the violation of any applicable Law; and
 - (v) will not result in the creation or imposition of any Lien upon any of its property or assets.
- (d) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement or as a condition to the lawful completion of the transactions contemplated by this Agreement.
- (e) This Agreement has been duly executed and delivered by the Corporation and constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms.
- (f) The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares, of which at this date, immediately following the SIA Closing, 541,813 Class A Common Shares and 541,813 Class B Common Shares have been duly issued and are outstanding as fully paid and non-assessable.
- (g) The Shares set out opposite each Shareholder's name in Schedule 2.2(a) are owned by such Shareholder as the registered owner thereof, and to the Corporation's knowledge, each such Shareholder is the beneficial owner of such Shares with good title thereto.

- (h) As at the date of this Agreement, pursuant to the Agreements specified in Schedule 2.4(h) in the amounts specified in Schedule 2.4(h) and under any stock options granted under the Stock Option Plan, in each case in the amounts specified in Schedule 2.4(h) next to such Person's name, no Person has any agreement, option or warrant or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued Shares or other securities of the Corporation except as set out in this Agreement.
- (i) The Articles and By-laws in effect on this date are attached as Schedule 2.4(i). The corporate records of the Corporation are complete and accurate and all corporate proceedings and actions reflected in such corporate records have been conducted or taken in compliance with all applicable Laws and with the Articles and By-laws. As of the date hereof, the Corporation is not subject to, or affected by, any unanimous shareholders agreement other than this Agreement.

2.5 Survival

The representations and warranties of the Parties contained in this Article 2 shall survive the execution and delivery of this Agreement and shall continue with respect to each Party until it ceases to be bound by its provisions.

2.6 Covenants of the Shareholders

Each of the Shareholders covenants and agrees with the other Parties that it will vote and use its best efforts to cause its nominees to the Board to act at all times, so that, in both cases, the provisions of this Agreement are given effect to the fullest extent permitted by Law. If there is a conflict between the provisions of this Agreement and the provisions of the Articles or By-laws, each of the Shareholders shall take or cause to be taken such steps and proceedings as may be required to amend the Articles and By-laws to resolve such conflict so that the provisions of this Agreement prevail.

2.7 Covenants of the Principals

Each Principal (a) covenants and agrees with the other Parties to cause the Shareholder of which it is Principal to perform its obligations under, and otherwise act in accordance with, the terms of this Agreement, and (b) acknowledges and agrees that it shall be jointly and severally liable with the Shareholder(s) of whom it is Principal for all representations, warranties, covenants, indemnities and agreements of such Shareholder(s) under this Agreement. The covenants and obligations of each Principal are absolute, unconditional, present and continuing and are in no way conditional or contingent upon any event or circumstance, action or omission which might in any way discharge a guarantor or surety.

2.8 Consent of the Corporation

The Corporation consents to the provisions of this Agreement and covenants that it will, at all times during the term of this Agreement, be governed by its provisions in conducting its business and affairs and shall do or cause to be done all such acts, matters and things as may, from time to time, be necessary or desirable for the carrying out of the terms and intent of this Agreement.

Article 3 - Management of the Corporation

3.1 Management and Corporate Action by Directors

Subject to Section 3.8 and the other provisions of this Agreement, the Directors shall manage the business and affairs of the Corporation in accordance with this Agreement, the Act and the By-laws.

3.2 Board of Directors

- (a) The Board shall consist of four Directors all of whom are, and will continue to be, qualified to act as Directors under the Act, provided that unless otherwise agreed in writing by Shareholders holding a majority of the Class A Common Shares, so long as such Shareholders holding Class A Common Shares are entitled to nominate the Class A Directors, the Class B Directors shall be required to satisfy any residency requirements to be satisfied by directors of the Corporation.
- (b) The board of directors of the Corporation shall at the date of this Agreement be constituted as follows:

<u>Director</u>	<u>Nominator</u>
Drew Craig	Class B Director
Kenneth Bicknell	Class B Director
Gavin Owston	Class A Director
David Rigby	Class A Director

- (c) For so long as the Class A Common Share Proportionate Interest is 40% or greater, the Class A Shareholders shall by Ordinary Resolution passed by the holders of the Class A Common Shares voting as a single class, be entitled to nominate and have appointed one Director (each a **Class A Director**) for each 20% of Proportionate Interest represented by the Class A Common Shares and the remaining Director(s) (each a **Class B Director**) shall be nominated by Ordinary Resolution passed by the holders of the Class B Common Shares voting as a single class.
- (d) In the event that the Class A Common Share Proportionate Interest drops below 40%, any Shareholder holding a Shareholder Proportionate Interest of 25% or more shall be entitled to nominate one director for each 25% of Shareholder Proportionate Interest so held and the remaining directors shall be determined by Ordinary Resolution of the remaining Shares voting together as a single class. Any Director nominated by a holder of Class A Common Shares pursuant to this Section 3.4(d) shall be a Class A Director for the purposes of this Agreement and all other directors shall Class B Directors.
- (e) If a nominee Director of a class of Shares or of a Shareholder, as applicable, resigns, is removed or otherwise ceases to be a Director (whether as a result of death, disability or otherwise), the Shareholder or Shareholders of the class of

Shares that nominated such Director shall provide notice to the Corporation and the other Shareholders and deliver or cause to be delivered to the Corporation a resignation and release of its nominee Director or Directors, as the case may be, in form and substance satisfactory to the Corporation.

3.3 Vacancies on the Board

- (a) A vacancy on the Board shall be filled by the election or appointment of a replacement Director nominated by the Shareholder or class of Shareholders whose former nominee has ceased to be a Director, provided such Shareholder or class of Shareholders, as applicable, continues to be entitled to appoint such Director.
- (b) In the case of a transfer of all of a Shareholder's Shares to a Person who is not a Permitted Transferee, the transferee shall have the same rights, if any, to nominate Directors as the transferor Shareholder had, provided the transfer has been completed in accordance with the terms of this Agreement. In the case of a partial transfer of a Shareholder's Shares to a Person who is not a Permitted Transferee or Permitted Trust, the rights, if any, to nominate Directors shall be determined in accordance with Section 3.2.
- (c) Until any vacancy on the Board is filled, the Board shall not transact any business except as may be necessary to elect or appoint the new Director and preserve the business and assets of the Corporation.
- (d) Notwithstanding Section 3.3(c) or any other provision of this Agreement, if a replacement Director is not elected or appointed within thirty days of such vacancy occurring because of a Shareholder's or class of Shareholders' failure to nominate a replacement Director, the remaining Directors may transact business and exercise all of the powers and functions of the Board.

3.4 Meeting of Directors

- (a) The Board shall meet at least once every month by teleconference, with in person meetings (the **In-Person Meetings**) to be held at least on a quarterly basis. The President or the Secretary of the Corporation or any Director may convene a meeting of the Board upon at least five (5) Business Days' prior written notice, unless all of the Directors waive such notice in writing. Subject to Section 3.3, a quorum for a meeting of the Board shall be a majority of the directors then in office, one of which must be a Class A Director or nominee of Forward, as applicable, so long as there are Class A Directors or Forward is entitled to nominate a Director.
- (b) If a quorum is not in attendance at any Board meeting, the meeting will be adjourned to the same place and time of day for a period of five days; provided, however, that Board members are not required to attend any such adjourned meeting in-person. Even if a quorum of Directors is not present at the adjourned meeting, a meeting of such Board may be held to transact the business set forth in the notice and, subject to the Act, the Directors present at that meeting shall constitute a quorum.

- (c) Except as otherwise provided in this Agreement or as required under applicable Law, all decisions of a Board shall be decided by Ordinary Resolution of the Board.
- (d) The Directors may participate in a meeting, which, subject to Section 3.4(b), is not an In-Person Meeting, by means of such telephone, electronic or other communication facilities as permit all Directors participating in the meeting to hear and communicate with each other simultaneously and a Director participating in the meeting by such means is deemed to be present at the meeting, provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such Director's consent shall be required for any Director to participate in an In-Person Meeting by means of such telephone, electronic or other communication facilities.

3.5 Chairperson of the Board

- (a) The chairperson shall have a second or casting vote on any Ordinary Resolution before the Board, but shall not have a second or casting vote in respect of the approval of any Annual Business Plan or of any matter requiring an Extraordinary Resolution or the approval of Forward.
- (b) Subject to Section 3.5(c), Drew Craig shall be the chairperson of the Board until the earlier of the date that: (i) Craig ceases to be a Director; or (ii) the Board designates a replacement chairperson by Extraordinary Resolution.
- (c) Provided Forward is then a Shareholder, upon and following a Forward Management Event, Forward shall designate the chairperson of the Board; provided that, for greater certainty, this right and the ability to trigger a Forward Management Event shall terminate upon the Final Funding Milestone having been achieved provided that a Forward Management Event has not been triggered in accordance with Section 3.6 prior to such date. For greater certainty, Forward's right to designate the chairperson of the Board following a Forward Management Event having been triggered in accordance with Section 3.6 shall not be affected by the achievement of any Funding Milestone thereafter.

3.6 Forward Management Event

- (a) If the Corporation has not achieved one of the Funding Milestones by the following date:
 - (i) in the case of the First Funding Milestone, prior to May 15, 2016;
 - (ii) in the case of the Second Funding Milestone, prior to November 15, 2016; and
 - (iii) in the case of the Final Funding Milestone, prior to February 15, 2017,

and provided that there are then Class A Directors or Forward is entitled to nominate one or more Directors and no Funding Default has occurred, Forward shall be entitled by notice in writing to the Corporation and the Directors to invoke the chairperson appointment rights described in Section 3.5(c) (a **Forward**

Management Event) which shall thereafter apply for so long as there are Class A Directors or Forward is entitled to nominate one or more Directors.

- (b) The determination as to whether a Funding Milestone has been achieved for any purpose under this Agreement shall be made in accordance with Section 3.2 of the Subscription & Investment Agreement.

3.7 Directors' Compensation

Except as may otherwise be approved pursuant to Section 3.8, no amount may be paid by way of salary, bonus or otherwise to any Director for acting as a director of the Corporation. However, each Director shall be reimbursed for reasonable and documented out-of-pocket expenses incurred while attending meetings or otherwise being engaged in the business of the Board.

3.8 Corporate Action

The making of any of the following decisions or the taking of any of the following actions by the Corporation shall, in addition to any other approval required by Law, require the approval of the Board by Extraordinary Resolution:

- (a) amending the Articles, except for a change of name or a change in the registered office of the Corporation within Canada;
- (b) amending or revoking the By-laws, in whole or in part, or enacting a new by-law;
- (c) changing the number of directors comprising the Board and determining the remuneration, if any, payable to the Directors;
- (d) allotting, reserving, setting aside or issuing any Shares, or other securities of the Corporation, the issuance of Funded Debt convertible into Shares, or granting any rights, warrants or options to purchase, acquire or otherwise obtain any unissued Shares or other securities of the Corporation including pursuant to the Stock Option Plan;
- (e) resolving that a transaction or series of transactions other than a "Liquidity Event" within the meaning of the Articles, constitutes a "Liquidity Event" as such term is defined in, and for the purposes of the Stock Option Plan, the Beacon Warrants; or the Windsor Warrants, as applicable;
- (f) approving or amending the Stock Option Plan;
- (g) declaring, making or paying any dividend or other distribution on, or in respect of, any Shares or other securities of the Corporation;
- (h) paying or distributing amounts out of any stated capital account of the Corporation or reducing any such stated capital account;
- (i) the appointment of the Auditor of the Corporation;

- (j) approving any transfer of Shares by any Shareholder other than transfers permitted and completed in accordance with this Agreement;
- (k) entering into any amalgamation, arrangement, reorganization, consolidation or merger involving the Corporation;
- (l) the incurrence of Funded Debt in excess of \$5,000,000 individually or in the aggregate whether or not such amount is provided for in the Annual Business Plan;
- (m) other than as approved in an Annual Business Plan: (i) selling, leasing or exchanging assets of the Corporation for aggregate proceeds in excess of \$500,000 individually or in the aggregate in any Financial Year; or (ii) purchasing, leasing or acquiring any capital assets from any Person for aggregate proceeds in excess of \$500,000 individually or in the aggregate in any Financial Year;
- (n) making any investment, loan or advance, incurring or committing to incur any capital expenditures in excess of \$500,000 individually or in the aggregate in any Financial Year, other than as approved in an Annual Business Plan;
- (o) granting any Lien over the assets of the Corporation other than Permitted Liens, if such Liens relate to amounts not provided for in the Annual Business Plan;
- (p) entering into or amending any contract or transaction with any Party or with any Person who does not deal at Arm's Length with any such Party or any shareholder, director or officer of any such Person or Party;
- (q) making any payment to any Party or any Person not dealing at Arm's Length with any Party or any shareholder, director or officer of any such Person or Party, or providing any other financial assistance, whether by guarantee or otherwise, to any such Party or Person;
- (r) taking any act, step or proceeding including any sale or disposition of any property of the Corporation for the purpose of, or leading to, the liquidation, dissolution or winding-up of the Corporation;
- (s) disposing of all or substantially all of the assets of the Corporation;
- (t) acknowledging the insolvency of the Corporation, making a voluntary assignment under the *Bankruptcy and Insolvency Act* (Canada), or consenting to the appointment of a receiver, receiver-manager or other Person acting in a similar capacity by any creditor of the Corporation; and
- (u) allowing the delegation by the Board of any of its powers to a committee;
- (v) any amendment to this Agreement;
- (w) the taking of any such action in respect of or by any Subsidiary of the Corporation; and
- (x) any agreement, commitment or undertaking to do any of the foregoing.

3.9 Meetings of Shareholders

- (a) Any two Directors or any Shareholder having at least 10% Shareholder Proportionate Interest in the case of a meeting the Shareholders or 10% of the relevant class of Shares in the case of a meeting of such class of Shares for a particular purpose contemplated hereunder to consider any matter for which a vote of such class voting as a single class is provided for hereunder, may convene a meeting of the Shareholders.
- (b) At least fifteen (15) Business Days' prior written notice of any meetings must be given unless all of the Shareholders entitled to attend such meeting waive such notice in writing. A quorum for a meeting of Shareholders is Shareholders present or represented by proxy holding Shares (or the relevant class of Shares in the case of a meeting of such class of Shares for a particular purpose contemplated hereunder to consider any matter for which a vote of such class voting as a single class is provided for hereunder) carrying more than 66^{2/3}% of the votes attaching to the Shares (or such class, as applicable) provided further that, for so long as there are Class A Directors or Forward is entitled to nominate a Director, a Class A Shareholder holding at least 50% of the Class A Common Shares or Forward must be present in order to constitute a quorum. The chairperson of the Board, or in his absence, the Person selected by the Shareholders present and entitled to vote at the meeting, shall chair the meeting. Except as required by Law all questions before the Shareholders shall be decided by Ordinary Resolution.
- (c) The chairperson at a meeting of the Shareholders shall not have a second or casting vote.

3.10 Approval by Board and Shareholders

Any resolution in writing signed by all of the Directors nominated and elected by a particular Shareholder shall also constitute the consent to such resolution of that Shareholder. Any matter recorded in the minutes of a meeting of the Board or Shareholders as having been approved or agreed upon, shall, subject to any contrary intention being indicated in the minutes, be deemed to have been consented to by a particular Shareholder if the minutes are signed by that Shareholder or, in the case of a meeting of the Board, by one or more of the Directors nominated by that Shareholder.

3.11 Officers

- (a) As at the date of this Agreement, the officers of the Corporation and the Subsidiaries of the Corporation are as follows:

President and Chief Executive Officer:	Ken Bicknell
Chief Financial Officer:	Michael Laitinen
Secretary	Drew Craig
Chief Technology Officer:	Paul East

- (b) The Board by Ordinary Resolution may designate additional offices and appoint such additional officers in respect of the Corporation and the Subsidiaries from time to time as it may determine.

- (c) If any of the above-named officers resigns or is removed from office, the Board may by Ordinary Resolution appoint a replacement.

3.12 Indemnification; Insurance

- (a) The Corporation shall provide each officer and Director with an indemnity substantially in the form set out in Exhibit 3.12.
- (b) The Corporation may obtain and maintain insurance for the benefit of the Directors and officers of the Corporation against such liabilities, in such amounts and on such terms as the Board may determine.
- (c) The Corporation shall insure and keep insured under a policy of "key person life insurance", the life of such individuals in such amounts, as Forward or the Shareholders holding a majority of Class A Common Shares may direct the Corporation in writing so long as there are Class A Directors or Forward is entitled to nominate a Director and as the Board may otherwise determine by Extraordinary Resolution.

3.13 Annual Business Plan

- (a) No later than two months prior to the beginning of each Financial Year, the Board shall cause a draft annual business plan to be prepared and delivered by management of the Corporation for consideration by the Board in consultation with 10% Shareholders (excluding any Competing Shareholders). The draft annual business plan shall include at least the following (i) an outline of the strategic direction of the Corporation, including the Subsidiaries of the Corporation, (ii) a description of any new business initiatives which the Corporation, including the Subsidiaries of the Corporation, intends to undertake in the Financial Year, (iii) monthly detailed consolidated *pro forma* balance sheets, income statements and statements of changes in financial position, and comparison statements from the previous Financial Year, and (iv) a consolidated capital expenditures budget setting forth the nature and type of capital expenditures proposed to be made in the Financial Year; all supported by explanations, notes and information upon which the projections underlying the draft annual business plan were based.
- (b) The draft annual business plan, as reviewed by the Board, 10% Shareholders (excluding any Competing Shareholders), and as approved by an Ordinary Resolution of the Board (with such amendments and modifications as they determine appropriate by Ordinary Resolution of the Board), provided for greater certainty that Chairperson of the Board shall not have a second or casting vote in respect of such Ordinary Resolution, shall become the **Annual Business Plan** for such Financial Year. The Annual Business Plan may be amended from time to time by Ordinary Resolution of the Board, provided for greater certainty that Chairperson of the Board shall not have a second or casting vote in respect of such Ordinary Resolution. Except as expressly provided in Section 3.8, transactions approved or contemplated in the Annual Business Plan shall be deemed to have been approved in accordance with Section 3.8 upon such Annual Business Plan being approved.

3.14 Financial Statements

- (a) The Corporation shall prepare and deliver to the Board and the 10% Shareholders (excluding any Competing Shareholders), within 30 days following the completion of each financial month and financial quarter, a management-prepared report consisting of an unaudited balance sheet, income statement and statement of changes in financial position and setting forth, in comparative terms, the actual results for the current Financial Year to the end of such month or quarter, as the case may be, and the budgeted results for such period based on the Annual Business Plan. The report shall include such explanations, notes and information as is required to explain and account for any variances between the actual results and the budgeted amounts set forth in the Annual Business Plan.
- (b) The Corporation shall deliver, as soon as practicable and in any event within 120 days after the end of each Financial Year, for review and approval by the Board, the audited financial statements of the Corporation for such Financial Year consisting of a balance sheet, a statement of income and a statement of changes in financial position and such other statements and reports as are required in accordance with applicable law.
- (c) The audited financial statements, as approved by the Board (as so approved, the **Financial Statements**), shall be delivered forthwith to the 10% Shareholders (excluding any Competing Shareholders).
- (d) Each of the Shareholders that is a Competing Shareholder and each of the Shareholders that is not a 10% Shareholder hereby waives its rights to receive the Financial Statements in accordance with the *Business Corporations Act* (Ontario).

3.15 Books and Records

Any 10% Shareholder that is not a Competing Shareholder and its authorized representatives may, at any time during normal business hours without causing unreasonable disruption to the Business, review, examine and copy, at its own expense, any books and records of the Corporation.

3.16 Records Confidential

- (a) Except in strict accordance with Section 3.16(b), each Shareholder and Principal acknowledges that all records, material and information obtained by it and relating to the Corporation and its Subsidiaries and the Business (other than information and material which the Corporation is required to deliver to the Shareholders under the Act) are and shall remain the exclusive property of the Corporation and its Subsidiaries. Each of the Parties and their respective authorized representatives shall keep in the strictest confidence, not disclose and not use, without the consent of the Corporation, any non-public information pertaining to or concerning the Corporation and its Subsidiaries (**Confidential Information**) including all budgets, forecasts, analyses, financial results, costs, margins, wages and salaries, bids and other business activities, all supplier and customer lists, all non-public intellectual property including trade secrets, unfiled

patents, technical expertise and know-how and all other information not generally known outside the Corporation.

- (b) Notwithstanding Section 3.16(a) no Shareholder or Principal will be obliged to keep in confidence or will incur any liability for disclosure of Confidential Information which:
- (i) was already in the public domain other than by reason of a breach of this Section 3.16 or any other Agreement with the Corporation or any of its Subsidiaries by such Shareholder or Principal or their authorized representatives;
 - (ii) is required to be disclosed pursuant to a legal or regulatory proceeding or in accordance with applicable Laws, provided that such Shareholder or Principal provides the Corporation prompt notice so that it can seek a protective order or other appropriate remedy. In the case of required disclosure pursuant to this Section 3.16(b)(ii), such Shareholder or Principal shall cooperate with the Corporation in its efforts to obtain a protective order or other remedy to prevent or limit such disclosure and if no such protective order or other remedy is obtained and disclosure is required, such Party shall provide only that portion of Confidential Information which it is legally required, as determined by legal counsel to the Corporation acting reasonably, and use best efforts to obtain written assurance that such Confidential Information will be treated confidentially;
 - (iii) is required to be disclosed in the discharge of a Shareholder or Principal's duties as an employee, independent contractor, officer or director of the Corporation or any of its Subsidiaries;
 - (iv) is required to be disclosed in any arbitration or legal proceeding to enforce the rights of a Shareholder or Principal pursuant to this Agreement or the Subscription & Investment Agreement, provided that such party has promptly given prior written notice to the Corporation that it intends to disclose such Confidential Information; or
 - (v) is disclosed on a need-to-know basis to the professional advisors of a Shareholder or Principal who have a duty of confidentiality, provided that such Shareholder or Principal shall be liable for any disclosure of such Confidential Information by any such professional advisor which disclosure would not otherwise have been permitted by such Shareholder or Principal.

Article 4 – Corporate Finance and Capital Requirements

4.1 Bank Financing

If the incurring of Funded Debt to a Canadian chartered bank or other reputable financial institution has been approved in an Annual Business Plan, or is required to be obtained pursuant to Section 4.2, the Board may, subject to the terms of the Annual Business Plan, and if applicable, Section 3.8, determine from whom such Funded Debt will be borrowed and the terms and conditions of such Funded Debt, provided that to the fullest

extent possible, such Funded Debt is obtained upon the security of the assets of the Corporation alone.

4.2 Shareholder Funding Covenant

- (a) No later than five (5) Business Days following the date on which Forward has fulfilled all of its funding obligations pursuant to the Subscription & Investment Agreement in respect of the First Funding Milestone, Forward, Craig, J.D. Craig Holdings, DUM Holdings and the Corporation hereby covenant, and the other Shareholders acknowledge and agree as follows:
- (i) each of (A) Forward and (B) Craig or J.D. Craig Holdings (collectively the **Windsor Take-Out Lenders**) shall advance a loan to the Corporation in the amount of up to \$1,100,000 (such amount to be half of the then outstanding amount payable in respect of the Funded Debt owing by the Corporation to Windsor Private Capital Inc. (the **Windsor Funded Debt**)) each on terms which are substantially similar to the terms of the Windsor Funded Debt (save and except as to the issuance of warrants, or other convertible securities and the maturity date thereof, (the **Windsor Take-Out Loans**));
 - (ii) the Windsor Take-Out Loans shall be secured by a first ranking charge over all of the assets of the Corporation in the form of a general security agreement, and notice of such security shall be effected by the filing of a financing statement in the personal property security registration system or as the Directors may otherwise determine, and DUM Holdings shall subordinate and postpone its security interest in favour of the security interests of the Windsor Take-Out Lenders under the Windsor Take-Out Loans. If the Corporation subsequently borrows from an institutional lender other than for the purposes set out in Section 4.2(a)(v), and a term of such borrowing is that the Corporation shall give such lender a first charge over its assets, then the Windsor Take-Out Lenders and DUM Holdings shall subordinate their respective security interest to the security of such lender; ‘
 - (iii) the loan to the Corporation by DUM Holdings (the **DUM Shareholder Loan**) shall be amended to reflect the following provisions:
 - (A) the DUM Shareholder Loan shall bear interest at a rate of 7.5% per annum;
 - (B) the maturity date of the DUM Shareholder Loan shall be extended to match the maturity date of the Windsor Take-Out Loans; and
 - (C) the grant of any security interest in respect of the Windsor Take-Out Loans or any institutional lender other than for the purposes set out in Section 4.2(a)(v) to which the Windsor Take-Out Lenders and DUM Holdings shall subordinate their respective security interest, in each case as contemplated in Section 4.2(a)(ii), will not constitute an “Event of Default” within the meaning of the DUM Shareholder Loan;

- (iv) The proceeds of the Windsor Take-Out Loans, together with such additional cash in the Corporation as may be required, shall be used by the Corporation to repay the Windsor Funded Debt in exchange for a full release of such Funded Debt and any security relating thereto;
- (v) the Corporation shall, prior to the maturity date of the Windsor Take-Out Loans, obtain Funded Debt in order to repay the Windsor Take-Out Loans and the DUM Shareholder Loan, which notwithstanding the terms of this Agreement including Sections 3.8 and 4.1 shall only require the approval by a majority of the holders of the Class A Shares or Forward so long as there are Class A Directors or Forward is entitled to nominate a Director; and
- (vi) the Corporation, the Principals and the Shareholders shall take all actions necessary or desirable to give effect to the foregoing.

4.3 Offering of New Securities

Subject to Section 4.7, if an offering of additional securities has been approved in accordance with this Agreement, subject to compliance with Section 4.4, Section 4.5 and applicable Law, the Board may, in its discretion, issue additional Shares or other securities of the Corporation (the **New Securities**) at such price, in such numbers and upon such terms and conditions and to such Persons as it determines to be in the best interests of the Corporation subject to restrictions, if any, imposed under the approval of such issuance granted pursuant to Section 3.8.

4.4 Pre-emptive Right Regarding New Securities

- (a) If the Corporation proposes to issue New Securities, it shall deliver a notice of such intention to each Shareholder (the **Issuance Notice**). The Issuance Notice shall specify the terms and conditions of the offering including (i) the total number of New Securities which are being offered, (ii) the rights, privileges, restrictions, terms and conditions of the New Securities, (iii) the consideration for which each of the New Securities is being offered, and (iv) the date on which the New Securities are to be issued which shall be no earlier than 20 days and no later than 45 days from the date the Issuance Notice is delivered.
- (b) A Shareholder may, within five (5) Business Days after receipt of an Issuance Notice (the **Issuance Period**) by notice given to the Corporation (a **Notice of Intention**), subscribe for its rateable portion of the New Securities based on its Shareholder Proportionate Interest. A subscribing Shareholder may also indicate its intention to subscribe for any New Securities for which the other Shareholders do not subscribe (the **Available New Securities**), by including a statement in the Notice of Intention setting out the number of Available New Securities it is prepared to acquire expressed as a percentage of the Available New Securities, if any, available to be taken up by the Shareholders (the **Specified Percentage**).
- (c) Each Notice of Intention shall, subject to Section 4.5, constitute a binding agreement by the Shareholder to subscribe for and take up the number of New Securities and Available New Securities subscribed for therein upon the terms and conditions and on the date specified in the Issuance Notice.

- (d) A Shareholder may, at any time during the Issuance Period, request the Corporation to indicate the number of Shareholders which have elected to acquire New Securities, the identity of such Shareholders and the number of Available New Securities, including the Specified Percentages set out in the Notices of Intention, and the Corporation shall respond to such request immediately and, in any event, within one (1) Business Day of the request being made.
- (e) If a Shareholder fails to deliver a Notice of Intention within the Issuance Period, then any right that Shareholder has to subscribe for any of the New Securities is extinguished.
- (f) The class of Available New Securities issued to a Shareholder shall be determined by, and shall be the same class of Shares currently held by such Shareholder.

4.5 Issue of Available New Securities to Shareholders

- (a) If the sum of the Specified Percentages (the **Total Percentage**) is equal to 100%, the Available New Securities, if any, shall be allocated among those Shareholders who have elected to subscribe for Available New Securities in accordance with the Specified Percentages set forth in their Notices of Intention. Such Shareholders shall purchase an amount of Available New Securities equal to the product obtained by multiplying the number of Available New Securities by their respective Specified Percentages.
- (b) If the Total Percentage exceeds one hundred (100%) percent (i) the Specified Percentage of each Shareholder will be reduced to an amount equal to the product obtained by multiplying the Specified Percentage indicated by such Shareholder in its Notice of Intention by a fraction, the numerator of which is one hundred (100%) percent and the denominator of which is the Total Percentage, (ii) the Notices of Intention shall be deemed to be amended accordingly, and (iii) such Shareholders shall purchase an amount of Available New Securities equal to the product obtained by multiplying the number of Available New Securities by their respective Specified Percentages as so revised.
- (c) If Available New Securities are allotted to Shareholders, the Corporation will accept the subscriptions for their allotted number or amount of Available New Securities by immediately notifying each Shareholder who subscribed for New Securities of the total number or amount of New Securities allotted to that Shareholder.
- (d) The obligation of the Corporation to issue New Securities to a Shareholder on the date specified in the Issuance Notice is subject to and conditional on the issuance of such securities being exempt from all registration and prospectus requirements under applicable securities laws.

4.6 Issuance of Available New Securities to Third Parties

If the Total Percentage is less than one hundred (100%) percent or if no Shareholders have elected to subscribe for New Securities, then during the 90 day period following the

expiration of the Issuance Period, the Corporation may allot and issue any New Securities not subscribed for to any Person at the same or higher price (in cash) and otherwise upon the same terms and conditions as were set out in the Issuance Notice relating to such New Securities. If any of the New Securities are not issued within such 90 day period, the Corporation must, before issuing them to any Person, again comply with Sections 4.4 and 4.5.

4.7 Exclusions to Pre-Emptive Rights

The Shareholders hereby agree that any issuance of Shares or other securities convertible into Shares from treasury for the following reasons shall not trigger the pre-emptive rights stipulated in Section 4.4:

- (a) in consideration of the acquisition of a business, part of a business or intellectual property rights from an Arm's Length Person;
- (b) in connection with a corporate reorganization provided that Shares are treated equitably in accordance with their terms with respect to any issuance of securities in connection therewith;
- (c) any options granted or any other securities issued under the Stock Option Plan, or any of the warrants, rights, options or convertible securities outstanding as of the date hereof and listed in Schedule 4.7;
- (d) any issuance of securities to Spectrum Motion Media Ltd. in satisfaction of amounts owing in respect of the settlement arrangements entered into between the Corporation and Spectrum Motion Media Ltd. on or about May 21, 2014, provided that such issuance is approved in accordance with Section 3.8; and
- (e) the issuance of any securities pursuant to Section 4.8.

4.8 Forward Covenant

The Corporation shall record in its Share register and shall clearly label any Class B Common Shares issued pursuant to the transactions listed below with an annotation indicating that such Class B Common Shares have been issued pursuant to a transaction contemplated by this Section 4.8:

- (a) the exercise of Windsor Warrants;
- (b) the exercise of Beacon Warrants;
- (c) the exercise of Rothney Warrants; or
- (d) the issuance of Class B Common Shares in order to settle any liabilities or obligations of the Corporation of any nature whatsoever arising after the SIA Closing in respect of any fact, condition or circumstance existing or occurring on or prior to the SIA Closing whether or not the agreement to issue such securities is agreed to after the SIA Closing (e.g. any obligation owing to Spectrum Motion Media or Motion LED existing or arising in respect of the period prior to the SIA Closing whether or not such obligation continues after the SIA Closing, etc.),

whether: (i) directly; or (ii) upon the conversion of Funded Debt convertible into Class B Common Shares, the exercise of any options, rights or warrants, or pursuant to the exercise of any other rights to acquire Class B Common Shares, issued, granted, or otherwise outstanding or made available by the Corporation to a third party in respect of such liabilities or obligations.

For greater certainty this Section 4.8, shall not apply in respect of the issuance of Class B Common Shares pursuant to the exercise of options granted under the Stock Option Plan in accordance with this Agreement.

4.9 Deferred Financing Closing Addition to Stated Capital

Each of the Shareholders shall take such further and other actions as may be reasonably requested in writing by Forward or the Corporation to ensure that upon each Deferred Financing Closing, an amount equal to the Class A Common Share Contribution Amount for such Deferred Financing Closing will be added to the stated capital account maintained in respect of the Class A Shares and converted into paid-up capital in respect of the Class A Shares for tax purposes as contemplated by subparagraph 84(1)(c.3)(ii) of the Income Tax Act.

Article 5 - Restrictions On Transfer

5.1 Restrictions on Transfer

- (a) No Shareholder may transfer any of its Shares except to Persons and in the manner expressly permitted in this Agreement or contemplated by the Articles including, without limitation, Article 6. Any transfer of Shares made in contravention of this Agreement is null and void. The Board and the Shareholders shall not approve or ratify any transfer of Shares made in contravention of this Agreement and the Corporation shall not permit any such transfer to be recorded on the share register of the Corporation.
- (b) From and after the date of a transfer of Shares contrary to Section 5.1(a), all rights of the Shareholder purporting to make the transfer and of its nominee Directors will be suspended and inoperative. No Person may vote such Shares or receive dividends or other distributions in respect of such Shares until the transfer is rescinded by the transferor and transferee.
- (c) The restrictions and remedies provided for in this Section 5.1 are in addition to, and not in substitution for, any other rights or remedies that a Party may have.

5.2 Share Certificates

All certificates representing Shares must bear the following legend:

“The shares represented by this certificate are subject to restrictions on transfer and all the other terms and conditions of a unanimous shareholders’ agreement dated July 27, 2015 made between the Corporation and each and all of the holders of shares, as such agreement may from time to time be amended in accordance with its provisions. A copy of the agreement is on file at the registered office of the Corporation and is available to the

holder hereof for inspection on request, without charge. Any transfer made in contravention of such restrictions shall be null and void.”

5.3 Permitted Transferees

- (a) A Shareholder (a **Transferor**) may, upon not less than three (3) Business Days prior written notice to the Corporation and the other Shareholders, transfer any or all of its Shares to any Permitted Transferee of the Transferor. No such transfer will be effective until the Permitted Transferee executes and delivers to the Corporation an Agreement To Be Bound. If the Permitted Transferee is a Person Controlled by the Transferor, the Transferor shall assume all of the obligations of a Principal under this Agreement.
- (b) The Transferor shall be a Principal in respect of the Permitted Transferee and any further Permitted Transferee of such Permitted Transferee, and at all times after the transfer of Shares to a Permitted Transferee, (i) be jointly and severally liable with the Permitted Transferee, for the observance and performance of the covenants and obligations of such Permitted Transferee under this Agreement, (ii) cause the Permitted Transferee to remain a Permitted Transferee of the Transferor so long as it is a Shareholder, and (iii) indemnify the other Parties against any loss, damage or expense incurred as a result of the failure by the Permitted Transferee to comply with the provisions of this Agreement.

5.4 Transfer by Principal

- (a) Subject to Section 5.4(b) each Principal in respect of its Shareholder covenants and agrees with the other Parties that it shall not, without approval of the Board by Extraordinary Resolution:
 - (i) transfer any of the securities in the capital of the Shareholder of which it is Principal to any other Person; or
 - (ii) cause, permit or suffer such Shareholder to issue any additional securities to any Person other than the Principal; or
 - (iii) take any other action with respect to such Shareholder,
 if, as a result of any such transfer or issuance of securities or other action, there would be a change of Control of such Shareholder or such Shareholder would cease to qualify as a Permitted Transferee.
- (b) A Principal may, upon not less than three (3) Business Days prior written notice to the Corporation and the Shareholders, transfer Control of a Shareholder of which it is Principal to a Permitted Transferee of such Principal and Shareholder in accordance with Section 5.3 provided that such Principal shall continue to be the Principal in respect of any such Permitted Transferee.
- (c) From and after the date of a purported transfer or issuance made in contravention of this Agreement, all rights of the Principal and such Shareholder whose securities have been transferred or issued and of its nominee Directors

will be suspended and inoperative and such Shareholder shall not be entitled to receive dividends or other distributions until the transfer or issuance of securities of such Shareholder is rescinded.

5.5 Pledge of Shares

No Shareholder may grant a Lien or otherwise encumber any of its Shares in any way whatsoever without the prior written consent of the Board by Extraordinary Resolution.

5.6 Deemed Consent

Each of the Parties (a) consents to a transfer of Shares permitted by this Agreement and completed in accordance with its terms, (b) agrees that (i) such consent shall satisfy any restriction on the transfer of such Shares contained in the Articles or the By-laws, and (ii) no further consent will be required pursuant to the Articles, the By-laws or otherwise for any such transfer.

Article 6 – Share Sales and Right Of First Refusal

6.1 Sale and Issue Restrictions

- (a) The transfer of Shares by any Shareholder (other than Forward or any Permitted Transferee of Forward if any Funding Milestone has not been met within by the date specified in Section 3.6(a)) shall be subject to the right of first refusal set forth in Section 6.3.
- (b) Other than pursuant to the exercise of the tag-along rights pursuant to Section 6.4, the drag-along rights pursuant to Section 6.5 and the change in circumstances provisions pursuant to Article 7, the transfer to a Permitted Transferee pursuant to Section 5.3 hereof, or pursuant to a Liquidity Transaction pursuant to Article 8, without the prior written consent of the Board by Extraordinary Resolution, no Shareholder (other than Forward or any Permitted Transferee of Forward if the Financial Milestones have not been met) shall be entitled to transfer any (or all of) its Shares for a period (the **Initial Period**) equal to the later of two (2) years from the date of this Agreement; and (ii) the date that the Corporation achieves the Final Funding Milestone (whether or not such Final Funding Milestone is met within 24 months of the SIA Closing).
- (c) Other than pursuant to the exercise of the tag-along rights pursuant to Section 6.4 or the drag-along rights pursuant to Section 6.5, no Shareholder (other than Forward or any Permitted Transferee of Forward if the Financial Milestones have not been met) shall be entitled to transfer Shares to a competitor of the Business (the whole as may be determined by the Board by Extraordinary Resolution).

6.2 Offer

- (a) If at any time following the end of the Initial Period, a Shareholder (other than Forward) (the **Initiator**) desires to sell to a third party with whom the Initiator is dealing at Arm's Length any of the Shares of the Initiator, the Initiator shall (a) obtain from the third party a *bona fide* offer in writing, which offer shall be

irrevocable for a period of forty-five (45) days (the **Offer**) and which the Initiator is ready and willing to accept, to purchase of all but not less than all of the Initiator's Shares for the amount thereof set forth in the Offer and (b) shall give notice in writing to the Corporation and 10% Shareholders (the **Recipients**) of the receipt of the Offer within five (5) days thereof together with a copy thereof.

- (b) For purposes of this Agreement such Offer shall be deemed to provide for a purchase price per Share determined by dividing the amount of the Offer by the aggregate Shareholder Proportionate Interest represented by the Shares in respect of which the Offer is being made to obtain the enterprise value of the Offer and allocating such enterprise value to each class of Shares based on the Proportionate Interest of such class of Shares at the time such Offer is made and then further allocating such Class amount *pro rata* amongst the Shares in each Class based on the portion of such enterprise value allocated to such class of Shares.

6.3 Right of First Refusal

- (a) Upon receipt of notice of an Offer pursuant to Section 6.2, the Corporation shall then be entitled, as determined by the Board by Extraordinary Resolution, by notice in writing to the Initiator within fifteen (15) days from the date of receipt of a copy of the Offer, to:
 - (i) acquire some or all of the Shares (and shall specify the number of Shares in its notice) for the price per Share (determined in accordance with Section 6.2(a) and further by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), the whole in accordance with the terms and conditions of the Offer. The closing of the sale of Shares pursuant to the terms of this Section 6.3(a)(i), (for the purposes of this Section 6.3(a)(i) and Article 9, a **Sale Transaction**), shall take place on the date (for the purposes of this Section 6.3(a)(i) and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the Corporation received a copy of the Offer. For the purposes of Article 9, the Initiator shall be the Seller, the Corporation shall be the Buyer, the Purchase Price shall be the aggregate purchase price determined pursuant to this Section 6.3(a)(i) and the Purchased Shares shall be the number of the Shares set forth in the notice of the Buyer; or
 - (ii) decline the Offer.

In the event that the Corporation fails to notify the Initiator within the aforesaid fifteen (15) days delay, the Corporation shall be deemed to have elected to decline the Offer.

- (b) No later than the expiry of such fifteen (15) day period, if the Corporation has not exercised its right pursuant to Section 6.3(a)(i) to acquire all of the Shares subject to the Offer, the Initiator shall advise the Recipients whether there are any Shares left to acquire and shall specify the number, if any, of such Shares so available (the **Second Notice**).

- (c) Upon receipt of the Second Notice, each Recipient shall then be entitled, by notice in writing to the Initiator within fifteen (15) days from the date of receipt of a copy of the Second Notice, to:
- (i) acquire a number of Shares from the Initiator for a price per Share which is deemed to be set forth in the Offer in accordance with Section 6.2(b), the whole in accordance with the terms and conditions of the Offer *pro rata* and in proportion to the Recipient's respective Shareholder Proportionate Interest in the Corporation held by it (or in such other proportions as the Recipients desiring to exercise their rights hereunder may agree among themselves) and indicating how many additional Shares such Recipient is willing to purchase in accordance with this Section (i) if one or more other Recipients do not elect to exercise the right of first refusal herein granted. In the event that one or more Recipients elects to purchase its *pro rata* (based on its Shareholder Proportionate Interest) number of the Initiator's Shares and one or more other Recipients declines to elect to so purchase, the Recipient(s) electing to so purchase shall have the further right and option to purchase the remaining Initiator's Shares on the same terms and conditions as set forth in the Offer in accordance with the terms hereof in proportion to the respective Shareholder Proportionate Interest in the Corporation of the Recipients willing to exercise the right provided under this Section (i) to purchase Shares over and above their *pro rata* entitlement with other electing Recipients (or in such other proportions as they may agree among themselves). The closing of the sale of Shares pursuant to the terms of this Section (i), (for the purposes of this Section (i) and Article 9, a **Sale Transaction**), shall take place on a date (for the purposes of this Section (i) and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the Recipients initially received a copy of the Offer. For the purposes of Article 9, the Initiator shall be the Seller, the Recipients shall be the Buyers, the Purchase Price shall be the aggregate purchase price determined pursuant to this Section (i) (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the Purchased Shares shall be the aggregate of the Shares to be acquired pursuant to Section (i); or
 - (ii) decline the Offer, in which case the Initiator may, subject to the rights of the other Recipients, sell its Shares on the terms and conditions of the Offer within one hundred and twenty (120) days of receipt or deemed receipt of a written notice that the Recipients have declined the Offer, failing which each of the provisions of this Section 6.3 shall again apply to any proposed sale of Shares. In the event that a Recipient fails to notify the Initiator within the aforesaid fifteen (15) days delay, such Recipient shall be deemed to have elected to decline the Offer.

Notwithstanding the foregoing, in the event that the Corporation and the Recipients do not, collectively, acquire all of the Shares that the Initiator intends to sell pursuant to the Offer, within the deadlines provided herein, the

Corporation and the Recipients shall forfeit the right of first refusal provided herein and the Initiator may sell its Shares on the terms and conditions of the Offer to the third party as set forth in Section 6.3(c)(ii) for the duration of such period specified in Section 6.3(c)(ii).

- (d) An Offer shall not be valid for purposes of this Article 6 unless:
- (i) it is irrevocable and the consideration for the purchase of the Shares shall be exclusively payable in Canadian dollars;
 - (ii) all Shares sold must be free and clear of any Liens other than Permitted Liens;
 - (iii) the purchaser of the Shares shall assume all of the rights and obligations in respect of the Corporation and under this Agreement, of the Shareholder(s) who is (are) selling its (their) Shares and shall also ensure that any guaranties or other security granted by such Shareholders is (are) released upon closing;
 - (iv) it requires that the purchaser of the Shares obtain on or prior to closing all requisite statutory and regulatory approvals in respect of its acquisition of the Shares to be sold;
 - (v) it provides for a closing date no later than one hundred and twenty (120) days from the date that the Offer is initially received by the Recipients and no earlier than sixty (60) days following the date of such Offer;
 - (vi) the offeror must be at Arm's Length with each of the Shareholders;
 - (vii) it is unconditional except for normal due diligence verifications and normal conditions;
 - (viii) it is not part of any other transaction and not conditional on any other transactions;
 - (ix) it does not contain any provision or term which could not reasonably be satisfied by the Corporation and the Recipients;
 - (x) the offeror would not following Closing be a Competing Shareholder (as determined by the Board in its sole discretion) unless approved by the Board by Extraordinary Resolution;
 - (xi) the offeror agrees to be bound by this Agreement;
 - (xii) it shall be accompanied by all relevant details, reference and conditions of the offeror and the names of the ultimate beneficial shareholder(s) of the offeror;

- (xiii) it shall not other than to the extent payable to all Sellers on a *pro rata* basis based on each Shareholder's Shareholder Proportionate Interest, provide for the provision of management, consulting or other fees, a payment for any non-competition covenant or the payment of salary, in each case which is reasonably attributable to the purchase price, as opposed to the fair consideration for future services to be rendered by the Shareholder(s) or any of its (their) Associates, or any other Person with whom the Shareholder does not deal at Arm's Length, but shall include the purchase of any indebtedness owed by the Corporation to each of the Shareholders who are selling their Shares; and
- (xiv) it shall provide that the liability under the purchase agreement of each of the Shareholders who are selling their Shares including, without limitation, liability for breach of representation or warranty or for a claim under an indemnity, shall not be joint and several (solidary) and shall not, under any circumstances, exceed the lesser of its pro rata proportion of any claim and the purchase price payable to such Shareholder.

6.4 Tag-Along Rights

In the event that any Shareholder or group of Shareholders holding a Shareholder Proportionate Interest of at least 50%, (a **Selling Shareholder**) desires to transfer all of, but not less than all of its or their Shares to a third party at Arm's Length, under an Offer, subject to Section 6.3, such Selling Shareholder shall send a copy of such Tag-Along Offer to all Shareholders (the **Tag-Along Offer**) in writing (the **Tag- Along Notice**) and each Shareholder (other than the Selling Shareholder) shall then have the right to elect, by notice in writing to the Selling Shareholder within fifteen (15) days from the date of receipt of the Tag-Along Notice, as a condition precedent to any sale of Shares by the Selling Shareholder to the Arm's Length third party, to require the Arm's Length third party to purchase the Shares held by such Shareholder for a price per Share which is determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation and otherwise upon the same terms and conditions as contained in the Tag-Along Offer. Should a Shareholder not have notified the Selling Shareholder in writing of its intention to exercise its right to require the third party to purchase its Shares within the fifteen (15) day delay mentioned hereinabove, such Shareholder shall irrevocably be deemed to have elected not to exercise such right. Any Tag-Along Offer shall comply with the requirements of Sections 6.3(d)(xii) and 6.3(d)(xiii) and further shall specify the aggregate consideration that would be paid by such third party in order to acquire all of the Shares of the Corporation in the event that all Shareholders elected to accept the Tag-Along Offer. The closing of the sale of Shares pursuant to the terms of this Section 6.4, for the purposes of this Section 6.4 and Article 9, a **Sale Transaction**, shall take place on a date (for the purposes of this Section 6.4 and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the other Shareholders initially received the Tag-Along Notice. For the purposes of Article 9, the Selling Shareholder and any other Shareholder that elects to accept the Tag-Along Offer in accordance with this Section 6.4 shall be the **Seller**, the Arm's Length third party making the Tag-Along Offer shall be the **Buyer**, the **Purchase Price** shall be the aggregate purchase price determined pursuant to this Section 6.4 (and for greater

certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the **Purchased Shares** shall be the aggregate of the Shares to be acquired pursuant to Section 6.4.

6.5 Drag-Along Rights

In the event that: (a) Forward, provided (i) a Funding Milestone has not been met within by the date specified in Section 3.6(a), or (ii) five (5) years have elapsed after the date of this Agreement and no Funding Default has occurred; or (b) any Shareholder or group of Shareholders (which may but shall not be required to be or include Forward), holding a Shareholder Proportionate Interest of at least 60% (a **Selling Shareholder**), desires to transfer all of, but not less than all of its or their Shares to a third party at Arm's Length, under an Offer, subject to Section 6.3, such Selling Shareholder shall send a copy of such Offer to all Shareholders (the **Drag-Along Offer**) in writing (the **Drag-Along Notice**) together with a notice that it wishes to invoke the provisions of this Section 6.5 in which case, the Selling Shareholder shall have the right to require the other Shareholders, pursuant to the Drag-Along Notice to require the other Shareholders to accept the offer and sell all of its Shares and the Shares held by such other Shareholders to the third party pursuant to the terms of the Drag-Along Offer. The Corporation is hereby irrevocably appointed the agent and attorney of the Shareholders and each of them for the purposes of effecting registration of the third party as a Shareholder in completing the sale of the Shares of such other Shareholders to the third party in accordance with this Section 6.5. For purposes hereof, the Drag-Along Offer must be an offer, payable in cash or by certified cheque at closing, for no less than all of the Shares, specifying the aggregate consideration to be paid for such Shares (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and otherwise consistent with Sections 6.3(d)(xii) and 6.3(d)(xiii), made by a third party dealing at Arm's Length with the Selling Shareholder. Any such Drag-Along Offer shall provide that the liability under the purchase agreement of each of the Shareholders who are selling their Shares including, without limitation, liability for breach of representation or warranty or for a claim under an indemnity, shall not be joint and several (solidary) and shall not, under any circumstances, exceed the lesser of its pro rata proportion of any claim and the purchase price payable to such Shareholder (save for customary exceptions). The closing of the sale of Shares pursuant to the terms of this Section 6.5, for the purposes of this Section 6.5 and Article 9, a **Sale Transaction**, shall take place at a date (for the purposes of this Section 6.5 and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the other Shareholders initially received the Drag-Along Offer. For the purposes of Article 9, all Shareholders shall be the **Seller**, the party making the Drag-Along Offer shall be the **Buyer**, the **Purchase Price** shall be the aggregate purchase price determined pursuant to this Section 6.5 (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the **Purchased Shares** shall be the aggregate of the Shares to be acquired pursuant to Section 6.5.

6.6 Rights of Buyer

Except as provided herein, any purchaser of all of the Shares in accordance with the provisions of this Agreement shall be entitled to all of the rights and benefits accruing to such Shareholders transferring their Shares hereunder and shall be subject to all obligations binding upon such Shareholders in respect thereof.

6.7 Repayment of Shareholder Loans, etc.

Contemporaneously with the completion of a transaction of purchase and sale under an offer by a third party at Arm's Length, (a) the offeror shall repay any Funded Debt owing by it to the Corporation and any indebtedness owing by it to the other Shareholders, and (b) the Third Party Buyer shall (i) purchase from the offeror any Shareholder loans owed by the Corporation to the offeror.

Article 7 - Changes in Circumstances

7.1 Inactive Shareholders

- (a) A Shareholder is deemed to be an Inactive Shareholder immediately following the occurrence of any of the following events (each a **Triggering Event**):
- (i) the Shareholder (other than Forward), or a senior officer or director of a such Shareholder or the Principal of such Shareholder has been convicted of any criminal offence by a court of final and competent jurisdiction and has been sentenced to imprisonment for a period aggregating in excess of 30 days;
 - (ii) the Shareholder (other than Forward), or a Principal of such Shareholder has been convicted of a criminal offence involving moral turpitude including theft, fraud, embezzlement, forgery or misappropriation or of an offence of a similar character involving dishonest acts;
 - (iii) if at any time within the Initial Period, the Shareholder (other than Forward), or a Principal of the Shareholder resigns its employment or independent consulting or similar arrangement with the Corporation or any Subsidiaries of the Corporation and without the consent of the Corporation;
 - (iv) the Shareholder or a Principal of the Shareholder: (A) acknowledges that it is insolvent or unable to pay its debts as they become due, (B) makes an assignment for the benefit of its creditors, (C) appoints or allows the appointment of any receiver, receiver-manager, trustee, liquidator or other Person acting in a similar capacity, (D) institutes any proceeding seeking to have it adjudicated a bankrupt or insolvent, or (E) takes any action or institutes any proceeding for the purpose of, or leading to, the liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of the Shareholder or the Principal or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; or

- (v) the Shareholder or a Principal of the Shareholder breaches any material provision of this Agreement and the breach is not remedied within 30 days of notice thereof from the Corporation;
 - (vi) except if such spouse or former spouse executes an Agreement To Be Bound, if an application or proceeding is brought under the *Family Law Act* (Ontario) or similar legislation in a different jurisdiction by the spouse or former spouse of the Shareholder to determine the entitlement of the spouse or former spouse to the net family property of the Shareholder or Permitted Transferee and the Shareholder or Permitted Transferee does not produce evidence satisfactory to the Board by Extraordinary Resolution, acting reasonably, within thirty (30) days of the date on which the application or proceeding is brought, that the financial claims of the spouse or former spouse to such entitlement can be settled without in any way, directly or indirectly, encumbering or interfering with the holding of Shares by the Shareholder or Permitted Transferee or requiring disclosure, directly or indirectly, of any Confidential Information to the spouse or former spouse of the Shareholder.
- (b) Each Shareholder or Principal, or in the case of death, incapacity or continuing status as a missing person, its executor, administrator, or other legal or personal representative (each being a **Representative**), shall give notice in writing to the Corporation promptly following the occurrence of a Triggering Event.
 - (c) From and after the date that a Shareholder becomes an Inactive Shareholder, the right of such Shareholder to nominate any Directors is suspended and any nominee Director of such Inactive Shareholder shall resign from the Board. The votes of such Shareholder or its nominee Directors or both of them, as the case may be, shall be excluded for purposes of determining whether a quorum is present or whether decision, action or matter has been approved whether by Extraordinary Resolution or otherwise.
 - (d) If a senior officer or director of a Shareholder that is also a Director is convicted of an offence described in Section 7.1(a)(i) or 7.1(a)(ii), then the Shareholder(s) entitled to nominate such Director shall cause such Director to forthwith tender his or her resignation from the Board.

7.2 Irrevocable Option to Purchase Shares of Inactive Shareholder

- (a) Each Shareholder grants to the Corporation and the other Shareholders an irrevocable option (the **Purchase Option**), exercisable in the event that it becomes an Inactive Shareholder, to purchase all but not less than all of the Shares held by it (the **Purchased Shares**).
- (b) Subject to an election by the Corporation to purchase some or all of the Purchased Shares pursuant to Section 7.2(a), the Corporation shall deliver a notice to each Shareholder other than the Inactive Shareholder (the **Other Shareholders**) within three (3) Business Days following the receipt of notice of, or otherwise becoming aware of, a Triggering Event. The Purchase Option shall be exercisable by the Other Shareholders at any time within 30 days following receipt of notice of the Triggering Event (the **Exercise Period**) upon notice in

writing (the **Exercise Notice**) to the Inactive Shareholder or its Representative and the Corporation.

- (c) If the Other Shareholders elect to exercise the Purchase Option, they shall be entitled to purchase the Purchased Shares *pro rata* in the proportion that each such Shareholder's Shareholder Proportionate Interest bears to the total Shareholder Proportionate Interest held by the Other Shareholders or in such other proportions as the Other Shareholders may mutually agree and such purchase may be made by one or more Other Shareholders jointly or by any one of them alone. The Other Shareholders shall specify the manner in which such Purchased Shares are to be acquired in the Exercise Notice and the Party or Parties so specified shall be the Buyer. If the Other Shareholders who have elected to exercise the Purchase Option cannot agree on the manner in which the Purchased Shares are to be acquired, the Purchase Option shall expire 25 days after delivery of the Exercise Notice.

7.3 Purchase Price for Shares

- (a) The purchase price (the **Purchase Price**) for the Purchased Shares of the Inactive Shareholder (the **Seller**) shall be the product obtained by multiplying the Shareholder Proportionate Interest of the Purchased Shares and the Fair Market Value of the Shares determined in accordance with the provisions of Article 10, except that where the Triggering Event results from (a) the termination of employment of the Inactive Shareholder or a Principal of the Inactive Shareholder as an officer or employee of the Corporation for just cause or the Triggering Event specified in Section 7.1(a)(iii), the Purchase Price otherwise determined under this Section 7.3 shall be reduced by twenty-five percent (25%), or (b) the Triggering Event specified in Sections 7.1(a)(i) or 7.1(a)(ii), the Purchase Price otherwise determined under this Section 7.3 shall be reduced by fifty percent (50%), or in each case to the extent permitted by Laws.
- (b) Where the Purchase Price is paid by the Corporation the Purchase Price shall be paid by delivery of a Promissory Note payable in equal quarterly installments over five years and having a rate of interest equal to the rate of interest per annum which the principal office in Toronto of the bank of the Corporation quotes, publishes and refers to as its "prime rate" and which is its reference rate of interest for loans in Canadian dollars made in Canada to Canadian borrowers, adjusted automatically with each quoted or published change in such rate, all without the necessity of any notice to a Party or any other Person.

7.4 Closing

- (a) The closing of a transaction of purchase and sale contemplated by this Article 7, (a **Sale Transaction**) shall take place at on the date (the **Date of Closing**) which shall, unless the Seller and Buyer otherwise agree, be the latest of:
- (i) the date of which is 90 days after the relevant Triggering Event;

- (ii) the date which is seven days following the receipt of all necessary governmental releases or approvals required to be obtained in order to effect a valid transfer of the Purchased Shares (and the Parties covenant and agree to use their best efforts to obtain such consents, releases or approvals);
 - (iii) the date which is 30 days after the Purchase Price is finally determined in accordance with the provisions of Article 10; and
 - (iv) if the Shareholder becomes an Inactive Shareholder because of the death of the Shareholder or its Principal and Corporation is the Buyer, the date which is ten days following the date upon which the Corporation receives the proceeds of insurance, if any, payable on the life of the deceased Shareholder or Principal.
- (b) The Sale Transaction shall be effected in accordance with the general sale provisions of Article 9.

7.5 Income Tax Filings

Immediately upon receipt of any proceeds of insurance payable on the life insured under such policy or policies, the Corporation shall take all corporate actions and effect all prescribed elections and filings as may be required under the Income Tax Act so that the Purchase Price shall, to the extent that the capital dividend account of the Corporation (as defined in the Income Tax Act) has been increased as a result of the Corporation's receipt of the proceeds of life insurance policies payable upon the death of the life insured, be paid out of the Corporation's capital dividend account.

7.6 No Sale

Notwithstanding any designation of the Corporation as Buyer under Section 7.2 or the provisions of Section 7.4, the Corporation shall not complete any Sale Transaction contemplated by this Article 7 if, for any reason, at the Time of Closing, the purchase of the Purchased Shares by the Corporation is prohibited by the Act or otherwise by Law.

7.7 Suspension of Certain Provisions

Following a Triggering Event pursuant to Section 7.1(a) an Inactive Shareholder shall only be entitled to transfer its Shares in accordance with this Article and the provisions of Article 5, Article 6 and Article 7 shall be suspended and inoperative with respect to such Inactive Shareholder.

Article 8 - Liquidity Transaction

8.1 Liquidity Mandate Right of First Offer

- (a) If at any time and from time to time following the fifth anniversary of the date of this Agreement, Forward desires to deliver a Liquidity Mandate, Forward will first deliver notice to all 10% Shareholders that it intends to effect a Liquidity Mandate specifying the terms upon which it would be prepared to sell all, but not less than all of its Shares to such 10% Shareholders (the **Liquidity Sale Offer**). For

greater certainty, a Liquidity Sale Offer in respect of a Liquidity Mandate shall be deemed to also constitute a Liquidity Sale Offer in respect of all Shares held by Forward.

- (b) The 10% Shareholders, or any combination of them, shall have twenty (20) Business Days following receipt of the Liquidity Sale Offer to (i) accept the Liquidity Sale Offer (a **Liquidity Sale Acceptance**); or (ii) decline the Liquidity Sale Offer. Such election may be made by the 10% Shareholders intending to make a Liquidity Sale Acceptance (the **Liquidity Sale Accepters**) by having a representative of such group provide notice of such election to the secretary of the Corporation and Forward. If no Liquidity Sale Acceptance is received by the secretary of the Corporation and Forward in respect of a Liquidity Sale Offer within such twenty (20) Business Day period, the 10% Shareholders shall be deemed to have elected to decline the Liquidity Sale Offer.
- (c) If a Liquidity Sale Acceptance is received, the Liquidity Sale Accepters shall purchase Forward's Shares in accordance with the terms and conditions specified in such Liquidity Sale Offer. Such sale shall be completed in accordance with Article 9 on the 20th Business Day following the delivery of the Liquidity Sale Acceptance by the Liquidity Sale Accepters or such other date as may be agreed between Forward and the Liquidity Sale Accepters.
- (d) In respect of any Liquidity Sale Offer, in the event that the 10% Shareholders elect or are deemed to have elected to decline the Liquidity Sale Offer, Forward may, for a period of 240 days following the earliest of the dates on which such election or deemed election is made, deliver a Liquidity Mandate to the Board provided that, unless otherwise consented to in writing by the 10% Shareholders holding a majority of the Shares held by the 10% Shareholders, any Liquidity Offer approved by Forward, shall be no more favourable to the purchaser, in the aggregate, than the terms of the declined Liquidity Sale Offer *mutatis mutandis*. If after such 240 day period, a Liquidity Offer has not been accepted, the provisions of this Section 8.1 will again apply to any proposed sale of Shares to which Section 8.1 would apply and to the delivery of a Liquidity Mandate.

8.2 Liquidity Mandate

- (a) Whenever Forward is entitled to deliver a Liquidity Mandate to the Board in accordance with Section 8.1, Forward may provide notice to the Board that it has a Liquidity Mandate (the **Liquidity Notice**). For greater certainty, and without limiting Section 8.1, Forward may not deliver a Liquidity Notice unless there are Class A Directors or Forward is entitled to nominate a Director and shall not be entitled to deliver a Liquidity Notice prior to the fifth anniversary of the date of this Agreement.
- (b) Upon receipt of a Liquidity Notice the Board shall have a Liquidity Mandate and shall carry out the Liquidity Mandate by seeking and considering Liquidity Offers that provide Shareholders the opportunity to obtain liquidity in respect of their Shares, which Liquidity Mandate shall apply until the earlier of (i) Forward delivering a notice to the Board revoking the Liquidity Mandate; or (ii) a Liquidity Offer is approved by the Board by Extraordinary Resolution and a Liquidity Offer so approved is completed. In the event that Forward delivering a notice to the

Board revoking the Liquidity Mandate a further Liquidity Notice may be delivered pursuant to Section 8.2(a) in which case this Section 8.2(b) shall again apply.

- (c) During any period in which the Board has a Liquidity Mandate, the Board shall have the full power and authority to (i) directly or indirectly solicit Liquidity Offers and to take such actions as it deems appropriate in connection therewith, including, without limitation, seeking the advice of, canvassing and/or retaining one or more investment dealers or financial advisors to provide advice on and generally assist with the solicitation, fairness and valuation of Liquidity Offers and satisfaction of the Liquidity Mandate (with fees of any such investment dealer or financial advisor being payable by the Corporation) and directing Parties to cooperate in soliciting Liquidity Offers on such terms and in such manner as the Board may determine by Extraordinary Resolution; and (ii) effect a sale of the Corporation in accordance with the terms of a Liquidity Offer approved in accordance with this Article 8.
- (d) Each of the Parties agrees to cooperate with the Board to seek Liquidity Offers on such terms and from such Persons as the Board may determine by Extraordinary Resolution from time to time during any period in which it has a Liquidity Mandate and to, at the request or direction of the Board, facilitate the solicitation of Liquidity Offers and any Liquidity Transaction contemplated in a Liquidity Offer approved by Forward in accordance with 8.2(f) on a timely basis, including by promptly setting up and maintaining or causing to be set up and maintained, a comprehensive data room, providing access under appropriate confidentiality agreements to such employees, customers and suppliers, agreements, books and records and other documentation, of the Corporation and its Subsidiaries as any potential purchaser, underwriter or agent may reasonably request, preparing and amending comprehensive and appropriate disclosure documents on a timely basis and providing any necessary consents and approvals.
- (e) Forthwith following receipt by any Party of a Liquidity Offer during a time when the Board has a Liquidity Mandate, the recipient thereof shall provide such Liquidity Offer to the Board, and the Board will provide a copy of each such Liquidity Offer to Forward with its recommendations with respect to the acceptance or rejection of such Liquidity Offer.
- (f) If Forward approves any Liquidity Offer so presented by the Board by notice in writing to the Corporation and the other Shareholders, each of the Parties agrees to take all actions necessary to consummate the Liquidity Transaction contemplated therein and, if applicable (but subject to the provisions of the articles of the Corporation), to forthwith cause the distribution of any resulting proceeds therefrom to the Shareholders in connection with fulfilling the objective of completing such Liquidity Transaction to provide liquidity to the Shareholders in respect of their Shares.
- (g) In respect of a Liquidity Offer approved by Forward, Forward or such Permitted Transferee shall be entitled to accept such Liquidity Offer and to execute and deliver all documents and instruments and to cast such votes in respect of any Shares of such Party for and on behalf of each Party who fails to do so in the time required therefor pursuant to the terms of or to give effect to the Liquidity

Transaction contemplated in such Liquidity Offer and to deliver the same to the Corporation or the purchaser thereunder, as the case may be. For such purpose, each of the Parties appoints Forward and its Permitted Transferees as its attorney, with full power of substitution, in the name of such Party to (i) accept such Liquidity Offer and, if applicable, to negotiate, execute and deliver a binding contract of purchase and sale between each of the Parties, as applicable pursuant to the terms of such Liquidity Offer, and the purchaser under such Liquidity Offer, and (ii) execute and deliver all documents and instruments and cast such votes in respect of any Shares of such Party as may be desirable or necessary to accomplish the foregoing and or to accept or authorize the Corporation or any of its Subsidiaries to accept, enter into and perform its obligations in connection with any Liquidity Transaction contemplated in such Liquidity Offer. For greater certainty, any Party that does not, within three (3) Business Days of being requested to do so by Forward or the Corporation, provide a proxy authorizing Forward or its designee to vote the Shares of such Party in favour of any Liquidity Offer approved by Forward in accordance with this Article 8 at a duly called meeting of the Shareholders for such purpose shall, for the purposes of this Section 8.2(g), be deemed to have failed to cast votes in the time required therefor pursuant to the terms of or to give effect to the Liquidity Transaction contemplated in such Liquidity Offer.

- (h) For greater certainty, each of the Parties shall further execute and deliver any tax elections, filings or other such forms as may be appropriate so as to result in available tax efficiencies, all as Forward may reasonably request (any such request being deemed to be reasonable in respect of a Party unless it would result in a materially adverse tax consequence to such Party). If any Party does not comply with the requirements set out in this Section 8.2(h) within three (3) Business Days of being requested to do so by Forward or the Corporation, Forward shall be entitled to execute and deliver such documentation and, for such purpose, each of the Parties hereby appoints Forward and its Permitted Transferee as its attorney, with full power of substitution, in the name of such Party, to execute and deliver any such elections, filings or other forms all as aforesaid.

Article 9 - Procedure For Sale Of Shares

9.1 Application of Sale Provisions

- (a) Except as may otherwise be expressly provided in this Agreement, the provisions of this Article 9 shall apply to any sale of Shares between Shareholders, any sale of Shares by a Shareholder to a third party pursuant to Article 6 or, to the extent applicable, between Shareholders and the Corporation pursuant to the provisions of this Agreement.
- (b) For the purpose of this Article 9, the terms **Seller, Buyer, Date of Closing, Time of Closing, Purchase Price** and **Purchased Shares** with respect to any Sale Transaction shall have the meanings specified in Article 6 and Article 7 as the case may be.

9.2 Obligations of Seller

At or prior to the Time of Closing, the Seller shall:

- (a) assign and transfer to the Buyer the Purchased Shares and deliver the share certificate(s) representing the Purchased Shares duly endorsed for transfer to the Buyer or as directed by it;
- (b) do all other things required in order to deliver good and marketable title to the Purchased Shares to the Buyer free and clear of any Liens;
- (c) deliver to the Corporation and the Buyer all necessary documents (which shall be in form and substance reasonably satisfactory to the solicitors for the Buyer) required to transfer to the Buyer the indebtedness of the Corporation and the other Shareholder to the Seller or to otherwise comply fully with the intent of this Agreement;
- (d) deliver to the Corporation signed resignations of the Seller and its nominees, if any, as Directors, officers and employees of the Corporation, as the case may be;
- (e) deliver to the Corporation releases by the Seller and its nominees, if any, of all claims against the Corporation with respect to any matter or thing up to and including the Time of Closing in their capacities as Directors, officers, Shareholders, employees or creditors of the Corporation, as the case may be, except for any claims which might arise out of the Sale Transaction;
- (f) deliver to the remaining Shareholder releases by the Seller and its nominees, if any, all claims against each remaining Shareholder and their respective nominees, if any, in their capacities as a Shareholder, Director or officer of the Corporation, except for any claims which might arise out of the Sale Transaction; and
- (g) either provide the Buyer with evidence reasonably satisfactory to the Buyer that the Seller is not then a non-resident of Canada within the meaning of the Income Tax Act or provide the Buyer with a certificate pursuant to subsection 116(2) of the Income Tax Act with a certificate limit in an amount not less than the Purchase Price for the Purchased Shares.

9.3 Release of Guarantees etc.

If, at the Time of Closing, the Seller, a Principal of the Seller or any other Person for and on behalf of the Seller, shall have provided a guarantee or security to secure any indebtedness, liability or obligation of the Corporation or the remaining Shareholders, then the remaining Shareholders shall use their best efforts to deliver up or cause to be delivered up to the Seller or cancel or cause to be cancelled all of such guarantee and security at the Time of Closing. If, notwithstanding such best efforts, the cancellation or discharge of any such guarantee or security is not obtained, the remaining Shareholders shall deliver to the Seller, the Principal and such other Person an indemnity in writing, in form reasonably satisfactory to counsel for the Seller, indemnifying them against any

and all claims, losses, costs or damages which may be or which shall have been paid, suffered or incurred by them with respect to the guarantee, security or covenant.

9.4 Deliveries to Seller

At or prior to the Time of Closing, each of the remaining Shareholders shall:

- (a) deliver to the Seller and its nominees, if any, a release by it, in its capacity as a Director, officer and Shareholder of the Corporation, of all of its claims against the Seller and its nominees in its capacity as a Shareholder, Director or officer of the Corporation, except for any claims which may arise out of the Sale Transaction; and
- (b) cause the Corporation to deliver to the Seller and its nominees, if any, a release by the Corporation of all its claims against the Seller and its nominees with respect to any matter or thing arising as a result of the Seller or its nominees being a Shareholder, Director or officer of the Corporation, as the case may be, except for any claims which might arise out of the Sale Transactions.

9.5 Repayment of Funded Debts

If, at the Time of Closing, the Corporation is indebted to the Seller, the Corporation shall repay such amount to the Seller at the Time of Closing. If, at the Time of Closing, the Seller is indebted to the Corporation, the Seller shall repay such amount to the Corporation at the Time of Closing and, if the Seller fails to make such repayment, the Buyer shall be required to pay the amount of such indebtedness to the Corporation from the Purchase Price and the amount of the Purchase Price payable to the Seller shall be reduced accordingly.

9.6 Payment of Purchase Price

Unless otherwise agreed in the Sales Transaction and permitted by this Agreement, the Purchase Price (less an amount required to be withheld or paid to the Corporation or another Person pursuant to this Agreement including Section 9.5) shall be paid by the Buyer in full by cash or bank draft at the Time of Closing.

9.7 Non-Compliance with Conditions

If at the Time of Closing (i) the Purchased Shares are not free and clear of all Liens, or (ii) evidence or a certificate referred to in Section 9.2(g) is not provided, the Buyer may, without prejudice to any other rights which it may have, purchase the Purchased Shares subject to such Liens or in the absence of such evidence or certificate, and, in that event, the Buyer shall, at the Time of Closing, (iii) assume all obligations and liabilities with respect to such Liens, and (iv) make the payment of tax required under Section 116 of the Income Tax Act, as the case may be; and in each such case the Purchase Price payable by the Buyer for the Purchased Shares shall be satisfied, in whole or in part, as the case may be, by such assumption or payment and the amount so assumed or paid shall be deducted from the Purchase Price payable at the Time of Closing).

9.8 Non-Completion by Seller

- (a) If, at the Time of Closing, the Seller fails to complete the Sale Transaction, the Buyer shall have the right, if not in default under this Agreement, without prejudice to any other rights which it may have, make payment of the Purchase Price payable to the Seller at the Time of Closing by depositing such amount to the credit of the Seller in the main branch of the Corporation's bankers in the City of Toronto. Such deposit shall constitute valid and effective payment of the Purchase Price to the Seller irrespective of any action the Seller may have taken to transfer or grant of Lien on the Purchased Shares. If the Purchase Price has been so paid, then from and after the date of deposit, the Sales Transaction shall be deemed to have been fully completed and all right, title, benefit and interest, both at law and in equity, in and to the Purchased Shares shall conclusively be deemed to have been transferred to and become vested in the Buyer and all right, title, benefit and interest, both at law and in equity, in and to the Purchased Shares of the Seller or of any transferee of the Seller shall cease. The Buyer shall also have the right to execute and deliver, on behalf of and in the name of the Seller, such deeds, transfers, share certificates, resignations and other documents that may be necessary to complete the Sale Transaction and each Shareholder, to the extent it may be a Seller irrevocably appoints any Shareholder who becomes a Buyer in a Sale Transaction its attorney in that behalf, with no restriction or limitation in that regard and declaring that this power of attorney is coupled with an interest and may be exercised during any subsequent legal incapacity on its part.
- (b) The Seller shall be entitled to receive the amount deposited with the Corporation's bankers pursuant to Section 9.8(a) together with the releases and indemnities to which it may be entitled pursuant to Section 9.3 and Section 9.4 on delivery to the Buyer of the documents referred to in Section 9.2 and in compliance with all other provisions of this Agreement.

9.9 Non-Completion by Buyer

In addition to and without limiting any remedy that may be available at law or in equity to the Seller, in the event that a person who is obligated to purchase Shares in accordance with this Agreement defaults in the performance of its obligation to complete such purchase, the Seller may, at its option, by notice in writing to the defaulting Person, terminate all its obligations relating to such purchase and, upon the giving of such notice in accordance with the provisions of this Section 9.9, such obligations shall be terminated without prejudice to the continued effectiveness of this Agreement.

9.10 No Joint Liability

For greater certainty, the Parties acknowledge and agree that where a Sale Transaction involves more than one Buyer, the Buyers in such Sale Transaction are not jointly liable for the payment of the Purchase Price for the Purchased Shares and any indebtedness purchased, but are only liable for their agreed share.

Article 10 - Fair Market Value

10.1 Purchase Price for Shares

The provisions of this Article 10 shall apply with respect to any determination of Fair Market Value required to be made pursuant to this Agreement.

10.2 Meaning of Fair Market Value

- (a) For purposes of this Agreement, **Fair Market Value** means the price per relevant class of Shares having regard to the Proportionate Interest of such class of Shares and the priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation, determined by (a) the Board by Extraordinary Resolution, in good faith in respect of matters relating to the transfer or potential transfer of less than 10% of the Shares; or (b) in all other cases by a First Valuator (as hereinafter defined) or Second Valuator (as hereinafter defined) pursuant to this Article 10 as of the relevant Valuation Date, that would be received upon a sale of all of the issued and outstanding Shares in a single transaction determined in an open and unrestricted market between prudent parties, acting at arm's length and under no compulsion to act, and having reasonable knowledge of all relevant facts concerning the Corporation. In determining the Fair Market Value of the Shares, such First Valuator or Second Valuator shall be considered as an expert and shall not be construed as acting as an arbitrator within the meaning of the *Arbitration Act*, 1991 (Ontario).
- (b) The determination of the Fair Market Value of the Shares shall be made as if the Corporation were a "going concern" (except to the extent that market, financial, economic, business or other conditions dictate different criteria in the reasonable judgment of the Board, First Valuator or Second Valuator as applicable) without any discount for a minority interest or any premium for control, but, for greater certainty, the value of each class of Shares shall be determined having regard to the Proportionate Interest of such class of Shares and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation. The value of the Shares shall not be diminished because (i) the Shares are not publicly traded, or (ii) the Seller owns a minority interest in the Corporation.

10.3 Estimate of Fair Market Value

- (a) Immediately following the receipt of an Exercise Notice under Section 7.2(b), which a First Valuator or Second Valuator determination is required, the Board by Extraordinary Resolution shall instruct a certified business valuator with advertising media industry experience (the **First Valuator**) to prepare and deliver

to the Seller and Buyer, within a period of 30 days from the date of receipt of such instructions, an Estimate Valuation Report setting forth the First Valuator's estimate as to the Fair Market Value of the Shares and the basis upon which such estimate has been calculated (the **First Valuator's Report**).

- (b) If the estimate of the Fair Market Value of the Shares determined by the Board, or set forth in the First Valuator's Report, as applicable, is acceptable to the Seller and Buyer and agreed to in writing within a period of ten days following the delivery of the First Valuator's Report to them, it shall become the Fair Market Value of the Shares for purposes of the Sale Transaction to which it relates.
- (c) If the statement of the Fair Market Value determined by the Board, or set forth in the First Valuator's, as applicable, is unacceptable to the Seller or the Buyer they shall negotiate expeditiously and in good faith during such ten day period to arrive at a mutually agreeable Fair Market Value. If such agreement is reached, the amount so determined and agreed shall become the Fair Market Value of the Shares for purposes of the Sale Transaction to which it relates.
- (d) If the Seller and Buyer are unable to agree as to the Fair Market Value of the Shares within such ten day period, the Seller and Buyer shall each immediately designate a Person who is at arm's length to the Parties as its representative and the Persons so selected shall jointly appoint a third Person who is at arm's length to the Parties and their selected representatives. The Persons so chosen shall select an independent certified business valuator with advertising media industry experience by majority decision (a **Second Valuator**) for a final determination as to the Fair Market Value of the Shares.
- (e) The Second Valuator so selected shall determine the Fair Market Value of the Shares as quickly as practicable after the date of its selection having regard to the factors identified in Section 10.2. The Second Valuator shall deliver its report concerning the Fair Market Value of the Shares to the Seller and Buyer (the **Second Valuator's Report**) and such report shall be conclusive and binding. The Fair Market Value so determined shall become the Fair Market Value of the Shares for purposes of the Sale Transaction.
- (f) The costs and expenses of the First Valuator incurred in connection with preparation of the First Valuator's Report shall be paid by the Corporation. The costs and expenses of the Second Valuator incurred in connection with preparation of the Second Valuator's Report shall be shared equally by the Seller and the Buyer.

Article 11 - Non-Competition

11.1 Non-Competition

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person) carry on, be engaged in, have any financial or other interest in or be otherwise commercially involved in, any endeavour, activity or business in all or any part of the World which is substantially the same as or in competition with the Business.

11.2 Non-Solicitation of Customers

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder, shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person):

- (a) canvass, call upon, solicit the business of, or have any contact with any Customer or Prospective Customer;
- (b) accept any business from any Customer or Prospective Customer; or
- (c) supply any goods or services to any Customer or Prospective Customer'

in each case, in connection with an activity, endeavour or business which is or is reasonably expected to be competitive with the Business.

11.3 Non-Solicitation of Employees

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person):

- (a) employ, offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment of the Corporation or any of its Subsidiaries, any Person who is employed by the Corporation or any of its Subsidiaries, whether or not such Person would commit any breach of his contract or terms of employment by leaving the employ of the Corporation; or
- (b) procure or assist any Person to employ, offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment of the Corporation or any of its Subsidiaries, any Person who is employed by the Corporation whether or not such Person would commit any breach of his or her contract or terms of employment by leaving the employ of the Corporation or such Subsidiary.

A Shareholder shall not be in default under this Agreement by reason of making general advertisements for employment or engagement or the use of general search firm

services with respect to employment or engagement, provided such advertisement or search is not targeted directly or indirectly to any employees of the Corporation or its Subsidiaries.

11.4 Non-Interference

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder, shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person), (a) request or advise any Customer, client or supplier of the Corporation or any of its Subsidiaries to cancel, curtail or otherwise adversely change such Customer's, client's or supplier's patronage of, or relationship with the Corporation or any of its Subsidiaries; or (b) make statements which are reasonably likely to affect the public standing of the Corporation or any of the Subsidiaries or the Business.

11.5 Exceptions

- (a) No Shareholder or Principal shall be in default under this Article 11 by reason of its holding, as a passive investor, not more than five percent of the issued and outstanding securities of a corporation or other entity, the securities of which are listed on a recognized stock exchange and with which such Person has no other connection whatsoever; and
- (b) The provisions of Sections 11.1, 11.2 and 11.4 shall not apply in respect of a Competing Shareholder; provided such Competing Shareholder (i) disclosed to the Corporation, prior to becoming a Shareholder, that it is a Competing Shareholder; and (ii) is not in breach of Section 3.16. As of the date of this Agreement there are no Competing Shareholders.

11.6 Remedies

Each Shareholder and Principal acknowledges that a breach or threatened breach by it of any provision of this Article 11 will result in the Corporation and the other Shareholders and Principals suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages alone. Accordingly, each Shareholder and Principal agrees that the Corporation and any other Shareholder or Principal shall be entitled to interim and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which it may become entitled.

Article 12 - Family Law Act

12.1 Transfer of Property by Shareholder

Each Shareholder and Principal agrees that if:

- (a) pursuant to any order of a court, property is required to be transferred from the Shareholder or Principal to a Spouse or Co-Vivant;

- (b) such order does not require that Shares or securities of the Shareholder of which it is Principal be transferred to the Spouse or Co-Vivant; and
- (c) the value of the property that is required to be transferred from the Shareholder or Principal to the Spouse or Co-Vivant is less than the value of the property of the Shareholder or Principal other than the Shares, where the value of the property of the Shareholder or Principal other than the Shares is calculated net of all debts, liabilities and obligations of the Shareholder or Principal;

then such order shall be satisfied by the transfer to the Spouse or Co-Vivant of property of the Shareholder or Principal other than Shares or securities of the Shareholder of which it is Principal.

12.2 Shares of Corporate Shareholders

Unless such Spouse or Co-Vivant executes an Agreement To Be Bound, each Principal agrees that, where pursuant to any order of a court, property is required to be transferred to the Spouse or Co-Vivant of the Principal and, for any reason whatsoever, the property to be transferred includes securities of the Shareholder of which it is Principal, the Principal shall use its best efforts to satisfy such order by the delivery of non-voting securities of the Shareholder to the Spouse or Co-Vivant.

Article 13 Dispute Resolution

13.1 Best Endeavours to Settle Disputes

Any controversy, dispute, claim, question or difference (a **Dispute**) between the Parties arising out of, relating to, or in connection with, this Agreement (other than Disputes with respect to Fair Market Value which will be resolved in the manner set out in Article 10) is to be resolved in accordance with the procedures set out in the following Sections 13.2 and 13.3, which are the exclusive procedures for the resolution of any such Dispute between the Parties.

13.2 Efforts to Settle Disputes

- (a) The Parties shall attempt in good faith to resolve any Dispute promptly by negotiation. However, at any time, a Party may give the other Parties written notice (the **Initial Notice**) of any Dispute not so resolved. Within 15 days after delivery of an Initial Notice, the recipient Parties shall deliver to the others a written response. Both the Initial Notice and the response must include a statement of that Party's position, a summary of arguments supporting that position, and the name and contact particulars of the Person who will represent that Party and of any other Person who will accompany the representative. Within 30 days after delivery of the Initial Notice, the representatives of the Parties shall meet at mutually acceptable times and places, as often as they reasonably deem necessary, to attempt to resolve the Dispute.
- (b) All negotiations pursuant to this Section 13.2 are confidential and are to be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

13.3 Arbitration

Any Dispute which is not resolved pursuant to Section 13.2, within 60 days after delivery of the Initial Notice (the **Final Date**) shall be finally resolved by arbitration in accordance with the Simplified Arbitration Rules of the ADR Institute of Canada Inc. then currently in effect (the **ADR Rules**) by a sole arbitrator with advertising media industry experience appointed by mutual agreement of the Shareholders. If the Shareholders fail to agree on an arbitrator within five (5) Business Days following the earlier of (a) the expiry of the Final Date, and (b) the date on which the shareholders agree that the Dispute should be submitted to arbitrator, any Shareholder may apply to a judge of a court of competent jurisdiction to appoint an arbitrator. If one Party fails to participate in the negotiation as agreed herein, the other Parties may commence arbitration prior to the expiration of the time periods set forth above. The arbitration will be governed by the laws of Ontario and the laws of Canada applicable therein, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. The place of arbitration will be Toronto, Ontario and the arbitration will be conducted in the English language.

13.4 Confidentiality of Arbitration

The Parties agree that the arbitration shall be kept confidential and that the existence of the proceeding and any element of it (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions and any awards) shall not be disclosed beyond the arbitrator, the Parties, their counsel and any person necessary to the conduct of the proceeding, except as may lawfully be required in judicial proceedings relating to the arbitration or otherwise.

Article 14 - Miscellaneous

14.1 Term of Agreement.

- (a) This Agreement comes into effect on this date and will terminate on the earlier of:
 - (i) with respect to any Shareholder, and subject to any provision to the contrary contained in this Agreement, on the date on which such Shareholder no longer owns any Shares;
 - (ii) the date on which one Person acquires all of the issued and outstanding Shares in compliance with the Agreement;
 - (iii) the date on which this Agreement is terminated by Extraordinary Resolution of the Board, together with the written approval of Shareholders holding an aggregate Shareholder Proportionate Interest of at least 66^{2/3}%;
 - (iv) the date on which the Corporation completes an Initial Public Offering (as defined in the Articles).
- (b) Notwithstanding the foregoing, the obligations of the Parties set out in Section 3.16, Article 11 and Section 14.1 continue in full force and effect after termination of this Agreement.

- (c) The termination of this Agreement shall have no effect upon any obligation of a Party to make a payment for any Shares purchased pursuant to the provisions of this Agreement or to pay any other amounts owing by it under this Agreement prior to the date of such termination.

14.2 Notices

- (a) Any notice, consent, waiver or other communication given under this Agreement must be in writing and may be given by delivering it (personally or by courier) or sending it by facsimile or other similar form of recorded communication addressed in accordance with Schedule 14.2(a) Notices.
- (b) Any such communication is deemed to have been delivered and received on the date of delivery or transmission by facsimile or other similar form of recorded communication, as applicable, if the day is a Business Day and delivery or transmission was received by the recipient Party prior to 5 pm (Toronto time) and otherwise on the next Business Day. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

14.3 Time of the Essence

Time is of the essence of this Agreement.

14.4 Third Party Beneficiaries

Except as otherwise expressly provided in this Agreement, the Parties do not intend that this Agreement benefit or create any legal or equitable right, remedy or cause of action in, or on behalf of, any Person other than a Party and no Person, other than a Party, is entitled to rely on the provisions of this Agreement in any proceeding.

14.5 No Agency or Partnership

Nothing contained in this Agreement shall make or constitute any Party, the representative, agent, principal or partner of any other Party and it is understood that no Party has the capacity to make commitments of any kind whatsoever or incur obligations or liabilities binding upon any other Party.

14.6 Expenses

Except as otherwise expressly provided in this Agreement, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and accountants) incurred in connection with this Agreement and the transactions contemplated in this Agreement shall be paid by the Party incurring such expenses.

14.7 Amendments

This Agreement may only be amended, supplemented or otherwise modified by Extraordinary Resolution of the Board, together with the written approval of Shareholders holding an aggregate Shareholder Proportionate Interest of at least 66^{2/3}%.

14.8 Waiver

The failure or delay by a Party in enforcing, or insisting upon strict performance of, any provision of this Agreement does not constitute a waiver of such provision or in any way affect the enforceability of this Agreement (or any of its provisions) or deprive a Party of the right, at any time or from time to time, to enforce or insist upon strict performance of that provision or any other provision of this Agreement. Any waiver by a Party of any provision of this Agreement is effective only if in writing and signed by a duly authorized representative of such Party.

14.9 Entire Agreement

This Agreement and the Subscription & Investment Agreement constitute the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter hereof or thereof, whether oral or written, provided that nothing in this Agreement is intended to supersede any agreements entered into as a condition of the SIA Closing. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties relating to the subject matter hereof except as specifically set forth in this Agreement. None of the Parties has relied or is relying on any other information, discussions or understandings in entering into and completing the transactions contemplated in this Agreement.

14.10 Successors and Assigns

- (a) This Agreement shall become effective when executed by all the Parties and after that time shall be binding upon and enure to the benefit of the Parties and their respective successors, heirs, personal representatives and permitted assigns.
- (b) Except otherwise provided in this Agreement, neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any Party without the prior written consent of the other Parties unless (i) the assignor transfers all Shares owned by it to the assignee and such transfer is permitted under and completed in accordance with this Agreement, and (ii) the assignee agrees to be bound by this Agreement.

14.11 Severability

If any provision of this Agreement is determined by an arbitrator or a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect, without amendment.

14.12 Further Assurances

Each of the Parties shall promptly do such further acts and execute such documents as any other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use all reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent, in good faith, the provisions of this Agreement.

14.13 Counterparts

This Agreement may be executed in any number of separate counterparts (including by facsimile or other electronic means) and all such signed counterparts will together constitute one and the same agreement. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Parties by facsimile or other means of recorded electronic transmission and such transmission (including in PDF form) with an acknowledgement of receipt shall constitute delivery of an executed copy of this Agreement to the receiving Party.

IN WITNESS WHEREOF the Parties have executed this Unanimous Shareholders Agreement.

FORWARD DIMENSION CAPITAL 1 LLP

By: _____
Name:
Title:

DUM HOLDINGS INC.

By: _____
Name:
Title:

THE BICKNELL FAMILY TRUST

By: _____
Name:
Title:

DIGITAL UNDERGROUND MEDIA INC.

By: _____
Name:
Title:

(Signature Page for Unanimous Shareholders Agreement)

JD CRAIG HOLDINGS INC.

By: _____
Name:
Title:

(Signature Page for Unanimous Shareholders Agreement)

NEIL EAST SOUND BROADCASTING LTD.

By: _____

Name:

Title:

_____ }
Witness Paul East

(Signature Page for Unanimous Shareholders Agreement)

6789502 MANITOBA LTD.

By: _____
Name:
Title:

(Signature Page for Unanimous Shareholders Agreement)

Witness } _____
Drew Craig

Witness } _____
Kenneth Bicknell

Witness } _____
Michael Laitinen

Witness } _____
Toyotaro Tokimoto

(Signature Page for Unanimous Shareholders Agreement)

Witness

}

Oliver Plett

(Signature Page for Unanimous Shareholders Agreement)

Schedule 1.1(a)
Permitted Liens

1. Security interests contemplated by the Windsor Funded Debt and the DUM Shareholder Loan and documents ancillary thereto.
2. Security interests contemplated in the Agreement.

**Schedule 2.2(a)
Ownership of Shares**

Shareholder	Class A Common Shares	Class B Common Shares
J.D. Craig Holdings	-	414,697
DUM Holdings	-	10,000
Bicknell	-	63,104
678	-	12,000
Plett	-	5,189
Bicknell Trust	-	2,390
Laitinen	-	15,700
SBL	-	5,300
Tokimoto	-	2,650
Chae	-	10,783
Forward	541,813	-

Schedule 2.3(a)
Ownership of Shareholders

Shareholder	Principal
J.D. Craig Holdings	Craig
DUM Holdings	Craig, Bicknell
Bicknell	-
678	Plett
Plett	-
Bicknell Trust	Bicknell
Laitinen	-
SBL	East
Tokimoto	-
Chae	-
Forward	-

Schedule 2.4(h)
Rights to Purchase Shares

Stock Option Plan

Nil, as of the execution of the Agreement.

Warrants

The Corporation has issued warrants to Windsor Private Capital Inc. to acquire up to 6,773 Class B Common Shares at a price of \$36.91 per share, until December 17, 2015.

The Corporation has issued warrants to Windsor Private Capital Inc. to acquire up to 6,773 Class B Common Shares at a price of \$36.91 per share, until December 21, 2017.

The Corporation has issued warrants to Beacon Securities Limited and Cormark Securities Inc. to acquire up to 11,378 and 4,876 Class B Common Shares respectively at a price of \$36.91 per share, until the third anniversary of the date of this Agreement.

The Corporation has issued warrants to Bruce Rothney to acquire up to 5,418 Class B Common Shares at a price of \$36.91 per share, until the fifth anniversary of the date of this Agreement.

Schedule 2.4(i)
Articles and By-Laws

Schedule 4.7
Outstanding Convertible Securities

See Schedule 2.4(h).

Schedule 14.2(a)**Notices**

(i) To Forward at:

Forward Dimension Capital 1 LLP
44 Great Marlborough Street
London, United Kingdom
W1F 7JL

Email: gavin.owston@forwardpe.com
Attention: Gavin Owston

(ii) To J.D. Craig Holdings, DUM Holdings and Craig at:

4280 Rockridge Road
West Vancouver, BC
V7W 1A5
Canada

Attention: Drew Craig
Email: drew.craig@craigwireless.com

(iii) To Bicknell and Bicknell Trust at:

3965 Westridge Avenue
West Vancouver, BC
V7V 3H6
Canada

Attention: Ken Bicknell
Email: ken@digitalundergroundmedia.com

(iv) To 678 and Plett at:

c/o Blaine Coates
Spiring Wealth Management Group
200 Waterfront Drive, Suite 400
Winnipeg, Manitoba
R3B 3P1
Attention: Blaine Coates
Email: blaine.coates@nbc.ca

(v) To Laitinen at:

5440 Wallace Avenue
Delta, BC
V4M 3V3
Canada

Email: mike@digitalundergroundmedia.com

(vi) To SBL and East at:

1A-1455 Waverley Street
Winnipeg, MB
Canada
R3T 0P7

Attention: Paul East
Email: eastp@sbl.ca

(vii) To Tokimoto at:

5-3-1-O-1904, MinatoMirai, Nishi-ku,
Yokohama City
Kanagawa, Japan
220-0012

Email: tokimoto@daoapp.com

(viii) To Chae at:

105-1101, 14, Seogeunae-ro 16beon-gil,
Giheung-gu, Yongin-si,
Gyeonggi-do, Korea

Email: doitagain@innovex.co.kr

(ix) To the Corporation at:

219 – 255 West 1st Street
North Vancouver, BC
Canada
V7M 3G8

Attention: Ken Bicknell
Email: ken@digitalundergroundmedia.com

Exhibit 3.6(a)

Accounting Principles, Procedures and Methodology

Total Net Revenue and EBITDA shall be based on the following accounting policies, principles and methods:

1. In the first instance on a basis consistent with the assumptions employed in preparing the Annual Business Plan for 2015.
2. To the extent that a particular accounting policy, principle or method had not arisen, and so no assumption applied, in preparing the Annual Business Plan for 2015 it should be treated in accordance with the accounting policies set out in the consolidated financial statement of the Corporation for the year ended 31 August 2013.
3. To the extent that a particular accounting policy, principle or method had also not arisen, and so no assumption applied, in preparing the consolidated financial statement of the Corporation, it should be treated in accordance with GAAP.

For the avoidance of doubt the following policies, principles and methods have been assumed in the preparation of the Annual Business Plan for 2015.

1. Revenue recognition. (a) Advertising revenue from the Corporation's digital tunnel subway systems is recognised in and matched to the period in which the advertising is displayed. Any revenue received in advance for the display of advertising in future periods is deferred and recognised across the period in which the Corporation meets its obligations for the display of such advertising. (b) Any revenues generated from licencing the intellectual property or Corporations digital tunnel subway systems shall be recognised when the Corporation has satisfied its contractual obligations under the related agreement. (c) No revenue shall be recognised from an agreement with a related party entity of the Corporation.
2. Non-recurring revenue. No revenue shall be recognised in respect of one-off or non-recurring transactions including, but not limited to, the disposal of companies, operations or business units.
3. Month end closing procedures. The month end closing procedures for any period used as the basis of an EBITDA or Total Net Revenue calculation shall be prepared to the same standard as for a year end closing.
4. Sales and marketing expenses and R&D expenses. For the purpose of any EBITDA calculation the charges for both sales and marketing expenses and R&D expenses shall be adjusted such that the monthly charge shall be the higher of actual expenses incurred or the amount contained in the Annual Business Plan for 2015 for the relevant month.
5. Release of accruals or provisions. For the purpose of any EBITDA calculation any release of accrual or provision shall be included in the EBITDA of that month only to the extent that it had previously been charged in that month.

Exhibit 3.12
Form of Indemnity

(see attached)

SCHEDULE "F"
AUTHORIZED AND ISSUED CAPITAL

Hereafter is the list of all the shareholders of the Corporation, holders of options and warrants, the number of shares or options they own or hold and the percentage on fully diluted basis immediately before the Subscription contemplated herein:

Shareholders

Shareholder	Class B Common Shares*	(%) on Fully Diluted Basis
DUM Holdings Inc.	10,000	1.73
J.D. Craig Holdings Inc.	414,697	71.87
Kenneth Oswald Bicknell	63,104	10.94
Oliver Plett	5,189	0.90
Bicknell Family Trust	2,390	0.41
6789502 Manitoba Ltd.	12,000	2.08
Michael Laitinen	15,700	2.72
Paul East	5,300	0.92
Toyotaro Tokimoto	2,650	0.46
Dr. Chae**	10,783	1.87

* After giving effect to 1:100 share split.

**Authorized for issuance. To be issued upon completion of transactions.

Warrants

Warrant Holder	Warrants	(%) on Fully Diluted Basis
Windsor Private Capital LP (Warrants)	13,546	2.35
Broker Warrants – NBCN INC. ITF Beacon Securities Limited Cormark Securities Inc.	11,378 4,876	2.82
Bruce Rothney (Warrants)	5,418	0.94

Options

Nil. Options to be granted following Closing.

SCHEDULE "G"
POST CLOSING COVENANTS

1. The Corporation will immediately following Closing implement the Stock Option Plan and set aside and reserve 15% of its Class B Common Shares (on a fully diluted basis) for the issuance to employees, directors and consultants.
2. Following the Closing, the Corporation undertakes to investigate a retroactive election to pay accrued Taxes on the actual profits of Digital Brazil.
3. Following the Closing, the Corporation undertakes, on its own behalf and on behalf of each of its applicable Subsidiaries, to assign a tax representative in Spain and to file all outstanding VAT tax forms and Tax Returns required in Spain by Applicable Law.
4. Following the election or appointment (as applicable) of David Rigby and Gavin Owston to the board of directors of the Corporation; the Corporation undertakes to promptly file a notice of change with the Ontario Ministry of Government Services, and to make equivalent filings required by Applicable Law in each jurisdiction in which the Corporation is registered to carry on business.
5. Following the Closing, the Corporation undertakes to: (i) incorporate a Subsidiary in the Republic of Korea; (ii) assign the employment agreements between the Corporation and each of Guyn Chae and Yeong Keun Lee to such Subsidiary; (iii) offer employment or independent contracting arrangements through such Subsidiary to each of: Hee-Beom Park; Dong-Joo Song and Ji-Hun Park on terms (A) which are consistent with the obligations of the Corporation pursuant to this Agreement; and (B) substantially as contemplated by the memorandum of agreement between dated as of March 21, 2014, as amended by the amending agreement dated on or about the date hereof, each as between the Corporation, Innovex Co., Ltd. and Gyun Chae, or as otherwise agreed to by the Corporation and such individual.
6. Following the Closing, the Corporation undertakes to secure the release to the Corporation, from CENTRAL Intellectual Property & Law in the Republic of Korea: of (i) the TAS Hardware & Software (as such term is defined in the Memorandum of agreement dated March 21, 2014, as amended by the amending agreement dated on or about the date hereof, each as between the Corporation, Guyn Chae and Innovex. Co., Ltd.; and (ii) written copies, schematic codes (including circuit board designs) or software codes of all technology descriptions, drawings, codes, trade secrets and Know-How related to the business and all other assets to be transferred to the Corporation pursuant to the memorandum of agreement dated December 2013, as amended by the amending agreement dated on or about the date hereof, each by and among the Corporation, Yeong Keun Lee and Dasung Elec. Tech. Co. Ltd.
7. The Corporation undertakes on a best efforts basis, to provide the Investor with such information and assistance as is necessary or desirable to enable the Investor to file a notification pursuant to the *Investment Canada Act* within the time periods required by Applicable Law.

**SCHEDULE "H"
OFFICER CERTIFICATE**

(see attached)

SCHEDULE "H"

DIGITAL UNDERGROUND MEDIA INC.

CERTIFICATE OF OFFICER

TO: Forward Dimension Capital 1 LLP (the Investor)

AND TO: Norton Rose Fulbright Canada LLP

RE: Digital Underground Media Inc. (the Corporation) deferred private placement of Class A Common Shares

Reference is made to the subscription & investment agreement (the **Subscription & Investment Agreement**) between the Investor, the Corporation, Drew Craig and Ken Bicknell dated _____, 2015. Capitalized terms used in this certificate without definition shall have the meaning set forth in the Subscription & Investment Agreement.

For the purposes of this Certificate, the following terms shall have the meanings set forth below:

Initial Schedule "A" means Schedule "A" to the Subscription & Investment Agreement as of the Closing Date.

Material Adverse Effect means any effect or effects that, individually or in the aggregate, are materially adverse to the business, results of operation, properties, assets, prospects or financial or other condition of the Corporation and its Subsidiaries taken as a whole.

Updated Financial Statements means the annual financial statements for the Corporation's most recently completed financial year and the monthly management accounts for all subsequent monthly periods.

I, _____, the _____ of the Corporation, certify for and on behalf of the Corporation (and not in my personal capacity) as follows after having made due inquiry:

- 1 This certificate is being delivered pursuant to Section 3.4 of the Subscription & Investment Agreement.
- 2 As of the date hereof, the Corporation has achieved the **[First Funding Milestone] [Second Funding Milestone] [Final Funding Milestone]** (the **Funding Milestone**)
- 3 All work papers of the Corporation, accounting books and records of the Corporation and the appropriate personnel to verify the accuracy, presentation and other matters relating to the achievement of the Funding Milestone have been made available to the Investor and its representatives.
- 4 The Corporation has complied with all the covenants and satisfied all the terms and conditions of the Subscription & Investment Agreement on its part to be complied with or satisfied at or prior to the Deferred Financing Closing on the date hereof.
- 5 There has not been a Material Adverse Effect since the **[Closing Date]/[the most recent Deferred Financing Closing Date]**.
- 6 The Corporation has delivered an updated Schedule "A" to the Subscription & Investment Agreement which, together with Financial Statements being read to mean Updated Financial Statements, makes the representations and warranties qualified by updated Schedule "A" that are

qualified as to materiality are true and correct in all respects, and those not so qualified are true and correct in all material respects with the same force and effect as though expressly made at and as of the Deferred Financing Closing Date coinciding with the date hereof.

- 7 Without regard to the delivery of the updated Schedule "A", but for greater certainty, with regard to Initial Schedule "A" and with Financial Statements being read to mean Updated Financial Statements, and except to the extent of actions taken at the written request of the Investor or waived in writing by the Investor:
- (a) the representations and warranties of the Corporation contained in Sections 4.1.1(a), (b), (c), (d), (f) and (h), 4.1.3, 4.1.7, 4.1.8, 4.1.9, 4.1.11, 4.1.14 (a) & (b), 4.1.16 (h), (i) & (s), 4.1.27, 4.1.29 and 4.1.33 of the Subscription & Investment Agreement are true and correct in all respects with the same force and effect as though expressly made at and as of the Deferred Financing Closing Date coinciding with the date hereof; and
 - (b) except to the extent of actions taken in accordance with the terms and conditions of the Unanimous Shareholders' Agreement, any approved Annual Business Plan (as defined in the Unanimous Shareholders' Agreement) or any agreement disclosed to the Investor to which the Corporation was a party at the Closing, as such agreement may be amended, renewed or restated, from time to time, in accordance with its terms and the Unanimous Shareholders' Agreement:
 - (i) the representations and warranties of the Corporation contained in Sections 4.1.1(e) and (g), 4.1.2, 4.1.4, 4.1.5, 4.1.16(d), (f) and (l), 4.1.18, 4.1.20, 4.1.22, 4.1.23, 4.1.28 and 4.1.31 of the Subscription & Investment Agreement are true and correct in all respects with the same force and effect as though expressly made at and as of the Deferred Financing Closing Date coinciding with the date hereof; and
 - (ii) all representations and warranties of the Corporation contained in Section 4.1 of the Subscription & Investment Agreement, other than contemplated by Sections 7(a) and **Error! Reference source not found.** of this Certificate, that are qualified as to materiality are true and correct in all respects and those not so qualified are true and correct in all material respects with the same force and effect as though expressly made at and as of the Deferred Financing Closing Date coinciding with the date hereof.
- 8 The Corporation has not breached the Unanimous Shareholders' Agreement.
- 9 The proceeds of this subscription will be used in accordance with the terms of the Unanimous Shareholders' Agreement and the Annual Business Plan for the applicable year.

(Signature Page Follows)

DATED this ____ day of _____, 20____.

Name:

Title:

SCHEDULE "I"
STOCK OPTION PLAN

(see attached)

**DIGITAL UNDERGROUND MEDIA INC.
STOCK OPTION PLAN**

**ARTICLE 1
DEFINITIONS AND INTERPRETATION**

1.1 Definitions

For the purposes of this Plan, the following terms have the following meanings:

- 1.1.1 “**Applicable Laws**” means, at any time, with respect to any Person, property, transaction or event, all applicable laws, statutes, regulations, treaties, judgments and decrees and (whether or not having the force of law) all applicable official directives, rules, consents, approvals, by-laws, permits, authorizations and orders of any Governmental Authorities having authority over that Person, property, transaction or event.
- 1.1.2 “**Board**” means the board of directors of the Corporation.
- 1.1.3 “**Business Day**” means any day excluding a Saturday, Sunday or statutory holiday in the Province of Ontario, and also excluding any day on which the principal chartered banks located in the City of Toronto are not open for business during normal banking hours.
- 1.1.4 “**Cashless Exercise**” is defined in Section 4.7.1.
- 1.1.5 “**Class B Common Shares**” means class B common shares in the capital of the Corporation.
- 1.1.6 “**Consultant**” means a Person, other than an Employee or a Director, that:
- 1.1.6.1 is engaged to provide consulting, technical, management or other services to the Corporation or to a Subsidiary, other than services provided in relation to a distribution of securities;
 - 1.1.6.2 provides the services under a written contract with the Corporation or a Subsidiary; and
 - 1.1.6.3 spends or will spend a significant amount of time and attention on the affairs and business of the Corporation or a Subsidiary.
- 1.1.7 “**Corporation**” means Digital Underground Media Inc.
- 1.1.8 “**Current Market Value**” is defined in Section 4.7.1.
- 1.1.9 “**Deferred Financing Closing**” is defined in the Subscription & Investment Agreement.

- 1.1.10 “**Determination Date**” is defined in Section 4.7.
- 1.1.11 “**Director**” means a director of the Corporation or any Subsidiary.
- 1.1.12 “**Disability**” means a physical or mental incapacity or disability that prevents the Eligible Person from performing the essential duties of the Eligible Person’s employment or service with the Corporation or any Subsidiary, and which cannot be accommodated under applicable human rights laws without imposing undue hardship on the Corporation or the Subsidiary employing or engaging the Eligible Person, as determined by the Board for the purposes of this Plan.
- 1.1.13 “**Early Expiry Date**” is defined in Section 4.10.1.2.
- 1.1.14 “**EBITDA**” has the meaning given to it in the Shareholders’ Agreement.
- 1.1.15 “**Eligible Person**” means any Employee, Director or Consultant.
- 1.1.16 “**Employee**” means an employee of the Corporation or any Subsidiary.
- 1.1.17 “**Funding Milestone**” is defined in the Subscription & Investment Agreement.
- 1.1.18 “**Governmental Authority**” means:
- 1.1.18.1 any federal, provincial, state, local, municipal, regional, territorial, aboriginal or other government, any governmental or public department, branch or ministry, or any court, domestic or foreign, including any district, agency, commission, board, arbitration panel or authority and any subdivision of any of them exercising or entitled to exercise any administrative, executive, judicial, ministerial, prerogative, legislative, regulatory, or taxing authority or power of any nature; and
 - 1.1.18.2 any quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of them, and any subdivision of any of them.
- 1.1.19 “**Grant Date**” means, for any Option, the date on which that Option is granted.
- 1.1.20 “**Investor**” means the Investor pursuant to the Subscription & Investment Agreement.
- 1.1.21 “**Liquidity Event Transaction**” means:
- 1.1.21.1 a “Liquidity Event” (as such term defined in the Corporation’s articles); or
 - 1.1.21.2 any other transaction or series of transactions which, the Board, by “Extraordinary Resolution” (as such term is defined in the Shareholders’ Agreement), constitutes a liquidity event of the Corporation.
- 1.1.22 “**Net Number**” has the meaning given to it in Section 4.7.1.

- 1.1.23 “**Option**” means an option to purchase Class B Common Shares granted to an Eligible Person under the terms of this Plan.
- 1.1.24 “**Option Agreement**” means an option agreement substantially in the form attached as Exhibit “A” to this Plan.
- 1.1.25 “**Option Exercise Price**” is defined in Section 4.3.
- 1.1.26 “**Option Expiry Date**” is defined in Section 4.4.
- 1.1.27 “**Participant**” means an Eligible Person to whom an Option has been granted.
- 1.1.28 “**Person**” will be broadly interpreted and includes:
- 1.1.28.1 a natural person, whether acting in his or her own capacity, or in his or her capacity as executor, administrator, estate trustee, trustee or personal or legal representative, and the heirs, executors, administrators, estate trustees, trustees or other personal or legal representatives of a natural person;
 - 1.1.28.2 a corporation or a company of any kind, a partnership of any kind, a sole proprietorship, a trust, a joint venture, an association, an unincorporated association, an unincorporated syndicate, an unincorporated organization or any other association, organization or entity of any kind; and
 - 1.1.28.1 a Governmental Authority.
- 1.1.29 “**Plan**” means this stock option plan of the Corporation.
- 1.1.30 “**Retirement**” means retirement from active employment or service with the Corporation or a Subsidiary:
- 1.1.30.1 at or after age 65; or
 - 1.1.30.2 with the consent of any officer of the Corporation as may be designated for the purposes of this Plan by the Board, at or after any earlier age and on the completion of any number of years of service as the Board may specify.
- 1.1.31 “**Shareholders’ Agreement**” means the agreement entered into by all of the shareholders of the Corporation dated _____, 2015, as amended or superseded.
- 1.1.32 “**Subscription & Investment Agreement**” is defined in the Shareholders’ Agreement.
- 1.1.33 “**Subsidiary**” means a body corporate that is controlled by the Corporation and, for the purposes of this definition, a body corporate will be deemed to be controlled by

the Corporation if the Corporation, directly or indirectly, has the power to direct the management and policies of the body corporate by virtue of ownership of, or direction over, voting securities in the body corporate.

1.1.34 “**Termination Date**” means the date on which a Participant ceases to be an Eligible Person and, in the case of an Employee, means the date on which the Employee ceases to actively perform services for the Corporation or any Subsidiary (excluding any notice period which may extend beyond the date on which active services cease).

1.2 Certain Rules of Interpretation

1.2.1 In this Plan, words signifying the singular number include the plural and vice versa, and words signifying gender include all genders. Every use of the words “**including**” or “**includes**” in this Plan is to be construed as meaning “including, without limitation” or “includes, without limitation”, respectively.

1.2.2 The division of this Plan into Articles and Sections and the insertion of headings are for convenience of reference only and do not affect the construction or interpretation of this Plan.

1.2.3 References in this Plan to an Article, Section or Exhibit are to be construed as references to an Article, Section or Exhibit of or to this Plan unless otherwise specified.

1.2.4 Unless otherwise specified in this Plan, time periods within which or following which any calculation or payment is to be made, or action is to be taken, will be calculated by excluding the day on which the period begins and including the day on which the period ends. If the last day of a time period is not a Business Day, the time period will end on the next Business Day. Unless otherwise determined by the Board, if an Option would, under the terms of this Plan or the Option Agreement, otherwise expire or terminate on a day which is not a Business Day, the Option will expire or terminate on the next Business Day.

1.2.5 Unless otherwise specified, any reference in this Plan to any statute, rule or policy includes all regulations and subordinate legislation made under or in connection with that statute at any time, and is to be construed as a reference to that statute, rule or policy as amended, modified, restated, supplemented, extended, re-enacted, replaced or superseded at any time.

1.3 Governing Law

This Plan and each Option Agreement is governed by, and is to be construed and interpreted in accordance with, the laws of the Province of Ontario and the laws of Canada applicable in that Province.

ARTICLE 2 ESTABLISHMENT OF PLAN

2.1 Purpose

- 2.1.1 The Corporation establishes this Plan to govern the grant, administration and exercise of Options which may be granted to Eligible Persons.
- 2.1.2 The principal purposes of this Plan are to provide the Corporation with the advantages of the incentive inherent in equity ownership on the part of Eligible Persons who are responsible for the continued success of the Corporation; to create in those Eligible Persons a proprietary interest in, and a greater concern for, the welfare and success of the Corporation; to encourage Eligible Persons to remain with the Corporation and any Subsidiaries; and to attract new Employees, Directors and Consultants.
- 2.1.3 This Plan is expected to benefit shareholders by enabling the Corporation to attract and retain personnel of the highest calibre by offering them an opportunity to share in any increase in value of the Class B Common Shares resulting from their efforts.

2.2 Shares Reserved

- 2.2.1 The number of Class B Common Shares that may be reserved for issuance under this Plan will not exceed, 203,658 Class B Common Shares.
- 2.2.2 The Corporation will at all times during the term of this Plan reserve and keep available the number of Class B Common Shares necessary to satisfy the requirements of this Plan.

2.3 Expired or Terminated Options

If and to the extent any Option granted under this Plan expires or is terminated without having been exercised in whole or in part, the number of Class B Common Shares then subject to that Option will be considered to be part of the pool of Class B Common Shares available for Options under this Plan.

2.4 Non-Exclusivity

Nothing contained in this Plan will prevent the Board from adopting other or additional incentive compensation arrangements.

2.5 Effective Date

This Plan will be effective as of the date on which it is approved by the Board.

ARTICLE 3
ADMINISTRATION OF PLAN

3.1 Administration of the Plan

3.1.1 Subject to the provisions of this Plan and Applicable Laws, the Board will have full power and authority to:

- 3.1.1.1 administer this Plan in accordance with its express terms;
- 3.1.1.2 determine all questions arising in connection with the administration, interpretation, and application of this Plan;
- 3.1.1.3 prescribe, amend, and rescind rules and regulations relating to the administration of this Plan; and
- 3.1.1.4 make all other determinations necessary or advisable for the administration of this Plan.

All determinations made in good faith on the matters referred to in this Section 3.1.1 will be final, conclusive, and binding on the Corporation and the relevant Participant.

3.2 Record Keeping

The Corporation will maintain a register in which will be recorded:

- 3.2.1 with respect to each Option granted to a Participant:
 - 3.2.1.1 the name and address of the Participant;
 - 3.2.1.2 the Grant Date;
 - 3.2.1.3 the number of Class B Common Shares issuable under the Option as of the Grant Date;
 - 3.2.1.4 the Option Exercise Price;
 - 3.2.1.5 any vesting conditions;
 - 3.2.1.6 the number of Class B Common Shares issued under the Option (and the dates of issuance); and
 - 3.2.1.7 the Option Expiry Date; and
- 3.2.2 the aggregate number of Class B Common Shares subject to Options.

3.3 Adjustments to Options

3.3.1 If any material change in the outstanding Class B Common Shares occurs by reason of any stock dividend, split, recapitalization, amalgamation, merger, consolidation, combination or exchange of shares or other similar corporate change, the Board may make any proportionate adjustments to this Plan and any outstanding Options that the Board deems equitable and appropriate to reflect that change. Any adjustment under this Section 3.3.1 will be made in the sole discretion of the Board, and will be conclusive and binding for all purposes of this Plan.

3.3.2 No fractional Class B Common Shares will be issued on the exercise of an Option. If, as a result of any adjustment as provided in this Section 3.3, a Participant would be entitled to a fractional Class B Common Share, the Participant will have the right to purchase only the number of full Class B Common Shares that is calculated under that adjustment, and a cash payment will be made with respect to that fractional Class B Common Share.

3.4 Termination of the Plan

The Board may terminate this Plan at any time in its absolute discretion. If this Plan is terminated, no further Options will be granted but the Options then outstanding will continue in full force and effect in accordance with the provisions of this Plan, until the time they are exercised or terminated or expire under the terms of this Plan and the applicable Option Agreements.

3.5 General

The existence of any Option will not affect, in any way, the right or power of the Corporation to:

3.5.1 make or authorize any recapitalization, reorganization or other change in the Corporation's capital structure or business;

3.5.2 participate in any amalgamation, combination, merger or consolidation;

3.5.3 create or issue any securities or change the rights and conditions attaching to any of its securities;

3.5.4 effect the dissolution or liquidation of the Corporation or any sale or transfer of all or any part of its assets or business; or

3.5.5 effect any other corporate act or proceeding, whether of similar character or otherwise.

3.6 Compliance with Applicable Laws

3.6.1 This Plan, the grant and exercise of Options, the Corporation's obligation to issue Class B Common Shares on the exercise of Options, and all other actions taken under

- this Plan will be subject to Applicable Laws, and to any approvals by any Governmental Authority which, in the opinion of counsel to the Corporation, are necessary or advisable.
- 3.6.2 No Option will be granted and no Class B Common Shares issued under this Plan if that grant or issue would require registration of this Plan or of Class B Common Shares under the securities laws of any foreign jurisdiction. Any purported grant of any Option or issue of Class B Common Shares under this Plan in violation of this Section 3.6.2 will be void.
- 3.6.3 Class B Common Shares issued to Participants pursuant to the exercise of Options may be subject to limitations on sale or resale under Applicable Laws.

ARTICLE 4 TERMS OF OPTIONS

4.1 Grants

- 4.1.1 Subject to the provisions of this Plan, the Board will have the authority to grant Options to Eligible Persons, and to determine the terms and conditions applicable to the exercise of those Options, including, for each Option:
- 4.1.1.1 the number of Class B Common Shares issuable under the Option;
 - 4.1.1.2 the Option Exercise Price;
 - 4.1.1.3 the Option Expiry Date;
 - 4.1.1.4 the vesting conditions, if any;
 - 4.1.1.5 the nature and duration of the restrictions, if any, to be imposed on the sale or other disposition of Class B Common Shares acquired on the exercise of the Option; and
 - 4.1.1.6 the events, if any, that could give rise to a termination of the Participant's rights under the Option, and the period in which such a termination can occur.
- 4.1.2 Each Option must be confirmed by an Option Agreement executed by the Corporation and by the Participant to whom that Option is granted. Subject to specific variations approved by the Board in respect of any Option, those variations not to be inconsistent with the provisions of this Plan, all terms and conditions set out in this Plan will be incorporated by reference into and form part of each Option Agreement.

4.2 Multiple Grants

An Eligible Person may be granted Options on more than one occasion under this Plan and be granted separate Options on any one occasion.

4.3 Option Exercise Price

The Board will set the option exercise price (the “**Option Exercise Price**”) in respect of each Class B Common Share issuable under an Option granted to a Participant. The Option Exercise Price will not be less than the fair market value of a Class B Common Share on the Grant Date, as determined by the Board, taking into account any considerations which it determines to be appropriate at the relevant time.

4.4 Option Expiry Date

The Board will, on the Grant Date, set the option expiry date (the “**Option Expiry Date**”) of each Option granted to a Participant. The Option Expiry Date set under this Section 4.4 will be no later than ten years after the Grant Date, and will be subject to earlier expiry in accordance with Section 4.10 and Section 4.11.

4.5 Vesting of Options

4.5.1 Unless otherwise determined by the Board under Section 4.5.2 or 4.11 or otherwise specified in the relevant Option Agreement, an Option will vest and become exercisable as to one-quarter (25%) of the Class B Common Shares issuable under the Option upon the occurrence of each of the following:

4.5.1.1 the Grant Date;

4.5.1.2 the Deferred Financing Closing which has the effect of fulfilling the Investor’s funding obligation in respect of the Funding Milestone in section 3.2a)i) of the Subscription & Investment Agreement;

4.5.1.3 the Deferred Financing Closing which has the effect of fulfilling the Investor’s funding obligation in respect of the Funding Milestone in section 3.2a)ii) of the Subscription & Investment Agreement; and

4.5.1.4 the Corporation achieving EBITDA of \$6,000,000 over the most recently completed 12 calendar months, as determined by the Board acting in good faith.

4.5.2 The Board may, at any time, accelerate the date on which any Option will vest and become exercisable.

4.6 Exercise of Options

- 4.6.1 An Option will be exercisable (other than on a Cashless Exercise basis) until 5:00 p.m. (Toronto time) on the Option Expiry Date, but only to the extent that it has vested and has not expired or been terminated.
- 4.6.2 Subject to the provisions of this Plan and the related Option Agreement, an Option may be exercised, in whole or in part, at any time, by delivery to the Corporation of a written notice of exercise, substantially in the form of Schedule "A" to Exhibit "A" to this Plan, specifying the number of Class B Common Shares with respect to which the Option is being exercised and accompanied by payment in full of the Option Exercise Price of the Class B Common Shares to be purchased. Payment of the Option Exercise Price must be made by cash, bank draft or certified cheque.
- 4.6.3 The Corporation's obligation to issue Class B Common Shares to a Participant pursuant to the exercise of an Option will be subject to delivery of a counterpart execution page or addendum agreement or agreement to be bound to the Shareholders' Agreement executed by the Participant.
- 4.6.4 All certificates representing Class B Common Shares delivered pursuant to the exercise of Options under this Plan shall be subject to such stock transfer orders and other restrictions as the Board may deem advisable under any Applicable Laws or any provision in the Corporation's articles, by-laws or other constating documents, or as applicable the terms of the Shareholders' Agreement, and shall bear the following legend:
- "The shares represented by this certificate are subject to restrictions on transfer and all the other terms and conditions of a unanimous shareholders' agreement made between the Corporation and each and all of the holders of shares, as such agreement may from time to time be amended in accordance with its provisions. A copy of the agreement is on file at the registered office of the Corporation and is available to the holder hereof for inspection on request, without charge. Any transfer made in contravention of such restrictions shall be null and void."
- 4.6.5 In addition to exercises contemplated in Section 4.6.1, Options that have vested, have not expired, and have not been terminated, may be exercised on a Cashless Exercise basis, in accordance with the terms of Section 4.7:
- 4.6.5.1 upon a Liquidity Event Transaction; or
- 4.6.5.2 in connection with, and conditional upon a Liquidity Event Transaction occurring in which case the Options shall be deemed to be exercised immediately prior to the Liquidity Event Transaction.
- 4.6.6 The Corporation will use its best efforts to give the affected Participants written notice of anticipated Liquidity Event Transactions which the Board determines, in its

sole and absolute have a reasonable prospect of consummation at least 14 days before the effective date of the consummation of such Liquidity Event Transaction.

4.7 Cashless Exercise

4.7.1 Subject to Section 3.6, and: (i) upon or in connection with a Liquidity Event Transaction pursuant to Section 4.6.5; or (ii) notwithstanding any other provision of the Plan, if permitted by the Board in its sole and absolute discretion, in lieu of making the cash payment of the aggregate Option Exercise Price otherwise contemplated to be made to the Corporation upon such exercise, a Participant may elect instead to exercise vested Options held by such Participant, by way of a “cashless exercise” and thereby receive, in consideration for the surrender by the Participant of such exercised Options, the “**Net Number**” of Class B Common Shares upon such exercise determined according to the following formula (a “**Cashless Exercise**”):

$$\text{Net Number} = \frac{[A \times (B - C)]}{B}$$

where:

A = the total number of Class B Common Shares purchasable under the Option being exercised or, if only a portion of the Option is being exercised, the total number of Class B Common Shares of such portion of the Option being exercised (at the date of such calculation)

B = the “Current Market Value” of one Class B Common Share (at the date of such calculation)

C = the Option Exercise Price of the Options (as adjusted to the date of such calculation).

For purposes hereof, the “**Current Market Value**” of a Class B Common Share as of a particular date (the “**Determination Date**”) shall mean: (i) in connection with a Cashless Exercise upon or in connection with a Liquidity Event Transaction, the value attributable to such Class B Common Share in connection with the Liquidity Event Transaction; or (ii) in connection with a Cashless Exercise otherwise permitted by the Board in its sole and absolute discretion, the fair market value attributable to a Class B Common Share as established in good faith by the Board.

4.8 Amendments to Plan or Options

The Board may amend this Plan or any Option:

4.8.1 in accordance with Section 3.3.1, 4.5.2 or 4.11;

- 4.8.2 otherwise, in the discretion of the Board, provided that, if an amendment under this Section 4.8.2 materially impairs an Option or is materially adverse to its holder, the amendment will not take effect in respect of that Option until the consent of the Participant holding the Option has been obtained.

4.9 Withholding of Tax

- 4.9.1 The Corporation and any Subsidiary may take reasonable steps for the withholding of any taxes or other source deductions that it is required by Applicable Laws or the requirements of any Governmental Authority to remit in connection with this Plan, any Option or any issuance of Class B Common Shares upon the exercise of an Option, including:
- 4.9.1.1 deducting and withholding the amount required to be remitted from any cash remuneration or any other amount payable to a Participant, whether or not related to the Plan, the exercise of any Options or the issue of any Class B Common Shares; or
 - 4.9.1.2 making the exercise of an Option conditional on the Participant paying to the Corporation or Subsidiary the amount required to be remitted.

4.10 Termination of Employment or Service

- 4.10.1 Unless otherwise determined by the Board under Section 4.11 or otherwise specified in the relevant Option Agreement, if a Participant ceases to be an Eligible Person:
- 4.10.1.1 any unvested portion of any Option held by that Participant will immediately expire as of the Termination Date; and
 - 4.10.1.2 any vested portion of any Option held by that Participant will expire on the earlier of the Option Expiry Date set by the Board under Section 4.4 and:
 - 4.10.1.2.1 in the case of termination of employment by the Corporation or a Subsidiary without cause, or the failure of a Director standing for election to be re-elected, or the failure by the Corporation or a Subsidiary to renew a contract for services at the end of its term, the date which is 90 days after the Termination Date;
 - 4.10.1.2.2 in the case of the death of the Participant, the date which is one year after the death;
 - 4.10.1.2.3 in the case of the Disability or Retirement of the Participant, the date which is 180 days after the Termination Date; and

4.10.1.2.4 in all other cases, the Termination Date.

(the date determined under Sections 4.10.1.2.1 to 4.10.1.2.4, the “**Early Expiry Date**”).

- 4.10.2 Unless otherwise determined by the Board, Options will not be affected by any change of employment or provision of services within or among the Corporation or any Subsidiaries, so long as the Participant continues to be an Eligible Person.
- 4.10.3 The Early Expiry Date will be determined based on the first of the events described in Sections 4.10.1.2.1 to 4.10.1.2.4 to occur.
- 4.10.4 Options granted under this Plan are not part of a Participant’s regular employment or consulting compensation, and no value will be attributed to any Options as part of calculating any Participant’s damages for wrongful dismissal, or any amount due to a Participant with respect to reasonable notice, notice of termination, severance or termination pay, or compensation in lieu of notice.

4.11 Liquidity Event Transaction

- 4.11.1 Despite any other provision of this Plan or any Option Agreement, in the event of an actual or potential Liquidity Event Transaction, the Board has the right, in its sole discretion, without any action or consent required on the part of any Participant, to deal with any Options (or any portion of any Options) as follows:
- 4.11.1.1 determine that any Options (or any portion of any Options) will remain in full force and effect in accordance with their terms after the Liquidity Event Transaction;
 - 4.11.1.2 cause any Options (or any portion of any Options) to be converted or exchanged for options to acquire shares of another entity involved in the Liquidity Event Transaction, having the same value and terms and conditions as the Options;
 - 4.11.1.3 provide Participants with the right to surrender any Options (or any portion of any Options) for an amount per underlying Class B Common Share equal to the positive difference, if any, between the fair market value of the Class B Common Share on the date of surrender and the Option Exercise Price; or
 - 4.11.1.4 conditional upon completion of the Liquidity Event Transaction, accelerate the date by which any Options (or any portion of any Options) must be exercised.
- 4.11.2 The Corporation will use its best efforts to give the affected Participants written notice of any determination made by the Board under Section 4.11.1 at least 14 days before the effective date of the Liquidity Event Transaction.

4.12 Transferability

- 4.12.1 Subject to Section 4.12.2, the Options and all benefits and rights accruing to a Participant in accordance with the terms and conditions of this Plan are not directly or indirectly transferable and cannot be assigned, charged, pledged or hypothecated, or otherwise alienated, by a Participant, whether voluntarily, involuntarily, by operation of law or otherwise.
- 4.12.2 On a Participant's death, vested Options, benefits and rights may pass by the Participant's will or the laws of descent and distribution to the legal representative of the Participant's estate or any other Person who acquires the Participant's vested Options by bequest or inheritance. No transfer of a vested Option by will or by the laws of descent and distribution will be effective to bind the Corporation until the Corporation has been furnished with any evidence that the Corporation may deem necessary to establish the validity of the transfer and the acceptance by the transferee of the terms and conditions of this Plan and the relevant Option Agreement.

ARTICLE 5 MISCELLANEOUS PROVISIONS

5.1 No Rights as Shareholder

The holder of an Option will not have any rights as a shareholder of the Corporation with respect to any of the Class B Common Shares issuable on exercise of that Option until that holder has exercised that Option in accordance with the terms of this Plan and has been issued the Class B Common Shares.

5.2 No Employment Rights

Nothing in this Plan or any Option will confer on a Participant any right to continue in the employment or service of the Corporation or any Subsidiary or affect in any way the right of the Corporation or any Subsidiary to terminate the Participant's employment or service at any time; nor will anything in this Plan or any Option be deemed or construed to constitute an agreement, or an expression of intent, on the part of the Corporation or any Subsidiary to extend the employment or service of any Participant beyond the date on which the Participant's relationship with the Corporation or any Subsidiary would otherwise be terminated due to Retirement or pursuant to the provisions of any employment, consulting or other contract for services with the Corporation or any Subsidiary.

5.3 No Undertaking or Representation

The Participants, by participating in this Plan, will be deemed to have accepted all risks associated with acquiring Class B Common Shares pursuant to this Plan. Each Participant acknowledges that the Class B Common Shares are subject to, and may be required to be held indefinitely under, applicable securities laws. The Corporation and the Subsidiaries make no

undertaking, representation, warranty or guarantee as to the future value or price, or as to the listing on any stock exchange or other market, of any Class B Common Shares issued under this Plan, and will not be liable to any Participant for any loss resulting from that Participant's participation in this Plan or as a result of the amendment, suspension or termination of this Plan or any Option in accordance with its terms.

5.4 Notices

All written notices to be given by a Participant to the Corporation will be delivered personally or by registered mail, postage prepaid, addressed as follows:

c/o Gowling Lafleur Henderson LLP
1 First Canadian Place
100 King St. West, Toronto ON
M5X 1G5

Attn: Nurhan Aycan

Any notice given by a Participant pursuant to the terms of an Option will not be effective until actually received by the Corporation at the above address.

5.5 Further Assurances

Each Participant will, when requested to do so by the Corporation, sign and deliver all documents relating to the granting or exercise of Options deemed necessary or desirable by the Corporation. Each Participant will provide the Corporation with all information (including personal information) which is necessary for the administration of this Plan, and each Participant consents to the collection, use and disclosure of information by the Corporation necessary for the administration of this Plan.

5.6 Submission to Jurisdiction

The Corporation and each Participant irrevocably and unconditionally submits and attorns to the non-exclusive jurisdiction of the courts of the Province of Ontario to determine all issues, whether at law or in equity, arising from this Plan and each Option Agreement. To the extent permitted by Applicable Laws, the Corporation and each Participant:

- 5.6.1 irrevocably waives any objection, including any claim of inconvenient forum, that it may now or in the future have to the venue of any legal proceeding arising out of or relating to this Plan or any Option Agreement in the courts of that Province, or that the subject matter of this Plan or any Option Agreement may not be enforced in those courts;
- 5.6.2 irrevocably agrees not to seek, and waives any right to, judicial review by any court which may be called on to enforce the judgment of the courts referred to in this Section 5.6, of the substantive merits of any suit, action or proceeding; and

5.6.3 to the extent the Corporation or any Participant has or may acquire any immunity from the jurisdiction of any court or from any legal process, whether through service or notice, attachment before judgment, attachment in aid of execution, execution or otherwise, with respect to itself or its property, that Person irrevocably waives that immunity in respect of its obligations under this Plan and any Option Agreement.

Adopted by the Board as of _____, 2015.

**EXHIBIT “A”
TO STOCK OPTION PLAN**

**DIGITAL UNDERGROUND MEDIA INC.
OPTION AGREEMENT**

THIS AGREEMENT is dated as of • *(Insert the Grant Date.)* between Digital Underground Media Inc. (the “**Corporation**”) and • *(Insert the name of the Participant.)* (the “**Participant**”).

CONTEXT:

- A.** The Corporation has a stock option plan with an effective date of • (as it may be amended at any time in accordance with its terms, the “**Plan**”). A copy of the Plan in effect on the date of this agreement has been (or is concurrently being) provided to the Participant. Capitalized terms used and not defined in this Agreement have the meaning given to them in the Plan.
- B.** The board of directors of the Corporation has authorized the granting to the Participant of an option under the Plan, having the terms set out in this agreement (the “**Option**”).

THEREFORE, the parties agree as follows:

1. **The Plan.** The Participant agrees to be bound by the terms of the Plan (which may be amended). The terms and conditions of the Plan are deemed to be incorporated into and to form a part of this agreement. In the event of any inconsistency between the terms of the Plan and the terms of this agreement, the terms of the Plan will prevail.
2. **Grant of Option.** The Corporation grants, and the Participant accepts, the Option to purchase • class B common shares in the capital of the Corporation (the “**Class B Common Shares**”).
3. **Exercise Price and Vesting.** The Option will vest and become exercisable as follows:

<u>Number of Class B Common Shares</u>	<u>Vesting Conditions</u>	<u>Exercise Price</u>
•	•	•
•	•	•
•	•	•
•	•	•

4. **Exercise of Vested Option.** The Option may be exercised: (a) other than by way of Cashless Exercise, in whole or in part, at any time up to and including 5:00 p.m. (Toronto time) on •; or (b) by way of a Cashless Exercise, in whole, upon a Liquidity Event Transaction, or in connection with and conditional upon the closing of, a Liquidity Event

Transaction, in each case only to the extent that it has vested and has not expired or been terminated. To exercise the Option, in whole or in part, all conditions for exercise under the Plan must have been met, and the Participant must deliver to the Corporation a written notice of exercise, substantially in the form of Schedule "A" to this agreement, and, if not a Cashless Exercise, accompanied by payment in full of the exercise price of the Class B Common Shares to be purchased. Any applicable payment of the exercise price must be made by cash, bank draft or certified cheque.

- 5. **Participation Voluntary.** The parties acknowledge and agree that Participant's participation in the Plan is entirely voluntary and not obligatory and shall not be interpreted as conferring upon such Participant any rights or privileges other than those rights and privileges expressly set out herein and in the Plan.
- 6. **Withholding Taxes.** The Corporation may take reasonable steps for the withholding of any taxes or other source deductions that it is required to remit in connection with the Option or any issuance of Class B Common Shares upon the exercise of the Option, as described in more detail in the Plan.
- 7. **Independent Legal Advice.** The Participant acknowledges that it has had the opportunity to receive independent legal advice from its own counsel with respect to the terms of this agreement, and understands the risks associated with acquiring Class B Common Shares pursuant to the Plan.
- 8. **Enurement.** This agreement enures to the benefit of and is binding upon the parties and their respective heirs, successors, assigns and representatives.
- 9. **Time of Essence.** Time is of the essence in all respects of this agreement.
- 10. **Counterparts.** This agreement may be executed and delivered by the parties in one or more counterparts, each of which will be an original, and those counterparts will together constitute one and the same instrument.
- 11. **Electronic Signatures.** Delivery of this agreement by facsimile, e-mail or other functionally equivalent electronic means of transmission constitutes valid and effective delivery.

Each of the parties has executed and delivered this agreement as of the date noted at the beginning of this agreement.

**DIGITAL UNDERGROUND MEDIA
INC.**

by: _____
Name:
Title:

● (Insert name of the Participant.)

SCHEDULE "A"
TO OPTION AGREEMENT

DIGITAL UNDERGROUND MEDIA INC.
STOCK OPTION PLAN
NOTICE OF EXERCISE

TO: **DIGITAL UNDERGROUND MEDIA INC. (the "Corporation")**

DATE: _____

RE: **Stock Option Plan (the "Plan")**

I refer to the option (the "**Option**") granted to me under the Plan and evidenced by an option agreement dated _____, 20____, under which I was granted, subject to the terms of that option agreement, an option to subscribe for Class B Common shares in the capital of the Corporation (the "**Class B Common Shares**").

I subscribe for _____ Class B Common Shares under the Option at \$_____ per Class B Common Share, payment for which in the aggregate amount of \$_____ accompanies this subscription.

{or}

In connection with a Liquidity Event Transaction or with the permission of the Board in its sole and absolute discretion, I surrender _____ Class B Common Shares under the Option in exchange for the Net Number of Class B Common Shares.

Will you please cause those Class B Common Shares to be registered as follows:

(Insert full name and address of purchaser including postal code.)

and forward the relevant certificate to the registered holder at the address shown above.

Signed,

(Signature)

(Name)

SCHEDULE "J"
2015 BUSINESS PLAN

(see attached)

Digital Underground Media Inc.
Five Year Proforma
Monthly Balance Sheet
Period Ending December 31

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16
ASSETS																
Current Assets																
Cash	43,173	2,697,518	2,018,750	1,588,078	479,770	48,048	3,859,951	3,145,401	3,088,051	2,735,306	2,262,111	1,100,803	20,849	2,711,771	463,038	3,485,316
Accounts receivable	72,601	79,587	79,587	89,041	245,332	433,891	635,367	851,160	849,669	902,797	1,035,764	1,290,681	1,610,626	2,162,780	2,749,528	3,248,693
Prepaid Expenses and Deposits	194,050	194,000	559,000	721,500	519,000	481,500	319,000	194,000	194,000	444,000	694,000	944,000	1,194,000	819,000	1,194,000	1,944,000
Total Current Assets	309,824	2,971,105	2,657,337	2,398,618	1,244,103	963,438	4,814,317	4,190,561	4,101,720	4,082,103	3,991,875	3,335,484	2,823,475	5,693,551	4,406,566	8,678,009
INTANGIBLE ASSETS																
Patent - Spectrum Motion Media	315,781	304,892	294,003	283,114	272,225	261,336	250,447	239,558	228,669	217,780	206,891	196,002	185,113	174,224	163,335	152,446
IP and Assets - Innovex, Chae	0	1,288,959	1,277,918	1,267,233	1,256,192	1,245,507	1,234,466	1,223,425	1,212,384	1,201,343	1,190,302	1,179,261	1,168,220	1,157,179	1,146,138	1,135,097
IP and Assets - TVS /Dasung	346,825	442,955	439,085	435,339	431,469	427,724	423,983	419,983	416,362	412,492	408,747	404,876	401,131	397,261	393,390	389,645
IP - Sideltrack	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118
CAPITAL ASSETS																
Other Assets	3,000	2,950	102,900	101,185	99,499	97,841	146,210	143,773	141,377	139,021	136,704	134,425	132,185	129,982	127,815	375,685
Underground Systems	731,798	724,781	717,764	760,330	1,675,146	2,180,587	2,681,653	3,153,552	3,120,572	3,087,593	3,054,613	3,814,966	4,568,653	6,257,756	7,882,693	8,203,880
TOTAL ASSETS	1,729,346	5,757,769	5,511,125	5,267,938	5,000,751	5,198,550	9,573,064	9,392,970	9,243,916	9,163,161	9,012,317	9,088,201	9,304,319	13,833,495	14,143,480	18,958,660
LIABILITIES AND SHAREHOLDERS' EQUITY																
CURRENT																
Operating Line	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable and accrued liabilities	1,051,774	49,344	49,344	53,102	102,814	474,053	251,780	338,088	337,964	365,203	409,480	514,001	744,530	876,363	1,126,394	1,338,184
Bridge Loan Payable	2,235,207	2,192,436	2,192,436	2,192,436	2,192,436	2,191,723	2,192,436	2,192,436	2,191,009	2,192,436	2,191,723	2,192,436	2,192,436	2,192,436	2,192,436	2,191,723
Current Portion of LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	3,286,981	2,241,780	2,241,780	2,244,824	2,295,250	2,665,776	2,444,216	2,530,524	2,528,973	2,557,639	2,601,203	2,706,438	2,936,263	3,068,800	3,318,830	3,529,906
Working Capital calc	(2,977,157)	729,325	415,557	153,794	(1,051,147)	(1,702,338)	2,370,101	1,660,037	1,572,747	1,524,464	1,390,672	629,046	(110,778)	2,624,752	1,087,736	5,148,102
Long Term Debt																
System Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due to JD Craig Holdings	360,000	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	488,114	491,165	494,234	497,323	500,432	503,559	506,707	509,874	513,060	516,267	519,494	522,740	526,008	529,295	532,603	535,932
Note Payable - Dr Chae	0	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Note Payable - Spectrum Motion Media	675,299	553,387	561,283	569,027	445,429	451,650	458,163	333,295	337,883	342,850	216,306	219,621	222,873	94,802	96,465	98,097
Less Current Portion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Debt	1,523,413	1,494,552	1,505,517	1,516,351	1,395,861	1,405,209	1,414,870	1,293,169	1,300,943	1,309,117	1,185,800	1,192,362	1,198,880	824,097	829,068	634,029
Total Liabilities	4,810,394	3,736,332	3,747,297	3,761,175	3,691,111	4,070,986	3,859,086	3,823,692	3,829,917	3,868,757	3,787,003	3,898,799	4,135,133	3,892,896	4,147,899	4,163,936
SHAREHOLDERS' EQUITY																
Share Capital Parent Company	3,148,016	8,748,016	8,748,016	8,748,016	8,748,016	8,748,016	13,748,016	13,748,016	13,748,016	13,748,016	13,748,016	13,748,016	13,748,016	13,748,016	18,748,016	23,748,016
Contributed Surplus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (Deficit)	(6,229,064)	(6,726,588)	(6,984,188)	(7,241,253)	(7,438,375)	(7,620,451)	(8,034,037)	(8,178,738)	(8,334,017)	(8,451,611)	(8,522,702)	(8,558,615)	(8,578,830)	(8,807,417)	(8,752,434)	(8,953,292)
Total Shareholders Equity (Deficit)	(3,081,048)	2,021,428	1,763,828	1,506,763	1,309,641	1,127,565	5,713,979	5,569,278	5,413,999	5,296,405	5,225,315	5,189,402	5,163,186	9,940,599	9,995,582	14,794,725
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	1,729,346	5,757,769	5,511,125	5,267,938	5,000,752	5,198,551	9,573,065	9,392,970	9,243,916	9,163,162	9,012,318	9,088,201	9,304,320	13,833,495	14,143,481	18,958,660
Check	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)
Underground Systems - Capital Assets																
Cost	842,069	842,069	842,069	892,069	1,822,069	2,347,069	2,872,069	3,372,069	3,372,069	3,372,069	3,372,069	4,172,069	4,972,069	6,722,069	8,422,069	8,822,069
Accumulated Amortization	110,271	117,288	124,305	131,739	146,923	166,482	190,416	218,517	251,497	284,476	317,456	357,103	403,416	464,313	539,376	618,189
Net Book Value	731,798	724,781	717,764	760,330	1,675,146	2,180,587	2,681,653	3,153,552	3,120,572	3,087,593	3,054,613	3,814,966	4,568,653	6,257,756	7,882,693	8,203,880
Patent - Spectrum Motion Media																
Opening Balance																
Additions																
Closing Balance																

Digital Underground Media Inc.
Five Year Proforma
Monthly Balance Sheet
Period Ending December 31

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
ASSETS															
Current Assets															
Cash	948,395	1,334,151	325,190	(523,874)	(1,168,850)	(1,758,462)	(2,400,124)	(2,767,720)	(3,445,812)	(3,471,617)	(3,382,808)	(3,299,883)	(2,979,843)	(3,367,292)	(3,133,074)
Accounts receivable	4,024,248	4,863,122	5,759,092	6,888,322	7,624,110	8,389,995	9,086,428	9,927,298	10,829,525	11,590,981	12,169,646	12,288,352	12,495,539	12,566,128	12,773,194
Prepaid Expenses and Deposits	1,319,000	569,000	444,000	444,000	444,000	444,000	569,000	444,000	194,000	194,000	194,000	444,000	444,000	444,000	569,000
Total Current Assets	6,291,643	6,766,273	6,528,283	6,808,448	6,899,260	7,075,532	7,255,304	7,603,578	7,577,713	8,313,364	8,980,837	9,432,468	9,959,596	9,632,836	10,209,120
INTANGIBLE ASSETS															
Patent - Spectrum Motion Media	141,557	130,668	119,779	108,890	98,001	87,112	76,223	65,334	54,445	43,556	32,667	21,778	10,889	0	0
IP and Assets - Innovex, Chae	1,125,836	1,115,151	1,104,110	1,093,068	1,083,096	1,072,055	1,061,370	1,050,329	1,039,642	1,028,603	1,017,562	1,006,877	995,836	985,151	974,110
IP and Assets - TVS /Dasung	385,775	382,029	378,159	374,289	370,793	366,923	363,177	359,307	355,562	351,691	347,821	344,076	340,205	336,460	332,590
IP - Siderack	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118
CAPITAL ASSETS															
Other Assets	369,424	363,267	357,212	351,259	345,404	339,648	333,987	328,420	322,947	317,564	312,272	307,067	301,949	296,917	291,968
Underground Systems	10,894,331	13,705,346	14,453,983	14,693,994	14,930,675	15,164,025	15,394,044	15,614,037	16,220,679	16,012,738	15,790,605	15,565,139	15,316,291	15,836,121	15,548,450
TOTAL ASSETS	19,230,683	22,484,853	22,963,644	23,452,066	23,749,348	24,127,413	24,506,223	25,043,123	25,593,108	26,089,634	26,503,882	26,699,524	26,946,985	27,109,603	27,378,356
LIABILITIES AND SHAREHOLDERS' EQUITY															
CURRENT															
Operating Line	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable and accrued liabilities	1,674,085	2,035,794	2,424,939	2,908,839	3,214,379	3,543,368	3,842,249	4,208,725	4,594,632	4,925,768	5,171,471	5,221,038	5,312,647	5,340,198	5,438,699
Bridge Loan Payable	2,192,436	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Portion of LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	3,866,521	2,035,794	2,424,939	2,908,839	3,214,379	3,543,368	3,842,249	4,208,725	4,594,632	4,925,768	5,171,471	5,221,038	5,312,647	5,340,198	5,438,699
Working Capital calc	2,425,122	4,730,480	4,103,344	3,899,609	3,684,882	3,532,164	3,413,055	3,394,852	2,983,082	3,387,595	3,809,366	4,211,431	4,647,049	4,292,638	4,770,421
Long Term Debt															
System Loans	0	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Due to JD Craig Holdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	539,282	542,652	546,044	549,456	552,891	556,346	559,823	563,322	566,843	570,386	573,951	577,538	581,147	584,780	588,434
Note Payable - Dr Chae	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - Spectrum Motion Media	(8,695)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Less Current Portion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Debt	530,587	5,542,652	5,546,044	5,549,456	5,552,890	5,556,346	5,559,823	5,563,322	5,566,843	5,570,386	5,573,951	5,577,538	5,581,147	5,584,780	5,588,434
Total Liabilities	4,397,107	7,578,446	7,970,983	8,458,295	8,767,269	9,099,714	9,402,072	9,772,047	10,161,479	10,496,154	10,745,422	10,798,575	10,893,794	10,924,978	11,027,133
SHAREHOLDERS' EQUITY															
Share Capital Parent Company	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016
Contributed Surplus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (Deficit)	(8,914,440)	(8,841,609)	(8,755,355)	(8,754,246)	(8,765,937)	(8,720,317)	(8,643,865)	(8,476,940)	(8,316,382)	(8,154,536)	(7,989,555)	(7,847,067)	(7,694,825)	(7,563,390)	(7,396,799)
Total Shareholders Equity (Deficit)	14,833,577	14,906,407	14,992,662	14,993,771	14,982,079	15,027,699	15,104,152	15,271,077	15,431,634	15,593,481	15,758,461	15,900,949	16,053,191	16,184,626	16,351,224
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	19,230,684	22,484,853	22,963,644	23,452,066	23,749,348	24,127,413	24,506,224	25,043,124	25,593,109	26,089,635	26,503,883	26,699,524	26,946,986	27,109,604	27,378,357
Check	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

Underground Systems - Capital Assets

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Cost	11,622,069	14,572,069	15,472,069	15,872,069	16,272,069	16,672,069	17,072,069	17,472,069	18,272,069	18,272,069	18,272,069	18,272,069	18,272,069	19,072,069	19,072,069
Accumulated Amortization	727,738	866,723	1,018,086	1,178,075	1,341,394	1,508,044	1,678,025	1,858,032	2,051,390	2,259,331	2,481,464	2,706,930	2,955,778	3,235,948	3,523,619
Net Book Value	10,894,331	13,705,346	14,453,983	14,693,994	14,930,675	15,164,025	15,394,044	15,614,037	16,220,679	16,012,738	15,790,605	15,565,139	15,316,291	15,836,121	15,548,450

Patent - Spectrum Motion Media

	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Opening Balance	141,557	130,668	119,779	108,890	98,001	87,112	76,223	65,334	54,445	43,556	32,667	21,778	10,889	0	0
Additions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Closing Balance	141,557	130,668	119,779	108,890	98,001	87,112	76,223	65,334	54,445	43,556	32,667	21,778	10,889	0	0

Digital Underground Media Inc.
Five Year Proforma
Monthly Balance Sheet
Period Ending December 31

	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
ASSETS															
Current Assets															
Cash	(3,548,537)	(3,500,834)	(3,600,693)	(3,575,257)	(3,523,036)	(3,614,767)	(3,575,790)	(3,593,920)	(3,471,546)	(3,474,967)	(3,445,604)	(3,450,418)	(3,839,529)	(3,986,623)	(4,364,262)
Accounts receivable	13,232,457	13,227,919	13,668,781	13,830,382	14,057,703	14,479,231	14,764,508	15,185,273	15,328,283	15,771,428	15,916,540	16,215,295	16,789,914	16,787,264	17,442,681
Prepaid Expenses and Deposits	444,000	444,000	444,000	444,000	444,000	444,000	444,000	444,000	444,000	444,000	589,000	694,000	694,000	694,000	694,000
Total Current Assets	10,127,920	10,171,086	10,512,088	10,699,125	10,978,667	11,308,464	11,632,718	12,035,353	12,300,737	12,740,461	13,039,936	13,456,877	13,844,385	13,494,642	13,772,319
INTANGIBLE ASSETS															
Patent - Spectrum Motion Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IP and Assets - Innovex, Chae	963,068	953,066	942,065	931,370	920,329	909,644	898,603	887,562	876,877	865,836	855,151	844,110	833,068	823,096	812,055
IP and Assets - TVS /Dasung	328,720	325,224	321,354	317,608	313,738	309,992	306,122	302,252	298,506	294,636	290,891	287,020	283,150	279,694	275,784
IP - Siderack	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118
CAPITAL ASSETS	287,102	282,317	277,612	272,985	268,435	263,961	259,582	255,236	250,982	246,799	242,686	238,641	234,663	230,752	226,906
Other Assets	16,050,781	16,146,436	16,235,416	16,317,722	16,393,354	16,458,964	16,521,250	16,580,213	16,635,851	16,688,163	16,730,457	16,769,425	17,195,050	17,610,677	18,016,307
Underground Systems	27,779,710	27,900,277	28,310,642	28,560,928	28,896,641	29,273,144	29,640,374	30,082,734	30,385,071	30,858,013	31,181,239	31,620,192	32,212,435	32,460,940	33,125,490
TOTAL ASSETS	27,779,710	27,900,277	28,310,642	28,560,928	28,896,641	29,273,144	29,640,374	30,082,734	30,385,071	30,858,013	31,181,239	31,620,192	32,212,435	32,460,940	33,125,490
LIABILITIES AND SHAREHOLDERS' EQUITY															
CURRENT															
Operating Line	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable and accrued liabilities	5,640,028	5,637,508	5,834,766	5,904,964	6,008,086	6,188,561	6,317,473	6,502,142	6,566,389	6,762,981	6,828,163	6,963,073	7,215,643	7,213,949	7,506,671
Bridge Loan Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Portion of LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	5,640,028	5,637,508	5,834,766	5,904,964	6,008,086	6,188,561	6,317,473	6,502,142	6,566,389	6,762,981	6,828,163	6,963,073	7,215,643	7,213,949	7,506,671
Working Capital calc	4,487,893	4,533,576	4,677,322	4,794,161	4,970,582	5,119,904	5,315,245	5,533,211	5,734,349	5,977,479	6,211,773	6,495,804	6,428,741	6,280,693	6,265,647
Long Term Debt	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
System Loans	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Due to JD Craig Holdings	592,112	595,813	599,537	603,284	607,054	610,848	614,666	618,508	622,374	626,263	630,177	634,116	638,079	642,067	646,080
Note Payable - DUM Holdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - Dr Chae	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - Spectrum Motion Media	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Less Current Portion	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Debt	5,592,112	5,595,813	5,599,537	5,603,284	5,607,054	5,610,848	5,614,666	5,618,508	5,622,374	5,626,263	5,630,177	5,634,116	5,638,079	5,642,067	5,646,080
Total Liabilities	11,232,140	11,233,320	11,434,302	11,508,248	11,615,140	11,799,409	11,932,139	12,120,650	12,188,762	12,389,245	12,458,340	12,597,189	12,853,723	12,856,016	13,152,752
SHAREHOLDERS' EQUITY															
Share Capital Parent Company	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016
Contributed Surplus	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (Deficit)	(7,200,446)	(7,081,060)	(6,871,676)	(6,695,336)	(6,466,514)	(6,274,281)	(6,039,781)	(5,785,932)	(5,551,707)	(5,279,247)	(5,025,118)	(4,725,014)	(4,389,304)	(4,143,092)	(3,775,278)
Total Shareholders Equity (Deficit)	16,547,571	16,666,957	16,876,341	17,052,681	17,281,502	17,473,736	17,708,235	17,962,084	18,196,310	18,468,769	18,722,898	19,023,003	19,358,713	19,604,925	19,972,739
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	27,779,710	27,900,277	28,310,642	28,560,928	28,896,642	29,273,144	29,640,374	30,082,734	30,385,072	30,858,014	31,181,239	31,620,192	32,212,435	32,460,941	33,125,491
Check	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Underground Systems - Capital Assets															
Cost	19,872,069	20,272,069	20,672,069	21,072,069	21,472,069	21,872,069	22,272,069	22,672,069	23,072,069	23,472,069	23,872,069	24,272,069	25,072,069	25,872,069	26,672,069
Accumulated Amortization	3,824,288	4,125,633	4,436,653	4,754,347	5,078,715	5,413,105	5,750,819	6,091,856	6,436,218	6,783,906	7,141,612	7,502,644	7,877,019	8,261,392	8,655,762
Net Book Value	16,047,781	16,146,436	16,235,416	16,317,722	16,393,354	16,458,964	16,521,250	16,580,213	16,635,851	16,688,163	16,730,457	16,769,425	17,195,050	17,610,677	18,016,307
Patent - Spectrum Motion Media															
Opening Balance															
Additions															
Closing Balance															

Digital Underground Media Inc.
Five Year Proforma
Monthly Balance Sheet
Period Ending December 31

ASSETS	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Current Assets														
Cash	(4,599,589)	(4,790,806)	(5,157,385)	(5,325,594)	(5,552,424)	(5,619,034)	(5,827,913)	(5,598,707)	(5,407,296)	(4,713,928)	(3,868,559)	(3,009,071)	(2,074,380)	(1,114,182)
Accounts receivable	17,796,231	18,198,967	18,853,639	19,275,811	19,856,004	20,126,133	20,763,065	21,045,065	21,525,544	22,097,786	22,437,753	22,692,799	22,915,371	23,126,386
Prepaid Expenses and Deposits	694,000	694,000	694,000	694,000	694,000	694,000	694,000	444,000	194,000	194,000	194,000	194,000	194,000	194,000
Total Current Assets	13,890,642	14,102,161	14,390,253	14,644,217	14,997,581	15,201,098	15,629,152	15,890,358	16,312,248	17,577,858	18,763,194	19,877,728	21,034,991	22,206,204
INTANGIBLE ASSETS														
Patent - Spectrum Motion Media	0	0	0	0	0	0	0	0	0	0	0	0	0	0
IP and Assets - Innovex, Chae	801,370	790,329	779,644	768,603	757,562	746,877	735,836	725,151	714,110	703,068	693,096	682,055	671,370	660,329
IP and Assets - TVS /Dasung	272,039	268,168	264,423	260,553	256,653	252,937	249,067	245,321	241,451	237,581	234,085	230,215	226,469	222,599
IP - Sideltrack	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118	22,118
CAPITAL ASSETS														
Other Assets	223,125	219,406	215,749	212,153	208,617	205,141	201,722	198,359	195,054	191,803	188,606	185,462	182,371	179,332
Underground Systems	18,411,939	18,797,574	19,173,210	19,538,847	19,894,486	20,240,127	20,575,769	20,901,412	21,217,056	20,728,018	20,228,299	19,723,899	19,212,817	18,695,053
TOTAL ASSETS	33,821,233	34,199,756	34,845,397	35,446,491	36,137,047	36,668,299	37,413,663	37,982,720	38,702,036	39,458,446	40,129,398	40,721,478	41,350,137	41,985,635
LIABILITIES AND SHAREHOLDERS' EQUITY														
CURRENT														
Operating Line	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounts payable and accrued liabilities	7,662,280	7,843,520	8,127,531	8,317,420	8,572,959	8,693,791	8,976,601	9,102,716	9,318,551	9,570,552	9,721,837	9,833,310	9,934,377	10,028,278
Bridge Loan Payable	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Current Portion of LTD	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Current Liabilities	7,662,280	7,843,520	8,127,531	8,317,420	8,572,959	8,693,791	8,976,601	9,102,716	9,318,551	9,570,552	9,721,837	9,833,310	9,934,377	10,028,278
Working Capital calc	6,226,362	6,258,641	6,262,722	6,326,796	6,424,622	6,507,308	6,652,551	6,787,642	6,993,696	8,007,306	9,041,357	10,044,419	11,100,614	12,177,925
Long Term Debt														
System Loans	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Due to JD Craig Holdings	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	650,118	654,181	658,270	662,384	666,524	670,690	674,882	679,100	683,344	687,615	691,913	696,237	700,589	704,967
Note Payable - Dr Chae	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Note Payable - Spectrum Motion Media	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)	(0)
Less Current Portion	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Long Term Debt	5,650,118	5,654,181	5,658,270	5,662,384	5,666,524	5,670,690	5,674,882	5,679,100	5,683,344	5,687,615	5,691,913	5,696,237	5,700,589	5,704,967
Total Liabilities	13,312,398	13,497,702	13,785,801	13,979,805	14,239,483	14,364,481	14,651,482	14,781,816	15,001,896	15,258,167	15,413,750	15,529,547	15,634,966	15,733,246
SHAREHOLDERS' EQUITY														
Share Capital Parent Company	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016	23,748,016
Contributed Surplus	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Retained Earnings (Deficit)	(3,439,181)	(3,045,961)	(2,688,420)	(2,281,329)	(1,850,452)	(1,444,199)	(985,835)	(547,112)	(47,875)	452,264	967,633	1,443,915	1,967,156	2,504,374
Total Shareholders Equity (Deficit)	20,308,836	20,702,055	21,059,597	21,466,687	21,897,565	22,303,818	22,762,181	23,200,905	23,700,141	24,200,280	24,715,649	25,191,931	25,715,172	26,252,390
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	33,821,234	34,199,757	34,845,398	35,446,492	36,137,048	36,668,299	37,413,664	37,982,720	38,702,037	39,458,447	40,129,399	40,721,478	41,350,138	41,985,636
Check	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)	(1)

Underground Systems - Capital Assets

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Cost	27,472,069	28,272,069	29,072,069	29,872,069	30,672,069	31,472,069	32,272,069	33,072,069	33,872,069	33,872,069	33,872,069	33,872,069	33,872,069	33,872,069
Accumulated Amortization	9,060,130	9,474,495	9,898,859	10,333,222	10,777,583	11,231,942	11,696,300	12,170,657	12,655,013	13,148,051	13,643,770	14,148,170	14,659,252	15,177,016
Net Book Value	18,411,939	18,797,574	19,173,210	19,538,847	19,894,486	20,240,127	20,575,769	20,901,412	21,217,056	20,728,018	20,228,299	19,723,899	19,212,817	18,695,053

Patent - Spectrum Motion Media

Opening Balance
Additions
Closing Balance

Digital Underground Media Inc.
Five Year Proforma
Monthly Balance Sheet
Period Ending December 31

	December 31				
	2015	2016	2017	2018	2019
ASSETS					
Current Assets					
Cash	3,859,951	325,190	(3,133,074)	(3,450,418)	(5,407,296)
Accounts receivable	635,367	5,759,092	12,773,194	16,215,295	21,525,544
Prepaid Expenses and Deposits	319,000	444,000	569,000	694,000	194,000
Total Current Assets	4,814,317	6,528,283	10,209,120	13,458,877	16,312,248
INTANGIBLE ASSETS					
Patent - Spectrum Motion Media	250,447	119,779	0	0	0
IP and Assets - Innovex, Chae	1,234,466	1,104,110	974,110	844,110	714,110
IP and Assets - TVS / Dasung	423,853	378,159	332,590	287,020	241,451
IP - Sidetrack	22,118	22,118	22,118	22,118	22,118
CAPITAL ASSETS					
Other Assets	146,210	357,212	291,968	238,641	195,054
Underground Systems	2,681,653	14,453,983	15,548,450	16,769,425	21,217,056
TOTAL ASSETS	9,573,064	22,963,644	27,378,357	31,620,191	38,702,036
LIABILITIES AND SHAREHOLDERS' EQUITY					
CURRENT					
Operating Line	0	0	0	0	0
Accounts payable and accrued liabilities	251,780	2,424,939	5,438,699	6,963,073	9,318,551
Bridge Loan Payable	2,192,436	0	0	0	0
Current Portion of LTD	0	0	0	0	0
Total Current Liabilities	2,444,216	2,424,939	5,438,699	6,963,073	9,318,551
Working Capital calc	2,370,101	4,103,344	4,770,421	6,495,804	6,993,696
Long Term Debt					
System Loans	0	5,000,000	5,000,000	5,000,000	5,000,000
Due to JD Craig Holdings	0	0	0	0	0
Note Payable - DUM Holdings	506,707	546,044	588,434	634,116	683,344
Note Payable - Dr Chae	450,000	0	0	0	0
Note Payable - Spectrum Motion Media	458,163	(0)	(0)	(0)	(0)
Less Current Portion	0	0	0	0	0
Total Long Term Debt	1,414,870	5,546,044	5,588,434	5,634,116	5,683,344
Total Liabilities	3,859,086	7,970,983	11,027,133	12,597,189	15,001,896
SHAREHOLDERS' EQUITY					
Share Capital Parent Company	13,748,016	23,748,016	23,748,016	23,748,016	23,748,016
Contributed Surplus	0	0	0	0	0
Retained Earnings (Deficit)	(8,034,037)	(8,755,355)	(7,396,793)	(4,725,014)	(47,875)
Total Shareholders Equity (Deficit)	5,713,979	14,992,662	16,351,224	19,023,003	23,700,141
TOTAL LIABILITIES & SHAREHOLDERS EQUITY	9,573,065	22,963,644	27,378,357	31,620,192	38,702,037
Check	(1)	(1)	(1)	(1)	(1)

	2015	2016	2017	2018	2019
Underground Systems - Capital Assets					
Cost	2,872,069	15,472,069	19,072,069	24,272,069	33,872,069
Accumulated Amortization	190,416	1,018,086	3,523,619	7,502,644	12,655,013
Net Book Value	2,681,653	14,453,983	15,548,450	16,769,425	21,217,056
Patent - Spectrum Motion Media					
Opening Balance					
Additions					
Closing Balance					

**Digital Underground Media Inc.
Consolidated
Five Year Proforma Income Statement
For the Period Ending December 31**

	1	1	1	1	2	7	8	9	11	11	11	11	13	15	19	23
	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	
EBITDA runrate																
Number of Systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Advertising Revenue	124,354	124,354	134,486	305,206	361,549	441,996	548,501	513,114	560,458	674,004	854,399	979,672	1,360,846	1,602,030	1,602,030	1,602,030
Gross Advertising Revenue	(44,768)	(44,768)	(65,445)	(71,895)	(83,404)	(83,404)	(121,140)	(153,554)	(143,648)	(155,348)	(170,080)	(211,543)	(239,358)	(339,192)	(393,686)	(393,686)
Sales Agency Discount	79,587	79,587	69,041	233,311	268,145	320,856	394,946	369,468	408,110	503,923	642,856	740,314	1,021,654	1,208,344	1,208,344	1,208,344
License Fee	-	-	541	2,236	2,164	2,164	5,725	5,725	5,725	6,720	10,780	14,145	19,131	22,987	22,987	22,987
Total Net Revenue	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029	363,029
Revenue share with metros	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248	227,248
System Operation Costs	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298	1,298
Total Cost of Sales	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546	228,546
Gross Profit (\$)	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483	134,483
Gross Profit (%)	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%	37%
Operational Costs	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649	119,649
Sales and Marketing	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sales Research	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Digital Control Center	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604	1,005,604
Executive	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Administration	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Project Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Operations Management	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Research and Development	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Engineering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Accounting, Finance and Legal	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323	107,323
Information Technology	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Operational Expenses	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576	1,232,576
EBITDA (\$)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)	(1,098,093)
EBITDA (%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)	(302%)
Interest on SMM Debt	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495	97,495
Interest on Bridge Loan	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690	231,690
Interest on DUM Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization Capital Assets - Home Office	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632	121,632
Amortization Capital Assets - Systems	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income before taxes	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246	100,246
Income taxes	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)	(1,649,156)
Net Income after taxes	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)	(1,548,910)
Statement of (Deficit) Retained Earnings																
Opening (Deficit) Retained Earnings	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)	(6,229,064)
Net Income (Loss) after taxes	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)	(247,524)
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing (Deficit) Retained Earnings	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)	(6,476,588)

**Digital Underground Media Inc.
Consolidated**

**Five Year Proforma Income Statement
For the Period Ending December 31**

	24	31	38	40	41	42	43	44	45	47	47	47	47	47	49	49
	Sep-16	Oct-16	Nov-16	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17	Sep-17	Oct-17	Nov-17	Dec-17
Number of Systems	2,498,804	2,773,494	3,880,541	4,731,704	2,962,347	2,823,279	3,862,168	4,464,688	6,260,162	6,296,200	6,499,941	6,727,274	6,345,470	6,811,140	6,796,339	7,409,870
Advertising Revenue	1,604,978	2,005,823	2,394,765	2,697,539	3,039,888	2,961,578	3,362,211	3,571,624	4,061,728	4,123,908	4,290,622	4,319,872	4,208,828	4,378,372	4,351,188	4,562,426
Gross Advertising Revenue	(389,181)	(454,255)	(534,237)	(603,803)	(684,284)	(664,385)	(748,068)	(771,617)	(876,149)	(891,804)	(925,918)	(930,306)	(904,542)	(939,081)	(925,896)	(966,689)
Sales Agency Discount	1,215,798	1,551,568	1,860,528	2,093,736	2,355,604	2,297,193	2,614,143	2,800,007	3,185,580	3,232,104	3,364,704	3,389,566	3,304,286	3,439,291	3,425,293	3,595,737
Net Revenue	24,316	38,412	46,702	51,937	56,126	54,850	63,914	74,010	83,858	84,148	88,071	89,190	87,396	91,428	92,841	98,468
License Fee	1,191,482	1,513,155	1,813,826	2,042,339	2,299,478	2,242,343	2,550,229	2,725,996	3,101,722	3,147,957	3,276,632	3,300,376	3,216,890	3,347,864	3,332,452	3,497,269
Total Net Revenue	528,671	664,391	786,564	881,259	987,319	959,592	1,090,734	1,163,626	1,319,309	1,336,465	1,390,958	1,400,904	1,365,337	1,420,794	1,413,740	1,483,372
Revenue share with metros	54,000	69,750	85,500	90,000	92,250	94,500	96,750	99,000	101,250	105,750	105,750	105,750	105,750	105,750	110,250	110,250
System Operation Costs	582,671	734,141	872,084	971,259	1,079,569	1,054,092	1,187,484	1,282,626	1,420,559	1,442,215	1,496,708	1,506,654	1,471,087	1,526,544	1,523,990	1,593,622
Total Cost of Sales	608,811	779,014	941,762	1,071,080	1,219,909	1,188,251	1,362,745	1,463,371	1,681,163	1,705,742	1,779,924	1,793,723	1,745,803	1,821,320	1,808,462	1,903,647
Gross Profit (\$)	50%	50%	51%	51%	52%	52%	52%	52%	53%	53%	53%	53%	53%	53%	53%	53%
Gross Profit (%)	211,348	276,927	340,294	385,361	539,887	533,073	591,595	630,390	705,882	720,278	745,175	750,147	734,714	760,092	758,915	791,382
Operational Costs	10,300	24,548	24,548	24,548	39,913	47,595	47,595	47,595	47,595	48,981	48,981	48,981	48,981	48,981	48,981	48,981
Sales and Marketing	42,121	75,598	65,298	65,298	76,714	66,414	66,414	66,414	66,414	66,414	66,414	66,414	66,414	66,414	66,414	66,414
Digital Control Center	4,471	49,951	52,322	54,151	81,070	83,505	84,825	87,803	89,104	89,104	89,104	90,301	89,632	90,664	90,516	91,808
Executive	20,231	20,231	28,943	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093	34,093
Administration	8,765	29,327	29,327	29,327	29,327	29,327	29,327	29,327	29,327	30,181	30,181	30,181	30,181	30,181	30,181	30,181
Project Management	17,982	17,982	17,982	17,982	30,814	30,814	30,814	30,814	30,814	31,712	31,712	31,712	31,712	31,712	31,712	31,712
Operations Management	0	0	0	0	42,359	32,188	41,200	41,200	41,200	41,200	42,400	42,400	42,400	42,400	42,400	42,400
Research and Development	31,554	38,391	44,734	51,077	53,137	53,137	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437
Engineering	3,900	7,210	7,210	7,210	17,038	24,688	24,688	24,688	24,688	25,407	25,407	25,407	25,407	25,407	25,407	25,407
Accounting, Finance and Legal	400,577	547,890	616,384	676,772	973,047	952,978	1,040,898	1,091,313	1,159,483	1,181,059	1,238,262	1,233,116	1,217,014	1,253,725	1,242,100	1,286,158
Information Technology	208,234	231,125	323,378	394,309	246,862	235,273	321,847	372,057	521,680	524,683	541,662	560,606	528,789	567,395	566,362	617,489
Amortization of Intangible Assets	17%	15%	17%	19%	10%	10%	12%	13%	16%	16%	16%	17%	16%	17%	17%	17%
EBITDA (\$)	1,632	4,272	-	-	-	-	-	-	-	-	-	-	-	-	-	-
EBITDA (%)	21,406	22,119	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on SMM Debt	3,329	3,350	3,371	3,392	3,413	3,434	3,456	3,477	3,499	3,521	3,543	3,565	3,587	3,610	3,632	3,655
Interest on Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on DUM Holdings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889
Net Income before taxes	10,685	11,041	10,685	11,041	10,685	9,973	11,041	10,685	11,041	10,685	11,041	11,041	10,685	11,041	10,685	11,041
Income taxes	2,130	3,870	3,745	3,870	3,496	3,870	3,745	3,870	3,745	3,870	3,745	3,870	3,745	3,870	3,745	3,870
Net Income after taxes	78,813	109,549	138,984	151,364	159,989	163,319	166,650	169,981	180,007	193,358	207,941	222,133	225,466	248,948	280,170	287,670
Amortization Capital Assets - Home Office	75,604	59,772	112,047	132,699	1,707	(11,692)	70,185	117,619	236,808	247,012	248,995	253,616	219,212	234,219	202,207	296,304
Amortization Capital Assets - Systems	26,462	20,920	39,217	46,445	597	-	24,565	41,167	89,883	86,454	87,148	88,835	76,724	81,977	70,773	89,706
Net Income before taxes	49,143	38,852	72,831	86,254	1,109	(11,692)	45,620	76,452	166,925	160,557	161,847	164,980	142,488	152,242	131,435	166,597
Income taxes	(250,000)	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income after taxes	(8,752,434)	(8,953,292)	(8,914,440)	(8,841,609)	(8,755,355)	(8,754,246)	(8,765,937)	(8,720,317)	(8,643,865)	(8,476,940)	(8,316,382)	(8,154,536)	(7,989,555)	(7,847,067)	(7,694,825)	(7,563,390)
Statement of (Deficit) Retained Earnings	49,143	38,852	72,831	86,254	1,109	(11,692)	45,620	76,452	166,925	160,557	161,847	164,980	142,488	152,242	131,435	166,597
Opening (Deficit) Retained Earnings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net Income (Loss) after taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing (Deficit) Retained Earnings	-8,953,292	-8,914,440	-8,841,609	-8,755,355	-8,754,246	-8,765,937	-8,720,317	-8,643,865	-8,476,940	-8,316,382	-8,154,536	-7,989,555	-7,847,067	-7,694,825	-7,563,390	-7,396,793

**Digital Underground Media Inc.
Consolidated
Five Year Proforma Income Statement
For the Period Ending December 31**

	51	52	53	54	55	56	57	58	59	60	61	62	64	66	68
	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Number of Systems	7,978,365	6,619,642	8,377,873	7,841,492	8,895,587	8,333,989	9,159,327	9,555,842	9,227,110	9,978,074	9,753,592	10,647,505	11,464,453	9,914,328	12,296,098
Advertising Revenue	4,782,634	4,361,810	4,875,660	4,763,393	5,036,869	4,919,402	5,198,079	5,282,648	5,194,080	5,451,785	5,357,762	5,620,923	5,904,603	5,437,108	6,134,708
Gross Advertising Revenue	(1,008,190)	(916,925)	(1,022,143)	(985,923)	(1,046,325)	(1,019,324)	(1,070,506)	(1,083,192)	(1,060,526)	(1,108,562)	(1,085,078)	(1,133,933)	(1,185,209)	(1,086,098)	(1,219,725)
Sales Agency Discount	3,774,444	3,444,886	3,853,516	3,767,470	3,980,544	3,900,078	4,127,572	4,199,456	4,133,554	4,343,223	4,272,684	4,486,990	4,719,394	4,351,009	4,914,984
Net Revenue	104,609	96,083	108,168	106,400	114,334	112,367	120,500	123,755	122,874	130,204	129,135	136,674	145,175	135,101	153,976
License Fee	3,669,835	3,348,793	3,745,349	3,661,070	3,876,210	3,787,710	4,007,072	4,075,721	4,010,680	4,213,019	4,143,549	4,350,316	4,574,219	4,215,909	4,761,007
Total Net Revenue	1,556,207	1,419,890	1,587,836	1,551,920	1,642,647	1,604,963	1,697,458	1,726,212	1,698,353	1,783,719	1,754,005	1,841,225	1,935,580	1,783,598	2,013,816
Revenue share with metros	114,750	117,000	119,250	121,500	123,500	126,000	128,250	130,500	132,750	135,000	137,250	139,500	144,000	148,500	153,000
System Operation Costs	1,670,957	1,536,890	1,707,086	1,673,420	1,766,397	1,730,963	1,825,708	1,856,712	1,831,103	1,918,719	1,891,255	1,980,725	2,079,580	1,932,098	2,168,816
Total Cost of Sales	1,998,878	1,811,902	2,038,263	1,987,650	2,109,813	2,056,748	2,181,364	2,219,009	2,179,577	2,294,300	2,252,294	2,369,591	2,494,639	2,283,811	2,594,191
Gross Profit (\$)	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	53%	52%	53%
Gross Profit (%)	825,614	764,716	841,428	825,890	868,834	855,880	899,708	914,084	902,575	942,838	930,401	971,591	1,016,518	948,005	1,055,636
Operational Costs	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981	48,981
Sales and Marketing	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053	29,053
Digital Control Center	79,804	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504
Executive	93,158	90,607	93,736	93,060	94,738	94,984	96,695	97,221	96,692	98,272	97,709	99,323	101,067	98,228	102,497
Administration	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393
Project Management	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181	30,181
Operations Management	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712	31,712
Research and Development	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275	62,275
Engineering	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437
Accounting, Finance and Legal	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407	25,407
Information Technology	1,334,014	1,260,265	1,340,107	1,334,193	1,368,514	1,362,248	1,418,087	1,422,689	1,410,651	1,462,794	1,439,495	1,482,299	1,539,268	1,457,617	1,569,517
Total Operational Expenses	664,864	551,637	698,156	653,458	741,299	694,499	763,277	796,320	768,926	831,506	812,789	887,292	955,371	826,194	1,024,675
EBITDA (\$)	18%	16%	18%	17%	19%	18%	18%	19%	19%	19%	19%	20%	20%	19%	21%
EBITDA (%)	3,678	3,701	3,724	3,747	3,771	3,794	3,818	3,842	3,866	3,890	3,914	3,939	3,963	3,988	4,013
Interest on SMM Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on DUM Holdings	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667
Interest on Long Term Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization Capital Assets - Home Office	11,041	9,973	11,041	10,685	11,041	10,685	11,041	11,041	10,685	11,041	10,685	11,041	11,041	9,973	11,041
Amortization Capital Assets - Systems	4,866	4,765	4,705	4,627	4,550	4,474	4,399	4,326	4,254	4,183	4,113	4,045	3,977	3,911	3,846
Net Income before taxes	297,669	304,345	311,020	317,694	324,368	334,390	337,713	341,037	344,362	347,687	357,707	361,032	374,375	384,372	394,370
Income taxes	302,072	183,671	322,129	271,292	352,033	295,744	360,769	390,537	360,347	419,168	390,968	461,699	516,477	378,787	565,968
Net Income after taxes	105,725	64,285	112,745	94,952	123,211	103,510	126,269	136,688	126,122	146,709	136,839	161,595	180,767	132,576	198,054
Net Income after taxes	196,347	119,366	209,364	176,340	228,821	192,233	234,500	253,849	234,226	272,459	254,129	300,104	335,710	246,212	367,814
Statement of (Deficit) Retained Earnings	(7,396,793)	(7,200,446)	(7,081,060)	(6,871,676)	(6,695,336)	(6,466,514)	(6,274,281)	(6,039,781)	(5,785,932)	(5,551,707)	(5,279,247)	(5,025,118)	(4,725,014)	(4,389,304)	(4,143,092)
Opening (Deficit) Retained Earnings	196,347	119,366	209,364	176,340	228,821	192,233	234,500	253,849	234,226	272,459	254,129	300,104	335,710	246,212	367,814
Net Income (Loss) after taxes	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing (Deficit) Retained Earnings	-7,200,446	-7,081,060	-6,871,676	-6,695,336	-6,466,514	-6,274,281	-6,039,781	-5,785,932	-5,551,707	-5,279,247	-5,025,118	-4,725,014	-4,389,304	-4,143,092	-3,775,278

Digital Underground Media Inc.
Consolidated
Five Year Proforma Income Statement
For the Period Ending December 31

	70	72	74	76	78	80	82	84	86	86	86	86	86	
	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19	Jan-20	Feb-20	Mar-20	Apr-20	May-20
Number of Systems	11,824,281	13,004,144	12,459,245	13,499,322	14,058,035	13,717,250	14,804,660	14,555,919	15,798,485	15,894,985	16,238,686	15,614,256	16,555,287	16,898,988
Advertising Revenue	6,048,155	6,364,813	6,270,838	6,617,783	6,755,701	6,671,244	7,031,537	6,938,182	7,307,372	7,369,435	7,431,498	7,251,833	7,555,624	7,617,687
Gross Advertising Revenue	(1,197,080)	(1,254,240)	(1,230,482)	(1,292,186)	(1,312,873)	(1,290,543)	(1,354,249)	(1,330,584)	(1,395,624)	(1,404,934)	(1,414,243)	(1,377,631)	(1,432,862)	(1,442,171)
Sales Agency Discount	4,851,076	5,110,573	5,040,355	5,325,597	5,442,828	5,380,701	5,677,288	5,607,598	5,911,748	5,964,501	6,017,255	5,874,202	6,122,762	6,175,516
License Fee	153,268	162,778	161,786	172,454	177,729	177,101	188,280	187,312	198,831	201,205	203,579	199,309	208,327	210,700
Total Net Revenue	4,697,807	4,947,795	4,878,570	5,153,143	5,265,098	5,203,599	5,489,008	5,420,286	5,712,917	5,763,297	5,813,676	5,674,893	5,914,436	5,964,815
Revenue share with metros	1,986,710	2,092,021	2,062,422	2,178,061	2,224,953	2,198,560	2,318,737	2,269,319	2,412,521	2,433,623	2,454,724	2,395,960	2,496,927	2,518,028
System Operation Costs	157,500	162,000	166,500	171,000	175,500	180,000	184,500	189,000	193,500	193,500	193,500	193,500	193,500	193,500
Total Cost of Sales	2,144,210	2,254,021	2,228,922	2,349,061	2,400,453	2,378,560	2,503,237	2,478,319	2,606,021	2,627,123	2,648,224	2,589,460	2,690,427	2,711,528
Gross Profit (\$)	2,553,598	2,693,743	2,649,648	2,804,082	2,864,645	2,825,040	2,985,770	2,941,967	3,106,896	3,136,174	3,165,452	3,085,433	3,224,008	3,253,287
Gross Profit (%)	53%	53%	53%	53%	53%	53%	53%	52%	53%	53%	53%	53%	53%	53%
Operational Costs	1,044,575	1,084,753	1,087,055	1,142,382	1,165,828	1,155,124	1,212,720	1,200,504	1,259,612	1,270,163	1,280,714	1,253,825	1,301,815	1,312,366
Sales and Marketing	50,367	50,367	52,215	52,215	52,215	52,215	52,215	52,215	52,215	52,215	52,215	52,215	52,215	52,215
Sales Research	29,875	29,875	30,971	30,971	30,971	30,971	30,971	30,971	30,971	30,971	30,971	30,971	30,971	30,971
Digital Control Center	79,804	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504	69,504
Executive	101,981	103,927	104,349	106,483	107,341	106,838	109,055	108,497	110,770	111,156	111,541	110,447	112,313	112,699
Administration	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393	44,393
Project Management	31,035	31,035	32,174	32,174	32,174	32,174	32,174	32,174	32,174	32,174	32,174	32,174	32,174	32,174
Operations Management	32,609	32,609	33,806	33,806	33,806	33,806	33,806	33,806	33,806	33,806	33,806	33,806	33,806	33,806
Research and Development	64,038	64,038	66,388	66,388	66,388	66,388	66,388	66,388	66,388	66,388	66,388	66,388	66,388	66,388
Engineering	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437	63,437
Accounting, Finance and Legal	26,126	26,126	27,085	27,085	27,085	27,085	27,085	27,085	27,085	27,085	27,085	27,085	27,085	27,085
Information Technology	1,568,241	1,610,065	1,611,377	1,679,139	1,693,142	1,681,935	1,752,049	1,728,974	1,790,355	1,811,592	1,812,228	1,784,245	1,844,401	1,845,038
Total Operational Expenses	985,357	1,063,679	1,038,270	1,124,944	1,171,503	1,143,104	1,233,722	1,212,993	1,316,540	1,324,582	1,353,224	1,301,188	1,379,607	1,408,249
EBITDA (\$)	20%	21%	21%	21%	22%	21%	22%	22%	22%	22%	22%	22%	23%	23%
EBITDA (%)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on SMM Debt	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on Bridge Loan	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest on DUM Holdings	4,038	4,063	4,089	4,114	4,140	4,166	4,192	4,218	4,244	4,271	4,298	4,324	4,351	4,379
Interest on Long Term Debt	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667	41,667
Amortization of Intangible Assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Amortization Capital Assets - Home Office	10,685	11,041	10,685	11,041	11,041	10,685	11,041	10,685	11,041	11,041	9,973	11,041	10,685	11,041
Amortization Capital Assets - Systems	3,745	3,870	3,745	3,870	3,870	3,745	3,870	3,745	3,870	3,870	3,496	3,870	3,745	3,870
Net Income before taxes	3,782	3,719	3,657	3,596	3,536	3,477	3,419	3,362	3,306	3,251	3,197	3,143	3,091	3,040
Income taxes	404,368	414,368	424,364	434,362	444,361	454,359	464,358	474,357	484,356	494,357	497,719	504,401	511,082	517,764
Net Income after taxes	517,072	604,953	550,064	626,293	662,868	625,005	705,175	674,959	768,056	769,445	792,876	732,741	804,986	826,489
Income taxes	180,975	211,733	192,522	219,203	232,011	218,752	246,811	236,236	268,820	269,306	277,506	256,460	281,745	289,271
Net Income after taxes	336,097	393,219	357,542	407,091	430,877	406,253	458,363	438,723	499,236	500,139	515,369	476,282	523,241	537,218
Statement of (Deficit) Retained Earnings														
Opening (Deficit) Retained Earnings	(3,775,278)	(3,439,181)	(3,045,961)	(2,688,420)	(2,281,329)	(1,850,452)	(1,444,199)	(985,835)	(547,112)	(47,875)	452,264	967,633	1,443,915	1,967,156
Net Income (Loss) after taxes	336,097	393,219	357,542	407,091	430,877	406,253	458,363	438,723	499,236	500,139	515,369	476,282	523,241	537,218
Dividend Payment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share Issue Costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Closing (Deficit) Retained Earnings	-3,439,181	-3,045,961	-2,688,420	-2,281,329	-1,850,452	-1,444,199	-985,835	-547,112	-47,875	452,264	967,633	1,443,915	1,967,156	2,504,374

Digital Underground Media Inc.
Consolidated
Five Year Proforma Income Statement
For the Period Ending December 31
Number of Systems

	December 31				
	2015	2016	2017	2018	2019
Advertising Revenue					
Gross Advertising Revenue	1,491,945	15,796,128	47,232,244	60,845,046	77,482,044
Sales Agency Discount	(421,419)	(3,787,885)	(10,228,736)	(12,550,628)	(15,148,894)
Net Revenue	1,070,527	12,008,242	37,003,508	48,294,418	62,333,151
License Fee	7,177	250,043	964,299	1,405,094	2,013,792
Total Net Revenue	1,063,350	11,758,199	36,039,208	46,889,324	60,319,359
Revenue share with metros	853,411	5,261,511	15,332,149	19,864,435	25,496,329
System Operation Costs	64,298	555,750	1,233,000	1,525,500	2,025,000
Total Cost of Sales	917,709	5,817,261	16,565,149	21,389,935	27,521,329
Gross Profit (\$)	145,641	5,940,939	19,474,059	25,499,389	32,798,030
Gross Profit (%)	14%	49%	53%	53%	53%
Operational Costs					
Sales and Marketing	349,620	2,051,706	8,261,530	10,543,561	13,382,714
Sales Research	120,000	164,845	573,157	597,474	617,343
Digital Control Center	1,020,604	61,425	344,523	354,390	366,175
Executive	285,813	640,046	844,858	875,243	875,243
Administration	112,295	447,409	1,050,882	1,146,195	1,261,032
Project Management	30,000	218,832	419,416	532,716	532,716
Operations Management	48,000	161,456	357,905	368,155	380,398
Research and Development	164,750	202,716	376,053	386,823	399,687
Engineering	-	-	614,196	759,638	784,900
Accounting, Finance and Legal	321,134	413,595	740,647	761,247	761,247
Information Technology	26,000	48,990	285,987	309,916	320,223
Total Operational Expenses	2,478,215	4,411,021	13,869,153	16,635,356	19,681,678
EBITDA (\$)	(2,332,574)	1,529,917	5,604,906	8,864,033	13,116,352
EBITDA (%)	(156%)	10%	12%	15%	17%
Interest on SMM Debt	140,359	34,207	-	-	-
Interest on Bridge Loan	362,979	217,626	-	-	-
Interest on DUM Holdings	18,593	39,337	42,391	45,682	49,228
Interest on Long Term Debt	-	112,500	600,000	500,000	500,000
Amortization of Intangible Assets	186,966	130,668	119,779	-	-
	65,534	130,356	130,000	130,000	130,000
	22,972	45,694	45,569	45,569	45,569
Amortization Capital Assets - Home Office	6,790	38,998	65,244	53,327	43,587
Amortization Capital Assets - Systems	180,391	827,670	2,505,533	3,979,025	5,152,369
Net Income before taxes	(3,317,159)	(47,138)	2,096,391	4,110,429	7,195,598
Income taxes	-	174,179	737,829	1,438,650	2,518,459
Net Income after taxes	(3,317,159)	(221,317)	1,358,562	2,671,779	4,677,139

Statement of (Deficit) Retained Earnings

Opening (Deficit) Retained Earnings	(5,733,226)	(7,538,199)	(8,259,517)	(6,900,955)	(4,229,176)
Net Income (Loss) after taxes	(1,304,973)	(221,317)	1,358,562	2,671,779	4,677,139
Dividend Payment	-	-	-	-	-
Share Issue Costs	(500,000)	(500,000)	-	-	-
Closing (Deficit) Retained Earnings	-7,538,199	-8,259,517	-6,900,955	-4,229,176	447,963

Parent Company

Run Rate	2015	2016	2017	2018	2019
Revenue Run Rate	7,802,730	41,096,640	49,801,159	63,997,349	84,995,347
Net Revenue Run Rate	6,085,357	35,791,586	43,216,211	55,309,530	73,131,935
EBITDA Run Rate	316,196	3,980,372	9,572,775	12,462,583	16,676,822
EBITDA Run Rate %	4.1%	9.7%	22.2%	22.5%	22.8%
	3,794,357	47,764,463	114,873,304	149,550,995	200,121,863

Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31

	Jun-15	Jul-15	Aug-15	Sep-15	Oct-15	Nov-15	Dec-15	Jan-16	Feb-16
Net Income (Loss)		-247,524	-257,600	-257,065	-197,122	-182,076	-163,586	-144,701	-155,279
Addback : Non Cash Items									
Amortization of Capital Assets		7,067	7,066	9,149	16,870	21,217	25,565	30,537	35,376
Amortization of Intangible Assets		25,800	25,800	25,319	25,800	25,319	25,800	25,800	24,838
Change in accounts receivable		-6,986	0	-9,454	-156,291	-188,559	-201,476	-215,793	1,490
Change in deposits		50	-365,000	-162,500	202,500	37,500	162,500	125,000	0
Change in accounts payable		-1,002,430	0	3,758	49,712	371,240	-222,273	86,308	-124
Total Operating Activities		-1,224,023	-589,733	-390,793	-58,531	84,642	-373,471	-92,848	-93,698
Investing Activities									
Capital Expenditures - Non Systems		0	-100,000	0	0	0	-50,000	0	0
Intangible Assets - Innovex/Chae		-1,300,000	0	0	0	0	0	0	0
Intangible Assets - TVS		0	0	0	0	0	0	0	0
Intangible Assets _ Dasung		-100,000	0	0	0	0	0	0	0
Capital Expenditures - Systems		0	0	-50,000	-930,000	-525,000	-525,000	-500,000	0
Total Investing Activities		-1,400,000	-100,000	-50,000	-930,000	-525,000	-575,000	-500,000	0
Financing Activities									
Fees on Debt/Share Issue		-250,000	0	0	0	0	-250,000	0	0
Note Payable - DUM Holdings		3,051	3,070	3,089	3,108	3,128	3,147	3,167	3,187
Notes Payable SMM		-121,912	7,895	7,745	-123,598	6,221	6,513	-124,868	4,588
Notes Payable JD Craig		-360,000	0	0	0	0	0	0	0
Notes Payable Chae		450,000	0	0	0	0	0	0	0
Equity Issued to Innovex		600,000	0	0	0	0	0	0	0
Equity Investments		5,000,000	0	0	0	0	5,000,000	0	0
Long Term Debt		0	0	0	0	0	0	0	0
Bridge Loan		-42,771	0	-714	714	-714	714	0	-1,427
Total Financing Activities		5,278,368	10,965	10,120	-119,776	8,635	4,760,374	-121,701	6,348
Change in Cash	0	2,654,345	-678,768	-430,673	-1,108,307	-431,723	3,811,903	-714,549	-87,350
Cash, beginning of fiscal period	0	43,173	2,697,518	2,018,750	1,588,078	479,770	48,048	3,859,951	3,145,401
Cash, end of fiscal period	43,173	2,697,518	2,018,750	1,588,078	479,770	48,048	3,859,951	3,145,401	3,058,051

**Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31**

	Mar-16	Apr-16	May-16	Jun-16	Jul-16	Aug-16	Sep-16	Oct-16	Nov-16
Net Income (Loss)	-117,594	-71,090	-35,913	-20,216	21,413	54,983	49,143	38,852	72,831
Addback : Non Cash Items									
Amortization of Capital Assets	35,336	35,297	41,925	48,554	63,100	77,230	80,943	115,811	145,141
Amortization of Intangible Assets	25,800	25,319	25,800	25,319	25,800	25,800	25,319	25,800	25,319
Change in accounts receivable	-53,128	-132,967	-254,917	-319,945	-552,154	-586,748	-499,165	-775,555	-838,875
Change in deposits	-250,000	-250,000	-250,000	-250,000	375,000	-375,000	-750,000	625,000	750,000
Change in accounts payable	27,239	44,277	104,522	230,529	131,833	250,031	211,790	335,901	361,709
Total Operating Activities	-332,346	-349,165	-368,583	-285,759	64,992	-553,705	-881,970	365,809	516,126
Investing Activities									
Capital Expenditures - Non Systems	0	0	0	0	0	0	-250,000	0	0
Intangible Assets - Innovex/Chae	0	0	0	0	0	0	0	0	0
Intangible Assets - TVS	0	0	0	0	0	0	0	0	0
Intangible Assets _ Dasung	0	0	0	0	0	0	0	0	0
Capital Expenditures - Systems	0	0	-800,000	-800,000	-1,750,000	-1,700,000	-400,000	-2,800,000	-2,950,000
Total Investing Activities	0	0	-800,000	-800,000	-1,750,000	-1,700,000	-650,000	-2,800,000	-2,950,000
Financing Activities									
Fees on Debt/Share Issue	0	0	0	0	-250,000	0	-250,000	0	0
Note Payable - DUM Holdings	3,207	3,227	3,247	3,267	3,288	3,308	3,329	3,350	3,371
Notes Payable SMM	4,967	-126,544	3,315	3,252	-128,071	1,664	1,632	-106,793	8,695
Notes Payable JD Craig	0	0	0	0	0	0	0	0	0
Notes Payable Chae	0	0	0	0	-250,000	0	-200,000	0	0
Equity Issued to Innovex	0	0	0	0	0	0	0	0	0
Equity Investments	0	0	0	0	5,000,000	0	5,000,000	0	0
Long Term Debt	0	0	0	0	0	0	0	0	5,000,000
Bridge Loan	1,427	-714	714	-714	714	0	-714	714	-2,192,436
Total Financing Activities	9,601	-124,031	7,275	5,805	4,375,930	4,972	4,554,247	-102,730	2,819,630
Change in Cash	-322,745	-473,195	-1,161,308	-1,079,953	2,690,922	-2,248,733	3,022,277	-2,536,921	365,756
Cash, beginning of fiscal period	3,058,051	2,735,306	2,262,111	1,100,803	20,849	2,711,771	463,038	3,485,316	948,395
Cash, end of fiscal period	2,735,306	2,262,111	1,100,803	20,849	2,711,771	463,038	3,485,316	948,395	1,334,151

Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31

	Dec-16	Jan-17	Feb-17	Mar-17	Apr-17	May-17	Jun-17	Jul-17	Aug-17
Net Income (Loss)	86,254	1,109	-11,692	45,620	76,452	166,925	160,557	161,847	164,980
Addback : Non Cash Items									
Amortization of Capital Assets	157,418	165,943	169,174	172,407	175,642	185,573	198,832	213,324	227,425
Amortization of Intangible Assets	25,800	25,800	24,357	25,800	25,319	25,800	25,319	25,800	25,800
Change in accounts receivable	-895,970	-1,129,229	-735,788	-765,885	-696,433	-840,870	-902,227	-761,455	-578,665
Change in deposits	125,000	0	0	0	-125,000	125,000	250,000	0	0
Change in accounts payable	389,145	483,900	305,540	328,989	298,881	366,476	385,906	331,137	245,703
Total Operating Activities	-112,352	-452,477	-248,410	-193,068	-245,139	28,905	118,388	-29,348	85,244
Investing Activities									
Capital Expenditures - Non Systems	0	0	0	0	0	0	0	0	0
Intangible Assets - Innovex/Chae	0	0	0	0	0	0	0	0	0
Intangible Assets - TVS	0	0	0	0	0	0	0	0	0
Intangible Assets _ Dasung	0	0	0	0	0	0	0	0	0
Capital Expenditures - Systems	-900,000	-400,000	-400,000	-400,000	-400,000	-400,000	-800,000	0	0
Total Investing Activities	-900,000	-400,000	-400,000	-400,000	-400,000	-400,000	-800,000	0	0
Financing Activities									
Fees on Debt/Share Issue	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	3,392	3,413	3,434	3,456	3,477	3,499	3,521	3,543	3,565
Notes Payable SMM	0	0	0	0	0	0	0	0	0
Notes Payable JD Craig	0	0	0	0	0	0	0	0	0
Notes Payable Chae	0	0	0	0	0	0	0	0	0
Equity Issued to Innovex	0	0	0	0	0	0	0	0	0
Equity Investments	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0
Bridge Loan	0	0	0	0	0	0	0	0	0
Total Financing Activities	3,392	3,413	3,434	3,456	3,477	3,499	3,521	3,543	3,565
Change in Cash	-1,008,961	-849,064	-644,976	-589,613	-641,662	-367,597	-678,092	-25,805	88,809
Cash, beginning of fiscal period	1,334,151	325,190	-523,874	-1,168,850	-1,758,462	-2,400,124	-2,767,720	-3,445,812	-3,471,617
Cash, end of fiscal period	325,190	-523,874	-1,168,850	-1,758,462	-2,400,124	-2,767,720	-3,445,812	-3,471,617	-3,382,808

Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31

	Sep-17	Oct-17	Nov-17	Dec-17	Jan-18	Feb-18	Mar-18	Apr-18	May-18	Jun-18
Net Income (Loss)	142,488	152,242	131,435	166,597	196,347	119,386	209,384	176,340	228,821	192,233
Addback : Non Cash Items										
Amortization of Capital Assets	230,670	253,966	285,203	292,619	302,536	309,130	315,725	322,321	328,918	338,864
Amortization of Intangible Assets	25,319	25,800	25,319	14,911	14,911	13,468	14,911	14,430	14,911	14,430
Change in accounts receivable	-118,706	-207,187	-60,589	-217,066	-459,264	4,538	-440,862	-161,601	-227,321	-421,528
Change in deposits	-250,000	0	0	-125,000	125,000	0	0	0	0	0
Change in accounts payable	49,566	91,609	27,551	98,501	201,329	-2,520	197,258	70,198	103,122	180,475
Total Operating Activities	79,338	316,431	408,919	230,563	380,859	444,003	296,417	421,689	448,451	304,475
Investing Activities										
Capital Expenditures - Non Systems	0	0	0	0	0	0	0	0	0	0
Intangible Assets - Innovex/Chae	0	0	0	0	0	0	0	0	0	0
Intangible Assets - TVS	0	0	0	0	0	0	0	0	0	0
Intangible Assets _ Dasung	0	0	0	0	0	0	0	0	0	0
Capital Expenditures - Systems	0	0	-800,000	0	-800,000	-400,000	-400,000	-400,000	-400,000	-400,000
Total Investing Activities	0	0	-800,000	0	-800,000	-400,000	-400,000	-400,000	-400,000	-400,000
Financing Activities										
Fees on Debt/Share Issue	0	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	3,587	3,610	3,632	3,655	3,678	3,701	3,724	3,747	3,771	3,794
Notes Payable SMM	0	0	0	0	0	0	0	0	0	0
Notes Payable JD Craig	0	0	0	0	0	0	0	0	0	0
Notes Payable Chae	0	0	0	0	0	0	0	0	0	0
Equity Issued to Innovex	0	0	0	0	0	0	0	0	0	0
Equity Investments	0	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0	0
Bridge Loan	0	0	0	0	0	0	0	0	0	0
Total Financing Activities	3,587	3,610	3,632	3,655	3,678	3,701	3,724	3,747	3,771	3,794
Change in Cash	82,925	320,040	-387,449	234,218	-415,463	47,703	-99,859	25,436	52,221	-91,731
Cash, beginning of fiscal period	-3,382,808	-3,299,883	-2,979,843	-3,367,292	-3,133,074	-3,548,537	-3,500,834	-3,600,693	-3,575,257	-3,523,036
Cash, end of fiscal period	-3,299,883	-2,979,843	-3,367,292	-3,133,074	-3,548,537	-3,500,834	-3,600,693	-3,575,257	-3,523,036	-3,614,767

Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31

	Jul-18	Aug-18	Sep-18	Oct-18	Nov-18	Dec-18	Jan-19	Feb-19	Mar-19
Net Income (Loss)	234,500	253,849	234,226	272,459	254,129	300,104	335,710	246,212	367,814
Addback : Non Cash Items									
Amortization of Capital Assets	342,113	345,363	348,616	351,870	361,820	365,077	378,353	388,284	398,216
Amortization of Intangible Assets	14,911	14,911	14,430	14,911	14,430	14,911	14,911	13,468	14,911
Change in accounts receivable	-285,278	-420,764	-143,010	-443,145	-145,111	-298,756	-574,619	2,650	-655,317
Change in deposits	0	0	0	0	-125,000	-125,000	0	0	0
Change in accounts payable	128,912	184,670	64,246	196,593	65,181	134,910	252,570	-1,695	292,723
Total Operating Activities	435,158	378,029	518,508	392,688	425,450	391,247	406,926	648,919	418,348
Investing Activities									
Capital Expenditures - Non Systems	0	0	0	0	0	0	0	0	0
Intangible Assets - Innovex/Chae	0	0	0	0	0	0	0	0	0
Intangible Assets - TVS	0	0	0	0	0	0	0	0	0
Intangible Assets _ Dasung	0	0	0	0	0	0	0	0	0
Capital Expenditures - Systems	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-800,000	-800,000	-800,000
Total Investing Activities	-400,000	-400,000	-400,000	-400,000	-400,000	-400,000	-800,000	-800,000	-800,000
Financing Activities									
Fees on Debt/Share Issue	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	3,818	3,842	3,866	3,890	3,914	3,939	3,963	3,988	4,013
Notes Payable SMM	0	0	0	0	0	0	0	0	0
Notes Payable JD Craig	0	0	0	0	0	0	0	0	0
Notes Payable Chae	0	0	0	0	0	0	0	0	0
Equity Issued to Innovex	0	0	0	0	0	0	0	0	0
Equity Investments	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0
Bridge Loan	0	0	0	0	0	0	0	0	0
Total Financing Activities	3,818	3,842	3,866	3,890	3,914	3,939	3,963	3,988	4,013
Change in Cash	38,976	-18,129	122,374	-3,422	29,364	-4,815	-389,111	-147,093	-377,640
Cash, beginning of fiscal period	-3,614,767	-3,575,790	-3,593,920	-3,471,546	-3,474,967	-3,445,604	-3,450,418	-3,839,529	-3,986,623
Cash, end of fiscal period	-3,575,790	-3,593,920	-3,471,546	-3,474,967	-3,445,604	-3,450,418	-3,839,529	-3,986,623	-4,364,262

Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31

	Apr-19	May-19	Jun-19	Jul-19	Aug-19	Sep-19	Oct-19	Nov-19	Dec-19
Net Income (Loss)	336,097	393,219	357,542	407,091	430,877	406,253	458,363	438,723	499,236
Addback : Non Cash Items									
Amortization of Capital Assets	408,150	418,085	428,021	437,958	447,897	457,836	467,777	477,719	487,662
Amortization of Intangible Assets	14,430	14,911	14,430	14,911	14,911	14,430	14,911	14,430	14,911
Change in accounts receivable	-353,650	-402,736	-654,672	-422,172	-580,194	-270,128	-636,932	-282,000	-480,479
Change in deposits	0	0	0	0	0	0	0	250,000	250,000
Change in accounts payable	155,608	181,240	284,011	189,889	255,539	120,832	282,810	126,115	215,836
Total Operating Activities	560,636	604,719	429,332	627,677	569,030	729,224	586,930	1,024,988	987,167
Investing Activities									
Capital Expenditures - Non Systems	0	0	0	0	0	0	0	0	0
Intangible Assets - Innovex/Chae	0	0	0	0	0	0	0	0	0
Intangible Assets - TVS	0	0	0	0	0	0	0	0	0
Intangible Assets _ Dasung	0	0	0	0	0	0	0	0	0
Capital Expenditures - Systems	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000
Total Investing Activities	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000	-800,000
Financing Activities									
Fees on Debt/Share Issue	0	0	0	0	0	0	0	0	0
Note Payable - DUM Holdings	4,038	4,063	4,089	4,114	4,140	4,166	4,192	4,218	4,244
Notes Payable SMM	0	0	0	0	0	0	0	0	0
Notes Payable JD Craig	0	0	0	0	0	0	0	0	0
Notes Payable Chae	0	0	0	0	0	0	0	0	0
Equity Issued to Innovex	0	0	0	0	0	0	0	0	0
Equity Investments	0	0	0	0	0	0	0	0	0
Long Term Debt	0	0	0	0	0	0	0	0	0
Bridge Loan	0	0	0	0	0	0	0	0	0
Total Financing Activities	4,038	4,063	4,089	4,114	4,140	4,166	4,192	4,218	4,244
Change in Cash	-235,326	-191,218	-366,579	-168,209	-226,830	-66,610	-208,879	229,206	191,411
Cash, beginning of fiscal period	-4,364,262	-4,599,589	-4,790,806	-5,157,385	-5,325,594	-5,552,424	-5,619,034	-5,827,913	-5,598,707
Cash, end of fiscal period	-4,599,589	-4,790,806	-5,157,385	-5,325,594	-5,552,424	-5,619,034	-5,827,913	-5,598,707	-5,407,296

**Digital Underground Media Inc.
Strategic Model
Monthly Cash Flow Statement
For the Period Ending December 31**

	December 31				
	2015	2016	2017	2018	2019
Net Income (Loss)	(1,304,973)	(221,317)	1,358,562	2,671,779	4,677,139
Addback : Non Cash Items					
Amortization of Capital Assets	86,935	866,668	2,570,777	4,032,353	5,195,956
Amortization of Intangible Assets	153,840	306,718	295,348	175,569	175,569
Change in accounts receivable	(562,766)	(5,123,726)	(7,014,101)	(3,442,102)	(5,310,248)
Change in deposits	(124,950)	(125,000)	(125,000)	(125,000)	500,000
Change in accounts payable	(799,994)	2,173,159	3,013,760	1,524,374	2,355,479
Total Operating Activities	-2,551,908	-2,123,498	99,345	4,836,973	7,593,894
Investing Activities					
Capital Expenditures - Non Systems	(150,000)	(250,000)	-	-	-
Intangible Assets - Innovex/Chae	(1,300,000)	-	-	-	-
Intangible Assets - TVS	-	-	-	-	-
Intangible Assets _ Dasung	(100,000)	-	-	-	-
Capital Expenditures - Systems	(2,030,000)	(12,600,000)	(3,600,000)	(5,200,000)	(9,600,000)
Total Investing Activities	-3,580,000	-12,850,000	-3,600,000	-5,200,000	-9,600,000
Financing Activities					
Fees on Debt/Share Issue	(500,000)	(500,000)	-	-	-
Note Payable - DUM Holdings	18,593	39,337	42,391	45,682	49,228
Notes Payable SMM	(328,649)	(458,163)	-	-	-
Notes Payable JD Craig	(360,000)	-	-	-	-
Notes Payable Chae	1,150,000	(450,000)	-	-	-
Equity Issued to Innovex	1,200,000	-	-	-	-
Equity Investments	10,000,000	10,000,000	-	-	-
Long Term Debt	-	5,000,000	-	-	-
Bridge Loan	(42,771)	(2,192,436)	-	-	-
Total Financing Activities	11,137,173	11,438,738	42,391	45,682	49,228
Change in Cash	5,005,264	-3,534,760	-3,458,264	-317,345	-1,956,877
Cash, beginning of fiscal period	0	5,005,264	1,470,504	-1,987,760	-2,305,105
Cash, end of fiscal period	5,005,264	1,470,504	-1,987,760	-2,305,105	-4,261,982

**SCHEDULE “K”
ACCOUNTING PRINCIPLES, PROCEDURES AND METHODOLOGY**

Total Net Revenue and EBITDA shall be based on the following accounting policies, principles and methods:

1. In the first instance on a basis consistent with the assumptions employed in preparing the 2015 Business Plan.
2. To the extent that a particular accounting policy, principle or method had not arisen, and so no assumption applied, in preparing the 2015 Business Plan it should be treated in accordance with the accounting policies set out in the consolidated financial statement of the Corporation for the year ended 31 August 2013.
3. To the extent that a particular accounting policy, principle or method had also not arisen, and so no assumption applied, in preparing the consolidated financial statement of the Corporation, it should be treated in accordance with GAAP.

For the avoidance of doubt the following policies, principles and methods have been assumed in the preparation of the 2015 Business Plan.

1. Revenue recognition. (a) Advertising revenue from the Corporation’s digital tunnel subway systems is recognised in and matched to the period in which the advertising is displayed. Any revenue received in advance for the display of advertising in future periods is deferred and recognised across the period in which the Corporation meets its obligations for the display of such advertising. (b) Any revenues generated from licencing the intellectual property or Corporations digital tunnel subway systems shall be recognised when the Corporation has satisfied its contractual obligations under the related agreement. (c) No revenue shall be recognised from an agreement with a related party entity of the Corporation.
2. Non-recurring revenue. No revenue shall be recognised in respect of one-off or non-recurring transactions including, but not limited to, the disposal of companies, operations or business units.
3. Month end closing procedures. The month end closing procedures for any period used as the basis of an EBITDA or Total Net Revenue calculation shall be prepared to the same standard as for a year end closing.
4. Sales and marketing expenses and R&D expenses. For the purpose of any EBITDA calculation the charges for both sales and marketing expenses and R&D expenses shall be adjusted such that the monthly charge shall be the higher of actual expenses incurred or the amount contained in the 2015 Business Plan for the relevant month.
5. Release of accruals or provisions. For the purpose of any EBITDA calculation any release of accrual or provision shall be included in the EBITDA of that month only to the extent that it had previously been charged in that month.

B

THIS IS EXHIBIT "B"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 7TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

Dated **July 27, 2015**

DIGITAL UNDERGROUND MEDIA INC.

UNANIMOUS SHAREHOLDERS AGREEMENT

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Exhibit 3.12	Form of Indemnity
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THIS UNANIMOUS SHAREHOLDERS AGREEMENT is dated July 27, 2015, and made between:

- (1) **DIGITAL UNDERGROUND MEDIA INC.**, a corporation existing under the laws of Ontario (the **Corporation**);
- (2) **FORWARD DIMENSION CAPITAL 1 LLP**, a limited liability partnership registered in England and Wales with registration number OC399433 (**Forward**);
- (3) **J.D. CRAIG HOLDINGS INC.**, a corporation existing under the laws of Ontario (**J.D. Craig Holdings**);
- (4) **DUM HOLDINGS INC.**, a corporation existing under the laws of Ontario (**DUM Holdings**);
- (5) **KENNETH BICKNELL**, an individual resident in British Columbia (**Bicknell**);
- (6) **THE BICKNELL FAMILY TRUST**, a trust existing under the laws of Manitoba and represented by its sole trustee Bicknell (**Bicknell Trust**);
- (7) **OLIVER PLETT**, an individual resident in Manitoba (**Plett**);
- (8) **MICHAEL LAITINEN**, an individual resident in British Columbia (**Laitinen**);
- (9) **PAUL EAST**, an individual resident in Manitoba (**East**);
- (10) **NEIL EAST SOUND BROADCASTING LTD.**, a corporation existing under the laws of Canada (**SBL**);
- (11) **TOYOTARO TOKIMOTO**, an individual resident in Japan (**Tokimoto**);
- (12) **DR. GYUN CHAE** an individual resident in the Republic of Korea (**Chae**);
- (13) **6789502 MANITOBA LTD.**, a corporation existing under the laws of Manitoba (**678**);
- (14) **DREW CRAIG**, an individual resident in British Columbia (**Craig**); and
- (15) Any Person who becomes a party to this Agreement in accordance with the terms of this Agreement or pursuant to applicable law.

RECITALS:

- (A) The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares, of which 541,813 Class A Common Shares and 541,813 Class B Common Shares have been issued and are outstanding.
- (B) Forward is the registered and beneficial owner of all of the outstanding Class A Common Shares and the Class B Shareholders (as defined herein) are the registered and beneficial owners of all of the outstanding Class B Shares Common Shares in the capital of the Corporation.

- (C) The Parties have entered into this Agreement for the purpose of setting out, *inter alia*, the manner in which the business and affairs of the Corporation is to be conducted, the manner in which the Corporation is to be financed and the respective rights and obligations of the Parties arising out of, or in connection with, the ownership of Shares.

NOW THEREFORE in consideration of the mutual covenants and agreements contained in this Agreement and other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Parties agree as follows:

Article 1 - Interpretation

1.1 Definitions

In this Agreement, unless the context otherwise requires, the following words and expressions have the following meanings:

10% Shareholders means at the relevant time, Shareholders holding a Shareholder Proportionate Interest of at least 10%.

Act means the *Business Corporations Act* (Ontario).

ADR Rules has the meaning specified in Section 13.3.

Affiliate of any Person means any other Person who, directly or indirectly, controls, or is controlled by, or is under common control with, such Person, and for these purposes:

- (a) a body corporate is controlled by one or more Persons if (i) securities of the body corporate to which are attached more than 50% of the votes that may be cast to elect directors of the body corporate are beneficially owned by the Person or Persons, and (b) the votes attached to those securities are sufficient to elect a majority of the directors of the body corporate;
- (b) an association, partnership or other organization is controlled by one or more Persons if (i) more than 50% of the partnership or other ownership interests, however designated, into which the association, partnership or other organization is divided are beneficially owned by the Person or Persons, and (ii) the Person or Persons are able to direct the business and affairs of the association, partnership or other organization or the appointment of its management;
- (c) a body corporate, association, partnership or other organization that controls another body corporate, association, partnership or other organization is deemed to control any body corporate, association, partnership or other organization that is controlled or deemed to be controlled by the other body corporate, association, partnership or other organization;
- (d) a trust is controlled by the Person or Persons who are able to direct the business and affairs of the trust; and
- (e) "Control", "Controlled" and similar expressions have corresponding meanings, and, for the purposes of this Agreement, Craig will be deemed to Control J.D. Craig Holdings.

Agreement means this unanimous shareholders' agreement and all schedules and exhibits attached to it as the same may be amended, restated, replaced, supplemented or novated from time to time and the words "Article" and "Section", followed by a number or letter means and refers to the specified Article or Section of this Agreement.

Agreement To Be Bound means a counterpart of this Agreement or a written agreement, in form and substance satisfactory to the Corporation, pursuant to which a Person, including in respect of any Shareholder which has a Principal such Shareholder's Principal, agrees to be bound by the terms and conditions of this Agreement, which agreement includes the making of representations and warranties contained in Section 2.2 and, to the extent applicable, Section 2.3 to the other Shareholders and to the Corporation in respect of the Shareholder and where applicable the Principal of such Shareholder.

Annual Business Plan has the meaning specified in Section 3.13.

Arm's Length has the meaning used for such term within the Income Tax Act.

Articles means the certificate and articles of incorporation of the Corporation dated January 19, 2010, the certificate and articles of amendment of the Corporation dated May 6, 2010, and the certificate and articles of amendment of the Corporation dated July 27, 2015 as the same may from time to time be amended, replaced or superseded from time to time in accordance with the terms of this Agreement and applicable Laws.

Associate has the meaning specified in the Act as of this date.

Auditor means MNP LLP, or such other firm of nationally recognized chartered accountants as may at any time be appointed as auditors of the Corporation in accordance with this Agreement.

Available New Securities has the meaning specified in Section 4.4(b).

Beacon Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to or as directed by Beacon Securities Limited, and as evidenced by warrant certificates W2015-B1 through W2015-B8 and includes any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants);

Board means, at any time, the board of directors of the Corporation constituted in accordance with this Agreement.

Business means (i) the business carried on by the Corporation and its Subsidiaries at any relevant time, including owning and operating a digital media advertising business and related infrastructure and business, including the development and operation of, and sales of advertising for, track associated transit systems; and (ii) for purposes of Article 11 in respect of the Restricted Period of any Person means (A) such business as carried on during the period such Person was a Shareholder; and (B) such business as planned to be carried on in any Annual Business Plan to which such Person had access during the period such Person was a Shareholder.

Business Day means any day, other than a Saturday, a Sunday or a statutory or civic holiday in Toronto, Ontario or London, England.

Buyer means any Person who elects or is required to purchase Shares pursuant to a Sale Transaction.

By-laws means the by-laws of the Corporation, as such by-laws may from time to time be amended, replaced or superseded.

Class A Common Share Contribution Amount has the meaning given to it in the Subscription & Investment Agreement.

Class A Common Shares means class A common shares in the capital of the Corporation, as described in the Articles.

Class A Common Share Proportionate Interest has the meaning given to it in the Articles.

Class A Director has the meaning specified in Section 3.2(c).

Class B Common Shares means class B common shares in the capital of the Corporation, as described in the Articles.

Class B Common Share Proportionate Interest has the meaning given to it in the Articles.

Class B Director has the meaning specified in Section 3.2(c).

Class B Shareholders means each of J.D. Craig Holdings, DUM Holdings, Bicknell, Bicknell Trust, Plett, Laitinen, East, SBL, Tokimoto, Chae and 678, and any other holder of Class B Shares from time to time for so long as any such person holds any Class B Shares, and **Class B Shareholder** means any one of them.

Competing Shareholders means each of those Shareholders who is, on his, her or its own behalf or on behalf of, or together with, any other Person, directly or indirectly, in any capacity whatsoever (including as or through a Connected Person), carrying on, engaged in, has any financial or other interest in, or is otherwise commercially involved in, any endeavour, activity or business in all or any part of the Restricted Territory which is substantially the same as or in competition with the Business.

Connected Person means, in relation to a Shareholder (a) any Affiliate of a Shareholder, or (b) any Person in which a Shareholder or an Affiliate of a Shareholder has or will have an interest or owe or be owed an obligation whether as an employer, employee, principal, agent, joint venturer, partner, shareholder or other equity holder, independent contractor, licensor, licensee, franchiser, franchisee, director, officer, advisor, investor, promoter, lender, guarantor, distributor, consultant, supplier or otherwise

Control has the meaning specified in the definition of “Affiliate” in this Section 1.1.

Corporation means Digital Underground Media Inc. and includes any successor corporation resulting from any amalgamation, reorganization, arrangement or other combination with any other Person.

Co-Vivant means, in relation to a Person who is an individual, any individual with whom that Person is living in a conjugal relationship outside marriage.

Customer means, at the relevant time, all Persons who are, or who have been customers or clients of the Corporation or any of its Subsidiaries and during the Restricted Period in respect of a Person following such Person, or in the case of a Principal the Person for whom such Person is Principal, ceasing to be a Shareholder all Persons who were customers or clients of the Corporation or any of its Subsidiaries at any time within the thirty-six (36) month period prior to such Person ceasing to be a Shareholder.

Date of Closing means the date upon which a Sale Transaction is scheduled to occur, determined in accordance with the provisions of Article 6, or Article 7 as applicable, or such other date as the Seller and the Buyer in the Sale Transaction mutually agree.

Deferred Financing Closing has the meaning specified in the Subscription & Investment Agreement.

Director means any Individual who has been elected or appointed to the Board and is a member of the Board at the relevant time.

Dispute has the meaning specified in Section 13.1.

DUM Shareholder Loan has the meaning specified in Section 4.2(a)(iii).

EBITDA means the consolidated earnings before interest, taxes, depreciation and amortization of the Corporation, calculated in accordance with the principles set out in Exhibit 3.6(a).

Estimated Valuation Report means a report that is prepared in accordance with Standard No. 110 (Valuation Reports) as promulgated by The Canadian Institute of Chartered Business Valuators.

Exercise Notice has the meaning specified in Section 7.2(b).

Exercise Period has the meaning specified in Section 7.2(b).

Extraordinary Resolution means, (a) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Directors, a resolution to which (i) at a properly constituted meeting of the Board at least two thirds of the Directors present have given their approval provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such two thirds approval must include the approval in writing of a Class A Director or nominee of Forward, as applicable, which approval shall be required and if given be deemed to be given on behalf of the Shareholders of Class A Common Shares and/or Forward, as applicable, as

Shareholders (in addition to any such approval required by such individual as a director); or (ii) all of the Directors have consented by an instrument in writing, and (b) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Shareholders, a resolution to which (iii) at a properly constituted meeting of Shareholders at least two thirds of the votes entitled to vote on such matter of Shareholders present or represented by proxy are cast in favour of the resolution provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such two thirds approval must include the approval of holders of at least 50% of the Class A Common Shares or Forward, or (iv) all of the Shareholders have consented by an instrument in writing.

Fair Market Value has the meaning specified in Section 10.2.

Family Law Act means the *Family Law Act* (Ontario).

Final Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Financial Statements has the meaning specified in Section 3.14(c).

Financial Year means, in relation to the Corporation, its financial year commencing on September 1 of each calendar year and ending August 31 of the immediately following year, as such financial year may be changed in accordance with the Act and this Agreement.

First Valuator has the meaning specified in Section 10.3(a).

First Valuator's Report has the meaning specified in Section 10.3(a).

First Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Forward Complete Purchase Bid has the meaning specified in Section 6.5.

Forward Management Event has the meaning specified in Section 3.6(a).

Funded Debt of any Person means, without duplication, (a) indebtedness for borrowed money, including obligations with respect to bankers' acceptances, letters of credit or letters of guarantee, (b) indebtedness for the deferred purchase price of property or services represented by a note, debenture or other evidence of indebtedness, (c) indebtedness created or arising under any conditional sale or other title retention agreement with respect to property acquired by such Person, (d) all obligations under leases which have been or should be, in accordance with GAAP, recorded as capital leases, and (e) all Funded Debt Guaranteed by such Person.

Funded Debt Guaranteed by a Person means all Funded Debt of the kind referred to in (a) through (d) of the definition of Funded Debt which is, directly or indirectly, guaranteed by such Person or which such Person has agreed (contingently or otherwise) to purchase or otherwise acquire or in respect of which such Person has otherwise assured a creditor against loss.

Funding Default means that a Redemption Notice (as defined in the Subscription & Investment Agreement) has been issued by the Corporation.

Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

GAAP means International Financial Reporting Standards including International Accounting Standards and Interpretations together with their accompanying documents which are set by the International Accounting Standards Board, the independent standard-setting body of the International Accounting Standards Committee Foundation (the "IASC Foundation"), and the International Financial Reporting Interpretations Committee, the interpretative body of the IASC Foundation but only to the extent the same are adopted by the Chartered Professional Accountants of Canada ("CPA Canada") as generally accepted accounting principles in Canada and then subject to such modifications thereto as are agreed by CPA Canada.

Governmental Authority means any (a) multinational, federal, provincial, territorial, state, municipal, local or other governmental or public department, central bank, court, commission, board, arbitrator, tribunal, bureau or agency, domestic or foreign, (b) subdivision or authority of any of the above, or (c) quasi-governmental or private body exercising any regulatory, expropriation or taxing authority under or for the account of any of the above.

Inactive Shareholder means a Shareholder who is deemed to be an Inactive Shareholder pursuant to Section 7.1(a).

Income Tax Act means the *Income Tax Act* (Canada).

Initial Notice has the meaning specified in Section 13.2(a).

Initial Period has the meaning specified in Section 6.1(b).

Initiator has the meaning specified in Section 6.2.

In-Person Meeting has the meaning specified in Section 3.4(d).

Issuance Notice has the meaning specified in Section 4.4(a).

Issuance Period has the meaning specified in Section 4.4(b).

Issue means the natural born and legally adopted children of any Person who is an individual and all natural born or legally adopted descendants of such children.

Laws means any and all (a) laws, statutes, codes, ordinances, orders, decrees, rules, regulations and municipal by-laws, (b) judicial, arbitral, administrative, ministerial, departmental or regulatory judgments, orders, decisions, rulings or awards of any Governmental Authorities.

Lien means (a) any mortgage, charge, pledge, hypothec, security interest, or lien (statutory or otherwise), and (b) any other encumbrance of any nature or any arrangement or condition which, in substance, secures payment or performance of an obligation.

Liquidity Mandate means a mandate of the Board to seek one or more Liquidity Offers in respect of a transaction or series of transactions the objective of which is to directly or indirectly provide liquidity for the benefit of or cash to the Shareholders in respect of their Shares.

Liquidity Notice has the meaning specified in Section 8.2(a).

Liquidity Offer means a bona fide offer in respect of a transaction or series of transactions relating to the Corporation and/or its Subsidiaries the objective of which is to directly or indirectly provide liquidity for the benefit of the Shareholders in respect of their Shares, including without limitation a sale of the Corporation and/or its Subsidiaries by way of a sale of assets, a sale of all or any part of the issued and outstanding securities of the Corporation or such Subsidiaries whether as part of a public offering of fully participating shares or otherwise, a share buy-back or a recapitalization of the Corporation or such Subsidiaries or a merger, amalgamation or other business combination of the Corporation and/or its Subsidiaries and another Person.

Liquidity Sale Acceptance has the meaning specified in Section 8.1(b).

Liquidity Sale Accepters has the meaning specified in Section 8.1(b).

Liquidity Sale Offer has the meaning specified in Section 8.1(a).

New Securities has the meaning specified in Section 4.3.

Notice of Intention has the meaning specified in Section 4.4(b).

Offer has the meaning specified in Section 6.2.

Ordinary Resolution means, (a) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Directors, a resolution to which (i) at a properly constituted meeting of the Board more than 50% of the Directors present have given their approval (and, except in respect of approval of the Annual Business Plan, in the event of a deadlock where there is no majority, which has been approved by the casting vote of the Chairperson of the Board), or (ii) all of the Directors have consented by an instrument in writing, and (b) in the case of a resolution that by Law or the terms of this Agreement requires the approval of the Shareholders, a resolution to which (iii) at a properly constituted meeting of Shareholders more than 50% of the votes entitled to vote on such matter of Shareholders present or represented by proxy are cast in favour of the resolution, or (iv) all of the Shareholders have consented by an instrument in writing.

Parties means, collectively, the Corporation, the Principals, the Shareholders and any other Person who may, at any time or from time to time, be a party to this Agreement.

Permitted Liens means, in respect of any Person, (a) Liens for Taxes, assessments or governmental charges or levies which relate to obligations not yet due or delinquent, (b) easements, servitudes, encroachments and other minor imperfections of title which do not, individually or in the aggregate, detract from the value of or impair the use or marketability of any real property, (c) undetermined or inchoate Liens arising or potentially arising under statutory provisions which have not at the time been filed or registered in accordance with applicable Laws or of which written notice has not been given in accordance with applicable Laws; (d) the rights of any Party under this Agreement; and (e) in respect of the Corporation, the Liens listed on Schedule 1.1(a).

Permitted Transferee means, in relation to a Shareholder, any one or more of:

- (a) its Principal;
- (b) the Spouse, Co-Vivant or Issue of such Shareholder or its Principal;
- (c) a custodian, trustee (including an RRSP, RIF, IRA or similar retirement or investment fund) or other fiduciary for the Shareholder and/or the Persons specified in (a) or (b) of this definition; and
- (d) a corporation, partnership, limited partnership, or Permitted Trust, provided such Person is Controlled by the Principal and all of the securities or other ownership interests in such Person are owned by such Shareholder, its Principal or by a Person specified in (a), (b) or (c) of this definition.

Permitted Trust means a trust for which the Principal is a trustee, the beneficiaries of which are one or more of (a) the Shareholder or its Principal, (b) a Spouse or Co-Vivant of the Shareholder or its Principal or (c) the Issue of the Shareholder or its Principal.

Person means a natural person, partnership, limited partnership, limited liability partnership, syndicate, sole proprietorship, corporation or company (with or without share capacity), limited liability company, stock company, trust, unincorporated association, joint venture or other entity or Governmental Authority.

Place of Closing means the offices of Norton Rose Fulbright Canada LLP, 200 Bay Street, Suite 3800, Toronto, Ontario or such other place as the Seller and the Buyer under the relevant Sale Transaction mutually agree.

Principals means (a) Craig in respect of J.D. Craig Holdings and DUM Holdings, (b) Bicknell in respect of the Bicknell Trust and DUM Holdings, (c) Plett in respect of 678, (d) East in respect of SBL and (e) any Party that Transfers its Shares directly or indirectly to a Permitted Transferee in accordance with the terms of this Agreement in respect of such Permitted Transferee(s) and **Principal** means any one of them in respect of the Person for which such Person is Principal.

Proportionate Interest has the meaning given to it in the Articles.

Prospective Customer means, at the relevant time, all persons canvassed or solicited for the purposes of becoming customers or clients of the Corporation or any of its Subsidiaries and during the Restricted Period in respect of a Person following such Person, or in the case of a Principal the Person for whom such Person is Principal, ceasing to be a Shareholder all Persons who were canvassed or solicited for the purposes of becoming customers or clients of the Corporation or any of its Subsidiaries at any time within the twelve (12) month period prior to such Person ceasing to be a Shareholder.

Purchase Option has the meaning specified in Section 7.2(a).

Purchase Price has the meaning specified in (a) Sections 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6, (b); Section 7.3 for the purposes of Article 7.

Purchased Shares has the meaning specified in (a) Section 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6, and (b) Section 7.2(a) for the purposes of Article 7.

Recipients has the meaning specified in Section 6.2.

Representative has the meaning specified in Section 7.1(b).

Restricted Period in respect of a Shareholder and, as applicable, its Principal, means the period commencing on the date hereof and ending on the second anniversary of the date on which neither such Shareholder nor any Permitted Transferee of such Shareholder, or as applicable its Principal, is a Shareholder.

Rothney Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to Bruce Rothney as evidenced by the warrant certificate W2015-W3 and any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants).

Sale Transaction has the meaning specified in Sections 6.3(a)(i), 6.3(c)(i), 6.4 and 6.5, as applicable for the purposes of Article 6; and (b) Section 7.4 for the purposes of Article 7.

Second Funding Milestone has the meaning specified in the Subscription & Investment Agreement.

Second Notice has the meaning Specified in Section 6.3.

Second Valuator has the meaning specified in Section 10.3(d).

Second Valuator's Report has the meaning specified in Section 10.3(e).

Seller means any Person who elects or is required to sell Shares pursuant to a Sale Transaction.

Shares means the Class A Common Shares and the Class B Common Shares.

Shareholders means the Persons who, from time to time, hold Shares and are bound by this Agreement being as at the date hereof, Forward and the Class B Shareholders.

Shareholder Proportionate Interest means, in respect of a Shareholder, the number, expressed as a percentage given by the formula:

$$(A + B) \times 100\%$$

where

A = (i) the proportion that the number of Class A Common Shares held by such Shareholder bears to the total number of outstanding Class A Common Shares; multiplied by (ii) the Class A Common Share Proportionate Interest; and

B = (i) the proportion that the number of Class B Common Shares held by such Shareholder bears to the total number of outstanding Class B Common Shares; multiplied by (ii) the Class B Common Share Proportionate Interest.

SIA Closing means the Closing (as defined in the Subscription & Investment Agreement).

Specified Percentage has the meaning specified in Section 4.4(b).

Spouse means, in relation to any Person who is an individual, any Person to whom that Person is married.

Subscription & Investment Agreement means the subscription and investment agreement dated July 27, 2015 by and among the Corporation, Forward, Craig and Bicknell providing for, *inter alia* the subscription by Forward for and issue by the Corporation to Forward of Class A Common Shares at the times and on the terms contained therein.

Subsidiary has the meaning specified in the Act.

Stock Option Plan means the incentive stock option plan of the Corporation as and when adopted by the Corporation in accordance with the terms of this Agreement, pursuant to which the Corporation may, from time to time, grant options to acquire Class B Common Shares to directors, officers, employees and contractors of the Corporation and its Subsidiaries.

Tag-Along Offer has the meaning specified in Section 6.4.

Tag-Along Notice has the meaning specified in Section 6.4.

Time of Closing means 10:00 am or such other time on the Date of Closing as the Seller and the Buyer in a Sale Transaction mutually agree.

Total Percentage has the meaning specified in Section 4.5(a).

Triggering Event has the meaning specified in Section 7.1(a).

Transferor has the meaning specified in Section 5.3(a).

Valuation Date means in respect of a Triggering Event, the last day of the month immediately preceding such Triggering Event.

Windsor Funded Debt has the meaning specified in Section 4.2(a)(i).

Windsor Take-Out Lenders has the meaning specified in Section 4.2(a)(i).

Windsor Take-Out Loans has the meaning specified in Section 4.2(a)(i).

Windsor Warrants means the warrants to purchase Class B Common Shares issued by the Corporation to Windsor Private Capital Inc. as evidenced by the warrant certificates W2015-W1 and W2015-W2 and any warrants issued by the Corporation in replacement or exchange therefor or upon the partial exercise thereof (to the extent permitted in accordance with the terms of such warrants).

1.2 Extended Meaning of Transfer

In the Agreement unless the context otherwise requires, any references to a “transfer” of shares or other securities of a Person includes (a) any transfer of such securities, directly or indirectly, by operation of law, by court order, by judicial process, or by foreclosure, levy or attachment, and (b) any sale, assignment, gift, donation, redemption, conversion or other disposition of such securities, directly or indirectly, pursuant to an agreement, arrangement, instrument or understanding by which legal title to, or beneficial ownership of, such securities passes from one Person to another Person or to the same Person in a different legal capacity, whether or not for value.

1.3 Reclassification of Shares

The provisions of this Agreement apply, *mutatis mutandis*, to (a) any securities into which the Shares may be converted, changed, reclassified, redesignated, divided or consolidated, (b) any securities that are received by a Shareholder as a stock dividend or distribution payable in securities of the Corporation, and (c) any securities of the Corporation or any successor continuing company or corporation of the Corporation that may be received by any Shareholder on a reorganization, amalgamation, consolidation, arrangement, or merger, statutory or otherwise; all of which securities shall be deemed to be Shares for all purposes of this Agreement.

1.4 Gender and Number

In this Agreement, unless there is something in the subject matter or context inconsistent therewith:

- (a) words in the singular number include the plural and are to be construed as if the plural had been used and *vice versa*, and
- (b) words importing the use of any gender include all genders where the context or party referred to so requires, and the rest of the sentence is to be construed as if the necessary grammatical changes had been made.

1.5 Certain Phrases and Calculation of Time

- (a) In this Agreement (i) the words “including” and “includes” mean “including (or includes) without limitation” and (ii) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word “from” means “from and including” and the words “to” and “until” each mean “to but excluding”. If the last day of any such period is not a Business Day, such period will end on the next Business Day.
- (b) When calculating the period of time “within” which or “following” which any act or event is required or permitted to be done, notice given or steps taken, the date which is the reference date in calculating such period is to be excluded from the calculation. If the last day of any such period is not a Business Day, such period will end on the next Business Day.

1.6 Headings etc.

The inclusion of a table of contents, the division of this Agreement into articles and sections and the insertion of headings are for convenient reference only and do not affect and should not be used in the construction or interpretation of this Agreement.

1.7 Currency

All monetary amounts in this Agreement, unless otherwise specifically indicated, are expressed in Canadian currency.

1.8 Accounting Terms

All accounting terms not specifically defined in this Agreement are to be construed in accordance with GAAP.

1.9 Statutory References

Unless otherwise specifically indicated, any reference to a statute in this Agreement refers to that statute and the regulations and ministerial orders made under that statute, as the same may, from time to time, be amended, re-enacted or replaced.

1.10 Schedules

The schedules attached to this Agreement shall, for all purposes of this Agreement, form an integral part of it.

1.11 No Presumption

The Parties and their counsel have participated jointly in the negotiation and drafting of this Agreement. If an ambiguity or a question of intent or interpretation arises, this Agreement is to be construed as if drafted jointly by the Parties. No presumption or burden of proof should arise in favour of any Party by virtue of the authorship of any provision of this Agreement.

1.12 Governing Law

- (a) This Agreement is governed by and is to be interpreted, construed and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein, without regard to conflict of law principles.
- (b) Subject to the dispute resolution provisions of this Agreement, each of the Parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Ontario in any action or proceeding arising out of or relating to this Agreement. Each of the Parties waives objection to the venue of any action or proceeding in such court or any argument that such court provides an inconvenient forum.

Article 2 - Scope of Agreement and Share Ownership

2.1 Unanimous Shareholders' Agreement

- (a) This Agreement constitutes a unanimous shareholders agreement within the meaning of the Act. The powers of the Directors to manage or supervise the management of the business and affairs of the Corporation are hereby restricted to the extent provided in this Agreement.
- (b) Where so provided in this Agreement, the Shareholders have the rights, powers and duties of Directors and the obligations and liabilities relating to such rights, power and duties, whether arising from the Act or otherwise and, to the extent such powers and rights are given to the Shareholders, the Directors are hereby relieved of their duties and liabilities in regards thereto.

2.2 Representations and Warranties of Shareholders

Each Shareholder represents and warrants to the other Parties that:

- (a) It is the registered and beneficial owner of the Shares set out opposite its name in Schedule 2.2(a) (as such Schedule may be updated from time to time), it has good title to those Shares, free and clear of all Liens other than Permitted Liens and no Person has any agreement or any option or right capable of becoming an agreement for the purchase or other acquisition of such Shares except as set out in this Agreement.
- (b) It has the power and capacity to own its Shares and enter into and perform its obligations under this Agreement.
- (c) If the Shareholder is not an individual: (i) it is an entity, trust or partnership, existing under the laws of its jurisdiction of formation and has the power and

capacity to own its Shares and to enter into and perform its obligations under this Agreement; and (ii) the execution, delivery and performance of this Agreement has been duly authorized by all necessary action.

- (d) In respect of each Shareholder for which there is a Principal, (i) such Shareholder is a Permitted Transferee of such Principal, and (ii) no Person has any agreement or any option or right capable of acquiring any interest in such Shareholder which would result in the Shareholder ceasing to be a Permitted Transferee of such Principal.
- (e) The execution, delivery and performance by it of this Agreement will not result in:
 - (i) a breach or a violation of, or conflict with, or allow any other Person to exercise any right of acceleration or termination under, any of its constating documents (to the extent applicable) or any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (ii) a breach of, or cause the termination or revocation of, any authorization, licence or permit held by it or necessary to its ownership of the Shares;
 - (iii) the violation of any applicable Law; or
 - (iv) the creation or imposition of any Lien other than a Permitted Lien upon any of its property or assets.
- (f) This Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms.
- (g) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement.
- (h) Except in the case of Forward, it is not a non-resident of Canada within the meaning of the Income Tax Act, or if it is a non-resident of Canada within the meaning of the Income Tax Act, it has so advised the Corporation in writing. Forward is a non-resident of Canada within the meaning of the Income Tax Act.
- (i) This Agreement constitutes the only agreement which it has entered into with any other Person (including other Shareholders) with respect to the manner in which it will vote or deal with its Shares.
- (j) Except to the extent it provided notice to the Corporation in writing prior to becoming a Shareholder that it is a Competing Shareholder, it is not a Competing Shareholder.

2.3 Representations and Warranties of Principals

Each Principal represents and warrants to the other Parties that:

- (a) The Shareholder in respect of which it is Principal is a Permitted Transferee.
- (b) The ownership and/or beneficiaries of such Principal's Shareholder are as set out opposite its name in Schedule 2.3(a) (as such Schedule may be updated from time to time).
- (c) No Person has any agreement or any option or right capable of becoming an agreement for the purchase or other acquisition of shares and other securities or interests in the Shareholder of such Principal which would result in such Shareholder ceasing to be a Permitted Transferee of such Principal.
- (d) It has the power and capacity to enter into and perform its obligations under this Agreement.
- (e) The execution, delivery and performance by it of this Agreement will not result in:
 - (i) a breach or a violation of, or conflict with, or allow any other Person to exercise any right of acceleration or termination under, any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (ii) a breach of, or cause the termination or revocation of, any authorization, licence or permit held by it or necessary to its ownership of the Shareholder of which it is Principal;
 - (iii) the violation of any applicable Law; or
 - (iv) the creation or imposition of any Lien other than a Permitted Lien upon any of its property or assets.
- (f) This Agreement has been duly executed and delivered by it and constitutes a legal, valid and binding obligation enforceable against it in accordance with its terms.
- (g) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement.
- (h) It is not a non-resident of Canada within the meaning of the Income Tax Act, or if it is a non-resident of Canada within the meaning of the Income Tax Act, it has so advised the Corporation in writing.
- (i) This Agreement constitutes the only agreement which it has entered into with any other Person (including other Shareholders) with respect to the manner in which it votes or deals with the shares or other securities of the Shareholder in respect of which it is principal or with the Shares owned by such Shareholder.
- (j) Except to the extent it provided notice to the Corporation in writing prior to becoming a Principal that it would be a Competing Shareholder if such Principal were a Shareholder, such Principal, if it was a Shareholder, would not be a Competing Shareholder.

2.4 Representations and Warranties of Corporation

The Corporation represents and warrants to the other Parties that:

- (a) It is a corporation incorporated and existing under the laws of Ontario and has the corporate power to own and operate its property and assets, carry on the Business and enter into and perform its obligations under this Agreement.
- (b) It is duly licenced and qualified in all jurisdictions in which the nature of its assets or the Business makes such licencing or qualification necessary.
- (c) The execution, delivery and performance by the Corporation of this Agreement:
 - (i) have been duly authorized by all necessary corporate action on the part of the Corporation;
 - (ii) will not result in a breach or a violation of, or conflict with, or allow any other Person to exercise any rights under, any of its constating documents or any contracts, agreements or instruments to which it is a party or pursuant to which any of its assets or property may be bound;
 - (iii) will not result in a breach of, or cause the termination or revocation of, any authorization held by the Corporation or necessary to the operation of the Business;
 - (iv) will not result in the violation of any applicable Law; and
 - (v) will not result in the creation or imposition of any Lien upon any of its property or assets.
- (d) There is no requirement to make any filing with, give any notice to, or obtain any authorization of, any Governmental Authority in connection with the execution, delivery or performance of its obligations under this Agreement or as a condition to the lawful completion of the transactions contemplated by this Agreement.
- (e) This Agreement has been duly executed and delivered by the Corporation and constitutes a legal, valid and binding obligation, enforceable against it in accordance with its terms.
- (f) The authorized capital of the Corporation consists of an unlimited number of Class A Common Shares and an unlimited number of Class B Common Shares, of which at this date, immediately following the SIA Closing, 541,813 Class A Common Shares and 541,813 Class B Common Shares have been duly issued and are outstanding as fully paid and non-assessable.
- (g) The Shares set out opposite each Shareholder's name in Schedule 2.2(a) are owned by such Shareholder as the registered owner thereof, and to the Corporation's knowledge, each such Shareholder is the beneficial owner of such Shares with good title thereto.

- (h) As at the date of this Agreement, pursuant to the Agreements specified in Schedule 2.4(h) in the amounts specified in Schedule 2.4(h) and under any stock options granted under the Stock Option Plan, in each case in the amounts specified in Schedule 2.4(h) next to such Person's name, no Person has any agreement, option or warrant or any right or privilege (whether by Law, pre-emptive or contractual) capable of becoming such for the purchase, subscription, allotment or issuance of any of the unissued Shares or other securities of the Corporation except as set out in this Agreement.
- (i) The Articles and By-laws in effect on this date are attached as Schedule 2.4(i). The corporate records of the Corporation are complete and accurate and all corporate proceedings and actions reflected in such corporate records have been conducted or taken in compliance with all applicable Laws and with the Articles and By-laws. As of the date hereof, the Corporation is not subject to, or affected by, any unanimous shareholders agreement other than this Agreement.

2.5 Survival

The representations and warranties of the Parties contained in this Article 2 shall survive the execution and delivery of this Agreement and shall continue with respect to each Party until it ceases to be bound by its provisions.

2.6 Covenants of the Shareholders

Each of the Shareholders covenants and agrees with the other Parties that it will vote and use its best efforts to cause its nominees to the Board to act at all times, so that, in both cases, the provisions of this Agreement are given effect to the fullest extent permitted by Law. If there is a conflict between the provisions of this Agreement and the provisions of the Articles or By-laws, each of the Shareholders shall take or cause to be taken such steps and proceedings as may be required to amend the Articles and By-laws to resolve such conflict so that the provisions of this Agreement prevail.

2.7 Covenants of the Principals

Each Principal (a) covenants and agrees with the other Parties to cause the Shareholder of which it is Principal to perform its obligations under, and otherwise act in accordance with, the terms of this Agreement, and (b) acknowledges and agrees that it shall be jointly and severally liable with the Shareholder(s) of whom it is Principal for all representations, warranties, covenants, indemnities and agreements of such Shareholder(s) under this Agreement. The covenants and obligations of each Principal are absolute, unconditional, present and continuing and are in no way conditional or contingent upon any event or circumstance, action or omission which might in any way discharge a guarantor or surety.

2.8 Consent of the Corporation

The Corporation consents to the provisions of this Agreement and covenants that it will, at all times during the term of this Agreement, be governed by its provisions in conducting its business and affairs and shall do or cause to be done all such acts, matters and things as may, from time to time, be necessary or desirable for the carrying out of the terms and intent of this Agreement.

Article 3 - Management of the Corporation

3.1 Management and Corporate Action by Directors

Subject to Section 3.8 and the other provisions of this Agreement, the Directors shall manage the business and affairs of the Corporation in accordance with this Agreement, the Act and the By-laws.

3.2 Board of Directors

- (a) The Board shall consist of four Directors all of whom are, and will continue to be, qualified to act as Directors under the Act, provided that unless otherwise agreed in writing by Shareholders holding a majority of the Class A Common Shares, so long as such Shareholders holding Class A Common Shares are entitled to nominate the Class A Directors, the Class B Directors shall be required to satisfy any residency requirements to be satisfied by directors of the Corporation.
- (b) The board of directors of the Corporation shall at the date of this Agreement be constituted as follows:

<u>Director</u>	<u>Nominator</u>
Drew Craig	Class B Director
Kenneth Bicknell	Class B Director
Gavin Owston	Class A Director
David Rigby	Class A Director

- (c) For so long as the Class A Common Share Proportionate Interest is 40% or greater, the Class A Shareholders shall by Ordinary Resolution passed by the holders of the Class A Common Shares voting as a single class, be entitled to nominate and have appointed one Director (each a **Class A Director**) for each 20% of Proportionate Interest represented by the Class A Common Shares and the remaining Director(s) (each a **Class B Director**) shall be nominated by Ordinary Resolution passed by the holders of the Class B Common Shares voting as a single class.
- (d) In the event that the Class A Common Share Proportionate Interest drops below 40%, any Shareholder holding a Shareholder Proportionate Interest of 25% or more shall be entitled to nominate one director for each 25% of Shareholder Proportionate Interest so held and the remaining directors shall be determined by Ordinary Resolution of the remaining Shares voting together as a single class. Any Director nominated by a holder of Class A Common Shares pursuant to this Section 3.4(d) shall be a Class A Director for the purposes of this Agreement and all other directors shall Class B Directors.
- (e) If a nominee Director of a class of Shares or of a Shareholder, as applicable, resigns, is removed or otherwise ceases to be a Director (whether as a result of death, disability or otherwise), the Shareholder or Shareholders of the class of

Shares that nominated such Director shall provide notice to the Corporation and the other Shareholders and deliver or cause to be delivered to the Corporation a resignation and release of its nominee Director or Directors, as the case may be, in form and substance satisfactory to the Corporation.

3.3 Vacancies on the Board

- (a) A vacancy on the Board shall be filled by the election or appointment of a replacement Director nominated by the Shareholder or class of Shareholders whose former nominee has ceased to be a Director, provided such Shareholder or class of Shareholders, as applicable, continues to be entitled to appoint such Director.
- (b) In the case of a transfer of all of a Shareholder's Shares to a Person who is not a Permitted Transferee, the transferee shall have the same rights, if any, to nominate Directors as the transferor Shareholder had, provided the transfer has been completed in accordance with the terms of this Agreement. In the case of a partial transfer of a Shareholder's Shares to a Person who is not a Permitted Transferee or Permitted Trust, the rights, if any, to nominate Directors shall be determined in accordance with Section 3.2.
- (c) Until any vacancy on the Board is filled, the Board shall not transact any business except as may be necessary to elect or appoint the new Director and preserve the business and assets of the Corporation.
- (d) Notwithstanding Section 3.3(c) or any other provision of this Agreement, if a replacement Director is not elected or appointed within thirty days of such vacancy occurring because of a Shareholder's or class of Shareholders' failure to nominate a replacement Director, the remaining Directors may transact business and exercise all of the powers and functions of the Board.

3.4 Meeting of Directors

- (a) The Board shall meet at least once every month by teleconference, with in person meetings (the **In-Person Meetings**) to be held at least on a quarterly basis. The President or the Secretary of the Corporation or any Director may convene a meeting of the Board upon at least five (5) Business Days' prior written notice, unless all of the Directors waive such notice in writing. Subject to Section 3.3, a quorum for a meeting of the Board shall be a majority of the directors then in office, one of which must be a Class A Director or nominee of Forward, as applicable, so long as there are Class A Directors or Forward is entitled to nominate a Director.
- (b) If a quorum is not in attendance at any Board meeting, the meeting will be adjourned to the same place and time of day for a period of five days; provided, however, that Board members are not required to attend any such adjourned meeting in-person. Even if a quorum of Directors is not present at the adjourned meeting, a meeting of such Board may be held to transact the business set forth in the notice and, subject to the Act, the Directors present at that meeting shall constitute a quorum.

- (c) Except as otherwise provided in this Agreement or as required under applicable Law, all decisions of a Board shall be decided by Ordinary Resolution of the Board.
- (d) The Directors may participate in a meeting, which, subject to Section 3.4(b), is not an In-Person Meeting, by means of such telephone, electronic or other communication facilities as permit all Directors participating in the meeting to hear and communicate with each other simultaneously and a Director participating in the meeting by such means is deemed to be present at the meeting, provided that for so long as there are Class A Directors or Forward is entitled to nominate a Director, such Director's consent shall be required for any Director to participate in an In-Person Meeting by means of such telephone, electronic or other communication facilities.

3.5 Chairperson of the Board

- (a) The chairperson shall have a second or casting vote on any Ordinary Resolution before the Board, but shall not have a second or casting vote in respect of the approval of any Annual Business Plan or of any matter requiring an Extraordinary Resolution or the approval of Forward.
- (b) Subject to Section 3.5(c), Drew Craig shall be the chairperson of the Board until the earlier of the date that: (i) Craig ceases to be a Director; or (ii) the Board designates a replacement chairperson by Extraordinary Resolution.
- (c) Provided Forward is then a Shareholder, upon and following a Forward Management Event, Forward shall designate the chairperson of the Board; provided that, for greater certainty, this right and the ability to trigger a Forward Management Event shall terminate upon the Final Funding Milestone having been achieved provided that a Forward Management Event has not been triggered in accordance with Section 3.6 prior to such date. For greater certainty, Forward's right to designate the chairperson of the Board following a Forward Management Event having been triggered in accordance with Section 3.6 shall not be affected by the achievement of any Funding Milestone thereafter.

3.6 Forward Management Event

- (a) If the Corporation has not achieved one of the Funding Milestones by the following date:
 - (i) in the case of the First Funding Milestone, prior to May 15, 2016;
 - (ii) in the case of the Second Funding Milestone, prior to November 15, 2016; and
 - (iii) in the case of the Final Funding Milestone, prior to February 15, 2017,

and provided that there are then Class A Directors or Forward is entitled to nominate one or more Directors and no Funding Default has occurred, Forward shall be entitled by notice in writing to the Corporation and the Directors to invoke the chairperson appointment rights described in Section 3.5(c) (a **Forward**

Management Event) which shall thereafter apply for so long as there are Class A Directors or Forward is entitled to nominate one or more Directors.

- (b) The determination as to whether a Funding Milestone has been achieved for any purpose under this Agreement shall be made in accordance with Section 3.2 of the Subscription & Investment Agreement.

3.7 Directors' Compensation

Except as may otherwise be approved pursuant to Section 3.8, no amount may be paid by way of salary, bonus or otherwise to any Director for acting as a director of the Corporation. However, each Director shall be reimbursed for reasonable and documented out-of-pocket expenses incurred while attending meetings or otherwise being engaged in the business of the Board.

3.8 Corporate Action

The making of any of the following decisions or the taking of any of the following actions by the Corporation shall, in addition to any other approval required by Law, require the approval of the Board by Extraordinary Resolution:

- (a) amending the Articles, except for a change of name or a change in the registered office of the Corporation within Canada;
- (b) amending or revoking the By-laws, in whole or in part, or enacting a new by-law;
- (c) changing the number of directors comprising the Board and determining the remuneration, if any, payable to the Directors;
- (d) allotting, reserving, setting aside or issuing any Shares, or other securities of the Corporation, the issuance of Funded Debt convertible into Shares, or granting any rights, warrants or options to purchase, acquire or otherwise obtain any unissued Shares or other securities of the Corporation including pursuant to the Stock Option Plan;
- (e) resolving that a transaction or series of transactions other than a "Liquidity Event" within the meaning of the Articles, constitutes a "Liquidity Event" as such term is defined in, and for the purposes of the Stock Option Plan, the Beacon Warrants; or the Windsor Warrants, as applicable;
- (f) approving or amending the Stock Option Plan;
- (g) declaring, making or paying any dividend or other distribution on, or in respect of, any Shares or other securities of the Corporation;
- (h) paying or distributing amounts out of any stated capital account of the Corporation or reducing any such stated capital account;
- (i) the appointment of the Auditor of the Corporation;

- (j) approving any transfer of Shares by any Shareholder other than transfers permitted and completed in accordance with this Agreement;
- (k) entering into any amalgamation, arrangement, reorganization, consolidation or merger involving the Corporation;
- (l) the incurrence of Funded Debt in excess of \$5,000,000 individually or in the aggregate whether or not such amount is provided for in the Annual Business Plan;
- (m) other than as approved in an Annual Business Plan: (i) selling, leasing or exchanging assets of the Corporation for aggregate proceeds in excess of \$500,000 individually or in the aggregate in any Financial Year; or (ii) purchasing, leasing or acquiring any capital assets from any Person for aggregate proceeds in excess of \$500,000 individually or in the aggregate in any Financial Year;
- (n) making any investment, loan or advance, incurring or committing to incur any capital expenditures in excess of \$500,000 individually or in the aggregate in any Financial Year, other than as approved in an Annual Business Plan;
- (o) granting any Lien over the assets of the Corporation other than Permitted Liens, if such Liens relate to amounts not provided for in the Annual Business Plan;
- (p) entering into or amending any contract or transaction with any Party or with any Person who does not deal at Arm's Length with any such Party or any shareholder, director or officer of any such Person or Party;
- (q) making any payment to any Party or any Person not dealing at Arm's Length with any Party or any shareholder, director or officer of any such Person or Party, or providing any other financial assistance, whether by guarantee or otherwise, to any such Party or Person;
- (r) taking any act, step or proceeding including any sale or disposition of any property of the Corporation for the purpose of, or leading to, the liquidation, dissolution or winding-up of the Corporation;
- (s) disposing of all or substantially all of the assets of the Corporation;
- (t) acknowledging the insolvency of the Corporation, making a voluntary assignment under the *Bankruptcy and Insolvency Act* (Canada), or consenting to the appointment of a receiver, receiver-manager or other Person acting in a similar capacity by any creditor of the Corporation; and
- (u) allowing the delegation by the Board of any of its powers to a committee;
- (v) any amendment to this Agreement;
- (w) the taking of any such action in respect of or by any Subsidiary of the Corporation; and
- (x) any agreement, commitment or undertaking to do any of the foregoing.

3.9 Meetings of Shareholders

- (a) Any two Directors or any Shareholder having at least 10% Shareholder Proportionate Interest in the case of a meeting the Shareholders or 10% of the relevant class of Shares in the case of a meeting of such class of Shares for a particular purpose contemplated hereunder to consider any matter for which a vote of such class voting as a single class is provided for hereunder, may convene a meeting of the Shareholders.
- (b) At least fifteen (15) Business Days' prior written notice of any meetings must be given unless all of the Shareholders entitled to attend such meeting waive such notice in writing. A quorum for a meeting of Shareholders is Shareholders present or represented by proxy holding Shares (or the relevant class of Shares in the case of a meeting of such class of Shares for a particular purpose contemplated hereunder to consider any matter for which a vote of such class voting as a single class is provided for hereunder) carrying more than 66^{2/3}% of the votes attaching to the Shares (or such class, as applicable) provided further that, for so long as there are Class A Directors or Forward is entitled to nominate a Director, a Class A Shareholder holding at least 50% of the Class A Common Shares or Forward must be present in order to constitute a quorum. The chairperson of the Board, or in his absence, the Person selected by the Shareholders present and entitled to vote at the meeting, shall chair the meeting. Except as required by Law all questions before the Shareholders shall be decided by Ordinary Resolution.
- (c) The chairperson at a meeting of the Shareholders shall not have a second or casting vote.

3.10 Approval by Board and Shareholders

Any resolution in writing signed by all of the Directors nominated and elected by a particular Shareholder shall also constitute the consent to such resolution of that Shareholder. Any matter recorded in the minutes of a meeting of the Board or Shareholders as having been approved or agreed upon, shall, subject to any contrary intention being indicated in the minutes, be deemed to have been consented to by a particular Shareholder if the minutes are signed by that Shareholder or, in the case of a meeting of the Board, by one or more of the Directors nominated by that Shareholder.

3.11 Officers

- (a) As at the date of this Agreement, the officers of the Corporation and the Subsidiaries of the Corporation are as follows:

President and Chief Executive Officer:	Ken Bicknell
Chief Financial Officer:	Michael Laitinen
Secretary	Drew Craig
Chief Technology Officer:	Paul East

- (b) The Board by Ordinary Resolution may designate additional offices and appoint such additional officers in respect of the Corporation and the Subsidiaries from time to time as it may determine.

- (c) If any of the above-named officers resigns or is removed from office, the Board may by Ordinary Resolution appoint a replacement.

3.12 Indemnification; Insurance

- (a) The Corporation shall provide each officer and Director with an indemnity substantially in the form set out in Exhibit 3.12.
- (b) The Corporation may obtain and maintain insurance for the benefit of the Directors and officers of the Corporation against such liabilities, in such amounts and on such terms as the Board may determine.
- (c) The Corporation shall insure and keep insured under a policy of "key person life insurance", the life of such individuals in such amounts, as Forward or the Shareholders holding a majority of Class A Common Shares may direct the Corporation in writing so long as there are Class A Directors or Forward is entitled to nominate a Director and as the Board may otherwise determine by Extraordinary Resolution.

3.13 Annual Business Plan

- (a) No later than two months prior to the beginning of each Financial Year, the Board shall cause a draft annual business plan to be prepared and delivered by management of the Corporation for consideration by the Board in consultation with 10% Shareholders (excluding any Competing Shareholders). The draft annual business plan shall include at least the following (i) an outline of the strategic direction of the Corporation, including the Subsidiaries of the Corporation, (ii) a description of any new business initiatives which the Corporation, including the Subsidiaries of the Corporation, intends to undertake in the Financial Year, (iii) monthly detailed consolidated *pro forma* balance sheets, income statements and statements of changes in financial position, and comparison statements from the previous Financial Year, and (iv) a consolidated capital expenditures budget setting forth the nature and type of capital expenditures proposed to be made in the Financial Year; all supported by explanations, notes and information upon which the projections underlying the draft annual business plan were based.
- (b) The draft annual business plan, as reviewed by the Board, 10% Shareholders (excluding any Competing Shareholders), and as approved by an Ordinary Resolution of the Board (with such amendments and modifications as they determine appropriate by Ordinary Resolution of the Board), provided for greater certainty that Chairperson of the Board shall not have a second or casting vote in respect of such Ordinary Resolution, shall become the **Annual Business Plan** for such Financial Year. The Annual Business Plan may be amended from time to time by Ordinary Resolution of the Board, provided for greater certainty that Chairperson of the Board shall not have a second or casting vote in respect of such Ordinary Resolution. Except as expressly provided in Section 3.8, transactions approved or contemplated in the Annual Business Plan shall be deemed to have been approved in accordance with Section 3.8 upon such Annual Business Plan being approved.

3.14 Financial Statements

- (a) The Corporation shall prepare and deliver to the Board and the 10% Shareholders (excluding any Competing Shareholders), within 30 days following the completion of each financial month and financial quarter, a management-prepared report consisting of an unaudited balance sheet, income statement and statement of changes in financial position and setting forth, in comparative terms, the actual results for the current Financial Year to the end of such month or quarter, as the case may be, and the budgeted results for such period based on the Annual Business Plan. The report shall include such explanations, notes and information as is required to explain and account for any variances between the actual results and the budgeted amounts set forth in the Annual Business Plan.
- (b) The Corporation shall deliver, as soon as practicable and in any event within 120 days after the end of each Financial Year, for review and approval by the Board, the audited financial statements of the Corporation for such Financial Year consisting of a balance sheet, a statement of income and a statement of changes in financial position and such other statements and reports as are required in accordance with applicable law.
- (c) The audited financial statements, as approved by the Board (as so approved, the **Financial Statements**), shall be delivered forthwith to the 10% Shareholders (excluding any Competing Shareholders).
- (d) Each of the Shareholders that is a Competing Shareholder and each of the Shareholders that is not a 10% Shareholder hereby waives its rights to receive the Financial Statements in accordance with the *Business Corporations Act* (Ontario).

3.15 Books and Records

Any 10% Shareholder that is not a Competing Shareholder and its authorized representatives may, at any time during normal business hours without causing unreasonable disruption to the Business, review, examine and copy, at its own expense, any books and records of the Corporation.

3.16 Records Confidential

- (a) Except in strict accordance with Section 3.16(b), each Shareholder and Principal acknowledges that all records, material and information obtained by it and relating to the Corporation and its Subsidiaries and the Business (other than information and material which the Corporation is required to deliver to the Shareholders under the Act) are and shall remain the exclusive property of the Corporation and its Subsidiaries. Each of the Parties and their respective authorized representatives shall keep in the strictest confidence, not disclose and not use, without the consent of the Corporation, any non-public information pertaining to or concerning the Corporation and its Subsidiaries (**Confidential Information**) including all budgets, forecasts, analyses, financial results, costs, margins, wages and salaries, bids and other business activities, all supplier and customer lists, all non-public intellectual property including trade secrets, unfiled

patents, technical expertise and know-how and all other information not generally known outside the Corporation.

- (b) Notwithstanding Section 3.16(a) no Shareholder or Principal will be obliged to keep in confidence or will incur any liability for disclosure of Confidential Information which:
- (i) was already in the public domain other than by reason of a breach of this Section 3.16 or any other Agreement with the Corporation or any of its Subsidiaries by such Shareholder or Principal or their authorized representatives;
 - (ii) is required to be disclosed pursuant to a legal or regulatory proceeding or in accordance with applicable Laws, provided that such Shareholder or Principal provides the Corporation prompt notice so that it can seek a protective order or other appropriate remedy. In the case of required disclosure pursuant to this Section 3.16(b)(ii), such Shareholder or Principal shall cooperate with the Corporation in its efforts to obtain a protective order or other remedy to prevent or limit such disclosure and if no such protective order or other remedy is obtained and disclosure is required, such Party shall provide only that portion of Confidential Information which it is legally required, as determined by legal counsel to the Corporation acting reasonably, and use best efforts to obtain written assurance that such Confidential Information will be treated confidentially;
 - (iii) is required to be disclosed in the discharge of a Shareholder or Principal's duties as an employee, independent contractor, officer or director of the Corporation or any of its Subsidiaries;
 - (iv) is required to be disclosed in any arbitration or legal proceeding to enforce the rights of a Shareholder or Principal pursuant to this Agreement or the Subscription & Investment Agreement, provided that such party has promptly given prior written notice to the Corporation that it intends to disclose such Confidential Information; or
 - (v) is disclosed on a need-to-know basis to the professional advisors of a Shareholder or Principal who have a duty of confidentiality, provided that such Shareholder or Principal shall be liable for any disclosure of such Confidential Information by any such professional advisor which disclosure would not otherwise have been permitted by such Shareholder or Principal.

Article 4 – Corporate Finance and Capital Requirements

4.1 Bank Financing

If the incurring of Funded Debt to a Canadian chartered bank or other reputable financial institution has been approved in an Annual Business Plan, or is required to be obtained pursuant to Section 4.2, the Board may, subject to the terms of the Annual Business Plan, and if applicable, Section 3.8, determine from whom such Funded Debt will be borrowed and the terms and conditions of such Funded Debt, provided that to the fullest

extent possible, such Funded Debt is obtained upon the security of the assets of the Corporation alone.

4.2 Shareholder Funding Covenant

- (a) No later than five (5) Business Days following the date on which Forward has fulfilled all of its funding obligations pursuant to the Subscription & Investment Agreement in respect of the First Funding Milestone, Forward, Craig, J.D. Craig Holdings, DUM Holdings and the Corporation hereby covenant, and the other Shareholders acknowledge and agree as follows:
- (i) each of (A) Forward and (B) Craig or J.D. Craig Holdings (collectively the **Windsor Take-Out Lenders**) shall advance a loan to the Corporation in the amount of up to \$1,100,000 (such amount to be half of the then outstanding amount payable in respect of the Funded Debt owing by the Corporation to Windsor Private Capital Inc. (the **Windsor Funded Debt**)) each on terms which are substantially similar to the terms of the Windsor Funded Debt (save and except as to the issuance of warrants, or other convertible securities and the maturity date thereof, (the **Windsor Take-Out Loans**));
 - (ii) the Windsor Take-Out Loans shall be secured by a first ranking charge over all of the assets of the Corporation in the form of a general security agreement, and notice of such security shall be effected by the filing of a financing statement in the personal property security registration system or as the Directors may otherwise determine, and DUM Holdings shall subordinate and postpone its security interest in favour of the security interests of the Windsor Take-Out Lenders under the Windsor Take-Out Loans. If the Corporation subsequently borrows from an institutional lender other than for the purposes set out in Section 4.2(a)(v), and a term of such borrowing is that the Corporation shall give such lender a first charge over its assets, then the Windsor Take-Out Lenders and DUM Holdings shall subordinate their respective security interest to the security of such lender; ‘
 - (iii) the loan to the Corporation by DUM Holdings (the **DUM Shareholder Loan**) shall be amended to reflect the following provisions:
 - (A) the DUM Shareholder Loan shall bear interest at a rate of 7.5% per annum;
 - (B) the maturity date of the DUM Shareholder Loan shall be extended to match the maturity date of the Windsor Take-Out Loans; and
 - (C) the grant of any security interest in respect of the Windsor Take-Out Loans or any institutional lender other than for the purposes set out in Section 4.2(a)(v) to which the Windsor Take-Out Lenders and DUM Holdings shall subordinate their respective security interest, in each case as contemplated in Section 4.2(a)(ii), will not constitute an “Event of Default” within the meaning of the DUM Shareholder Loan;

- (iv) The proceeds of the Windsor Take-Out Loans, together with such additional cash in the Corporation as may be required, shall be used by the Corporation to repay the Windsor Funded Debt in exchange for a full release of such Funded Debt and any security relating thereto;
- (v) the Corporation shall, prior to the maturity date of the Windsor Take-Out Loans, obtain Funded Debt in order to repay the Windsor Take-Out Loans and the DUM Shareholder Loan, which notwithstanding the terms of this Agreement including Sections 3.8 and 4.1 shall only require the approval by a majority of the holders of the Class A Shares or Forward so long as there are Class A Directors or Forward is entitled to nominate a Director; and
- (vi) the Corporation, the Principals and the Shareholders shall take all actions necessary or desirable to give effect to the foregoing.

4.3 Offering of New Securities

Subject to Section 4.7, if an offering of additional securities has been approved in accordance with this Agreement, subject to compliance with Section 4.4, Section 4.5 and applicable Law, the Board may, in its discretion, issue additional Shares or other securities of the Corporation (the **New Securities**) at such price, in such numbers and upon such terms and conditions and to such Persons as it determines to be in the best interests of the Corporation subject to restrictions, if any, imposed under the approval of such issuance granted pursuant to Section 3.8.

4.4 Pre-emptive Right Regarding New Securities

- (a) If the Corporation proposes to issue New Securities, it shall deliver a notice of such intention to each Shareholder (the **Issuance Notice**). The Issuance Notice shall specify the terms and conditions of the offering including (i) the total number of New Securities which are being offered, (ii) the rights, privileges, restrictions, terms and conditions of the New Securities, (iii) the consideration for which each of the New Securities is being offered, and (iv) the date on which the New Securities are to be issued which shall be no earlier than 20 days and no later than 45 days from the date the Issuance Notice is delivered.
- (b) A Shareholder may, within five (5) Business Days after receipt of an Issuance Notice (the **Issuance Period**) by notice given to the Corporation (a **Notice of Intention**), subscribe for its rateable portion of the New Securities based on its Shareholder Proportionate Interest. A subscribing Shareholder may also indicate its intention to subscribe for any New Securities for which the other Shareholders do not subscribe (the **Available New Securities**), by including a statement in the Notice of Intention setting out the number of Available New Securities it is prepared to acquire expressed as a percentage of the Available New Securities, if any, available to be taken up by the Shareholders (the **Specified Percentage**).
- (c) Each Notice of Intention shall, subject to Section 4.5, constitute a binding agreement by the Shareholder to subscribe for and take up the number of New Securities and Available New Securities subscribed for therein upon the terms and conditions and on the date specified in the Issuance Notice.

- (d) A Shareholder may, at any time during the Issuance Period, request the Corporation to indicate the number of Shareholders which have elected to acquire New Securities, the identity of such Shareholders and the number of Available New Securities, including the Specified Percentages set out in the Notices of Intention, and the Corporation shall respond to such request immediately and, in any event, within one (1) Business Day of the request being made.
- (e) If a Shareholder fails to deliver a Notice of Intention within the Issuance Period, then any right that Shareholder has to subscribe for any of the New Securities is extinguished.
- (f) The class of Available New Securities issued to a Shareholder shall be determined by, and shall be the same class of Shares currently held by such Shareholder.

4.5 Issue of Available New Securities to Shareholders

- (a) If the sum of the Specified Percentages (the **Total Percentage**) is equal to 100%, the Available New Securities, if any, shall be allocated among those Shareholders who have elected to subscribe for Available New Securities in accordance with the Specified Percentages set forth in their Notices of Intention. Such Shareholders shall purchase an amount of Available New Securities equal to the product obtained by multiplying the number of Available New Securities by their respective Specified Percentages.
- (b) If the Total Percentage exceeds one hundred (100%) percent (i) the Specified Percentage of each Shareholder will be reduced to an amount equal to the product obtained by multiplying the Specified Percentage indicated by such Shareholder in its Notice of Intention by a fraction, the numerator of which is one hundred (100%) percent and the denominator of which is the Total Percentage, (ii) the Notices of Intention shall be deemed to be amended accordingly, and (iii) such Shareholders shall purchase an amount of Available New Securities equal to the product obtained by multiplying the number of Available New Securities by their respective Specified Percentages as so revised.
- (c) If Available New Securities are allotted to Shareholders, the Corporation will accept the subscriptions for their allotted number or amount of Available New Securities by immediately notifying each Shareholder who subscribed for New Securities of the total number or amount of New Securities allotted to that Shareholder.
- (d) The obligation of the Corporation to issue New Securities to a Shareholder on the date specified in the Issuance Notice is subject to and conditional on the issuance of such securities being exempt from all registration and prospectus requirements under applicable securities laws.

4.6 Issuance of Available New Securities to Third Parties

If the Total Percentage is less than one hundred (100%) percent or if no Shareholders have elected to subscribe for New Securities, then during the 90 day period following the

expiration of the Issuance Period, the Corporation may allot and issue any New Securities not subscribed for to any Person at the same or higher price (in cash) and otherwise upon the same terms and conditions as were set out in the Issuance Notice relating to such New Securities. If any of the New Securities are not issued within such 90 day period, the Corporation must, before issuing them to any Person, again comply with Sections 4.4 and 4.5.

4.7 Exclusions to Pre-Emptive Rights

The Shareholders hereby agree that any issuance of Shares or other securities convertible into Shares from treasury for the following reasons shall not trigger the pre-emptive rights stipulated in Section 4.4:

- (a) in consideration of the acquisition of a business, part of a business or intellectual property rights from an Arm's Length Person;
- (b) in connection with a corporate reorganization provided that Shares are treated equitably in accordance with their terms with respect to any issuance of securities in connection therewith;
- (c) any options granted or any other securities issued under the Stock Option Plan, or any of the warrants, rights, options or convertible securities outstanding as of the date hereof and listed in Schedule 4.7;
- (d) any issuance of securities to Spectrum Motion Media Ltd. in satisfaction of amounts owing in respect of the settlement arrangements entered into between the Corporation and Spectrum Motion Media Ltd. on or about May 21, 2014, provided that such issuance is approved in accordance with Section 3.8; and
- (e) the issuance of any securities pursuant to Section 4.8.

4.8 Forward Covenant

The Corporation shall record in its Share register and shall clearly label any Class B Common Shares issued pursuant to the transactions listed below with an annotation indicating that such Class B Common Shares have been issued pursuant to a transaction contemplated by this Section 4.8:

- (a) the exercise of Windsor Warrants;
- (b) the exercise of Beacon Warrants;
- (c) the exercise of Rothney Warrants; or
- (d) the issuance of Class B Common Shares in order to settle any liabilities or obligations of the Corporation of any nature whatsoever arising after the SIA Closing in respect of any fact, condition or circumstance existing or occurring on or prior to the SIA Closing whether or not the agreement to issue such securities is agreed to after the SIA Closing (e.g. any obligation owing to Spectrum Motion Media or Motion LED existing or arising in respect of the period prior to the SIA Closing whether or not such obligation continues after the SIA Closing, etc.),

whether: (i) directly; or (ii) upon the conversion of Funded Debt convertible into Class B Common Shares, the exercise of any options, rights or warrants, or pursuant to the exercise of any other rights to acquire Class B Common Shares, issued, granted, or otherwise outstanding or made available by the Corporation to a third party in respect of such liabilities or obligations.

For greater certainty this Section 4.8, shall not apply in respect of the issuance of Class B Common Shares pursuant to the exercise of options granted under the Stock Option Plan in accordance with this Agreement.

4.9 Deferred Financing Closing Addition to Stated Capital

Each of the Shareholders shall take such further and other actions as may be reasonably requested in writing by Forward or the Corporation to ensure that upon each Deferred Financing Closing, an amount equal to the Class A Common Share Contribution Amount for such Deferred Financing Closing will be added to the stated capital account maintained in respect of the Class A Shares and converted into paid-up capital in respect of the Class A Shares for tax purposes as contemplated by subparagraph 84(1)(c.3)(ii) of the Income Tax Act.

Article 5 - Restrictions On Transfer

5.1 Restrictions on Transfer

- (a) No Shareholder may transfer any of its Shares except to Persons and in the manner expressly permitted in this Agreement or contemplated by the Articles including, without limitation, Article 6. Any transfer of Shares made in contravention of this Agreement is null and void. The Board and the Shareholders shall not approve or ratify any transfer of Shares made in contravention of this Agreement and the Corporation shall not permit any such transfer to be recorded on the share register of the Corporation.
- (b) From and after the date of a transfer of Shares contrary to Section 5.1(a), all rights of the Shareholder purporting to make the transfer and of its nominee Directors will be suspended and inoperative. No Person may vote such Shares or receive dividends or other distributions in respect of such Shares until the transfer is rescinded by the transferor and transferee.
- (c) The restrictions and remedies provided for in this Section 5.1 are in addition to, and not in substitution for, any other rights or remedies that a Party may have.

5.2 Share Certificates

All certificates representing Shares must bear the following legend:

“The shares represented by this certificate are subject to restrictions on transfer and all the other terms and conditions of a unanimous shareholders’ agreement dated July 27, 2015 made between the Corporation and each and all of the holders of shares, as such agreement may from time to time be amended in accordance with its provisions. A copy of the agreement is on file at the registered office of the Corporation and is available to the

holder hereof for inspection on request, without charge. Any transfer made in contravention of such restrictions shall be null and void.”

5.3 Permitted Transferees

- (a) A Shareholder (a **Transferor**) may, upon not less than three (3) Business Days prior written notice to the Corporation and the other Shareholders, transfer any or all of its Shares to any Permitted Transferee of the Transferor. No such transfer will be effective until the Permitted Transferee executes and delivers to the Corporation an Agreement To Be Bound. If the Permitted Transferee is a Person Controlled by the Transferor, the Transferor shall assume all of the obligations of a Principal under this Agreement.
- (b) The Transferor shall be a Principal in respect of the Permitted Transferee and any further Permitted Transferee of such Permitted Transferee, and at all times after the transfer of Shares to a Permitted Transferee, (i) be jointly and severally liable with the Permitted Transferee, for the observance and performance of the covenants and obligations of such Permitted Transferee under this Agreement, (ii) cause the Permitted Transferee to remain a Permitted Transferee of the Transferor so long as it is a Shareholder, and (iii) indemnify the other Parties against any loss, damage or expense incurred as a result of the failure by the Permitted Transferee to comply with the provisions of this Agreement.

5.4 Transfer by Principal

- (a) Subject to Section 5.4(b) each Principal in respect of its Shareholder covenants and agrees with the other Parties that it shall not, without approval of the Board by Extraordinary Resolution:
 - (i) transfer any of the securities in the capital of the Shareholder of which it is Principal to any other Person; or
 - (ii) cause, permit or suffer such Shareholder to issue any additional securities to any Person other than the Principal; or
 - (iii) take any other action with respect to such Shareholder,
 if, as a result of any such transfer or issuance of securities or other action, there would be a change of Control of such Shareholder or such Shareholder would cease to qualify as a Permitted Transferee.
- (b) A Principal may, upon not less than three (3) Business Days prior written notice to the Corporation and the Shareholders, transfer Control of a Shareholder of which it is Principal to a Permitted Transferee of such Principal and Shareholder in accordance with Section 5.3 provided that such Principal shall continue to be the Principal in respect of any such Permitted Transferee.
- (c) From and after the date of a purported transfer or issuance made in contravention of this Agreement, all rights of the Principal and such Shareholder whose securities have been transferred or issued and of its nominee Directors

will be suspended and inoperative and such Shareholder shall not be entitled to receive dividends or other distributions until the transfer or issuance of securities of such Shareholder is rescinded.

5.5 Pledge of Shares

No Shareholder may grant a Lien or otherwise encumber any of its Shares in any way whatsoever without the prior written consent of the Board by Extraordinary Resolution.

5.6 Deemed Consent

Each of the Parties (a) consents to a transfer of Shares permitted by this Agreement and completed in accordance with its terms, (b) agrees that (i) such consent shall satisfy any restriction on the transfer of such Shares contained in the Articles or the By-laws, and (ii) no further consent will be required pursuant to the Articles, the By-laws or otherwise for any such transfer.

Article 6 – Share Sales and Right Of First Refusal

6.1 Sale and Issue Restrictions

- (a) The transfer of Shares by any Shareholder (other than Forward or any Permitted Transferee of Forward if any Funding Milestone has not been met within by the date specified in Section 3.6(a)) shall be subject to the right of first refusal set forth in Section 6.3.
- (b) Other than pursuant to the exercise of the tag-along rights pursuant to Section 6.4, the drag-along rights pursuant to Section 6.5 and the change in circumstances provisions pursuant to Article 7, the transfer to a Permitted Transferee pursuant to Section 5.3 hereof, or pursuant to a Liquidity Transaction pursuant to Article 8, without the prior written consent of the Board by Extraordinary Resolution, no Shareholder (other than Forward or any Permitted Transferee of Forward if the Financial Milestones have not been met) shall be entitled to transfer any (or all of) its Shares for a period (the **Initial Period**) equal to the later of two (2) years from the date of this Agreement; and (ii) the date that the Corporation achieves the Final Funding Milestone (whether or not such Final Funding Milestone is met within 24 months of the SIA Closing).
- (c) Other than pursuant to the exercise of the tag-along rights pursuant to Section 6.4 or the drag-along rights pursuant to Section 6.5, no Shareholder (other than Forward or any Permitted Transferee of Forward if the Financial Milestones have not been met) shall be entitled to transfer Shares to a competitor of the Business (the whole as may be determined by the Board by Extraordinary Resolution).

6.2 Offer

- (a) If at any time following the end of the Initial Period, a Shareholder (other than Forward) (the **Initiator**) desires to sell to a third party with whom the Initiator is dealing at Arm's Length any of the Shares of the Initiator, the Initiator shall (a) obtain from the third party a *bona fide* offer in writing, which offer shall be

irrevocable for a period of forty-five (45) days (the **Offer**) and which the Initiator is ready and willing to accept, to purchase of all but not less than all of the Initiator's Shares for the amount thereof set forth in the Offer and (b) shall give notice in writing to the Corporation and 10% Shareholders (the **Recipients**) of the receipt of the Offer within five (5) days thereof together with a copy thereof.

- (b) For purposes of this Agreement such Offer shall be deemed to provide for a purchase price per Share determined by dividing the amount of the Offer by the aggregate Shareholder Proportionate Interest represented by the Shares in respect of which the Offer is being made to obtain the enterprise value of the Offer and allocating such enterprise value to each class of Shares based on the Proportionate Interest of such class of Shares at the time such Offer is made and then further allocating such Class amount *pro rata* amongst the Shares in each Class based on the portion of such enterprise value allocated to such class of Shares.

6.3 Right of First Refusal

- (a) Upon receipt of notice of an Offer pursuant to Section 6.2, the Corporation shall then be entitled, as determined by the Board by Extraordinary Resolution, by notice in writing to the Initiator within fifteen (15) days from the date of receipt of a copy of the Offer, to:
 - (i) acquire some or all of the Shares (and shall specify the number of Shares in its notice) for the price per Share (determined in accordance with Section 6.2(a) and further by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), the whole in accordance with the terms and conditions of the Offer. The closing of the sale of Shares pursuant to the terms of this Section 6.3(a)(i), (for the purposes of this Section 6.3(a)(i) and Article 9, a **Sale Transaction**), shall take place on the date (for the purposes of this Section 6.3(a)(i) and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the Corporation received a copy of the Offer. For the purposes of Article 9, the Initiator shall be the Seller, the Corporation shall be the Buyer, the Purchase Price shall be the aggregate purchase price determined pursuant to this Section 6.3(a)(i) and the Purchased Shares shall be the number of the Shares set forth in the notice of the Buyer; or
 - (ii) decline the Offer.

In the event that the Corporation fails to notify the Initiator within the aforesaid fifteen (15) days delay, the Corporation shall be deemed to have elected to decline the Offer.

- (b) No later than the expiry of such fifteen (15) day period, if the Corporation has not exercised its right pursuant to Section 6.3(a)(i) to acquire all of the Shares subject to the Offer, the Initiator shall advise the Recipients whether there are any Shares left to acquire and shall specify the number, if any, of such Shares so available (the **Second Notice**).

- (c) Upon receipt of the Second Notice, each Recipient shall then be entitled, by notice in writing to the Initiator within fifteen (15) days from the date of receipt of a copy of the Second Notice, to:
- (i) acquire a number of Shares from the Initiator for a price per Share which is deemed to be set forth in the Offer in accordance with Section 6.2(b), the whole in accordance with the terms and conditions of the Offer *pro rata* and in proportion to the Recipient's respective Shareholder Proportionate Interest in the Corporation held by it (or in such other proportions as the Recipients desiring to exercise their rights hereunder may agree among themselves) and indicating how many additional Shares such Recipient is willing to purchase in accordance with this Section (i) if one or more other Recipients do not elect to exercise the right of first refusal herein granted. In the event that one or more Recipients elects to purchase its *pro rata* (based on its Shareholder Proportionate Interest) number of the Initiator's Shares and one or more other Recipients declines to elect to so purchase, the Recipient(s) electing to so purchase shall have the further right and option to purchase the remaining Initiator's Shares on the same terms and conditions as set forth in the Offer in accordance with the terms hereof in proportion to the respective Shareholder Proportionate Interest in the Corporation of the Recipients willing to exercise the right provided under this Section (i) to purchase Shares over and above their *pro rata* entitlement with other electing Recipients (or in such other proportions as they may agree among themselves). The closing of the sale of Shares pursuant to the terms of this Section (i), (for the purposes of this Section (i) and Article 9, a **Sale Transaction**), shall take place on a date (for the purposes of this Section (i) and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the Recipients initially received a copy of the Offer. For the purposes of Article 9, the Initiator shall be the Seller, the Recipients shall be the Buyers, the Purchase Price shall be the aggregate purchase price determined pursuant to this Section (i) (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the Purchased Shares shall be the aggregate of the Shares to be acquired pursuant to Section (i); or
 - (ii) decline the Offer, in which case the Initiator may, subject to the rights of the other Recipients, sell its Shares on the terms and conditions of the Offer within one hundred and twenty (120) days of receipt or deemed receipt of a written notice that the Recipients have declined the Offer, failing which each of the provisions of this Section 6.3 shall again apply to any proposed sale of Shares. In the event that a Recipient fails to notify the Initiator within the aforesaid fifteen (15) days delay, such Recipient shall be deemed to have elected to decline the Offer.

Notwithstanding the foregoing, in the event that the Corporation and the Recipients do not, collectively, acquire all of the Shares that the Initiator intends to sell pursuant to the Offer, within the deadlines provided herein, the

Corporation and the Recipients shall forfeit the right of first refusal provided herein and the Initiator may sell its Shares on the terms and conditions of the Offer to the third party as set forth in Section 6.3(c)(ii) for the duration of such period specified in Section 6.3(c)(ii).

- (d) An Offer shall not be valid for purposes of this Article 6 unless:
- (i) it is irrevocable and the consideration for the purchase of the Shares shall be exclusively payable in Canadian dollars;
 - (ii) all Shares sold must be free and clear of any Liens other than Permitted Liens;
 - (iii) the purchaser of the Shares shall assume all of the rights and obligations in respect of the Corporation and under this Agreement, of the Shareholder(s) who is (are) selling its (their) Shares and shall also ensure that any guaranties or other security granted by such Shareholders is (are) released upon closing;
 - (iv) it requires that the purchaser of the Shares obtain on or prior to closing all requisite statutory and regulatory approvals in respect of its acquisition of the Shares to be sold;
 - (v) it provides for a closing date no later than one hundred and twenty (120) days from the date that the Offer is initially received by the Recipients and no earlier than sixty (60) days following the date of such Offer;
 - (vi) the offeror must be at Arm's Length with each of the Shareholders;
 - (vii) it is unconditional except for normal due diligence verifications and normal conditions;
 - (viii) it is not part of any other transaction and not conditional on any other transactions;
 - (ix) it does not contain any provision or term which could not reasonably be satisfied by the Corporation and the Recipients;
 - (x) the offeror would not following Closing be a Competing Shareholder (as determined by the Board in its sole discretion) unless approved by the Board by Extraordinary Resolution;
 - (xi) the offeror agrees to be bound by this Agreement;
 - (xii) it shall be accompanied by all relevant details, reference and conditions of the offeror and the names of the ultimate beneficial shareholder(s) of the offeror;

- (xiii) it shall not other than to the extent payable to all Sellers on a *pro rata* basis based on each Shareholder's Shareholder Proportionate Interest, provide for the provision of management, consulting or other fees, a payment for any non-competition covenant or the payment of salary, in each case which is reasonably attributable to the purchase price, as opposed to the fair consideration for future services to be rendered by the Shareholder(s) or any of its (their) Associates, or any other Person with whom the Shareholder does not deal at Arm's Length, but shall include the purchase of any indebtedness owed by the Corporation to each of the Shareholders who are selling their Shares; and
- (xiv) it shall provide that the liability under the purchase agreement of each of the Shareholders who are selling their Shares including, without limitation, liability for breach of representation or warranty or for a claim under an indemnity, shall not be joint and several (solidary) and shall not, under any circumstances, exceed the lesser of its pro rata proportion of any claim and the purchase price payable to such Shareholder.

6.4 Tag-Along Rights

In the event that any Shareholder or group of Shareholders holding a Shareholder Proportionate Interest of at least 50%, (a **Selling Shareholder**) desires to transfer all of, but not less than all of its or their Shares to a third party at Arm's Length, under an Offer, subject to Section 6.3, such Selling Shareholder shall send a copy of such Tag-Along Offer to all Shareholders (the **Tag-Along Offer**) in writing (the **Tag- Along Notice**) and each Shareholder (other than the Selling Shareholder) shall then have the right to elect, by notice in writing to the Selling Shareholder within fifteen (15) days from the date of receipt of the Tag-Along Notice, as a condition precedent to any sale of Shares by the Selling Shareholder to the Arm's Length third party, to require the Arm's Length third party to purchase the Shares held by such Shareholder for a price per Share which is determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation and otherwise upon the same terms and conditions as contained in the Tag-Along Offer. Should a Shareholder not have notified the Selling Shareholder in writing of its intention to exercise its right to require the third party to purchase its Shares within the fifteen (15) day delay mentioned hereinabove, such Shareholder shall irrevocably be deemed to have elected not to exercise such right. Any Tag-Along Offer shall comply with the requirements of Sections 6.3(d)(xii) and 6.3(d)(xiii) and further shall specify the aggregate consideration that would be paid by such third party in order to acquire all of the Shares of the Corporation in the event that all Shareholders elected to accept the Tag-Along Offer. The closing of the sale of Shares pursuant to the terms of this Section 6.4, for the purposes of this Section 6.4 and Article 9, a **Sale Transaction**, shall take place on a date (for the purposes of this Section 6.4 and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the other Shareholders initially received the Tag-Along Notice. For the purposes of Article 9, the Selling Shareholder and any other Shareholder that elects to accept the Tag-Along Offer in accordance with this Section 6.4 shall be the **Seller**, the Arm's Length third party making the Tag-Along Offer shall be the **Buyer**, the **Purchase Price** shall be the aggregate purchase price determined pursuant to this Section 6.4 (and for greater

certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the **Purchased Shares** shall be the aggregate of the Shares to be acquired pursuant to Section 6.4.

6.5 Drag-Along Rights

In the event that: (a) Forward, provided (i) a Funding Milestone has not been met within by the date specified in Section 3.6(a), or (ii) five (5) years have elapsed after the date of this Agreement and no Funding Default has occurred; or (b) any Shareholder or group of Shareholders (which may but shall not be required to be or include Forward), holding a Shareholder Proportionate Interest of at least 60% (a **Selling Shareholder**), desires to transfer all of, but not less than all of its or their Shares to a third party at Arm's Length, under an Offer, subject to Section 6.3, such Selling Shareholder shall send a copy of such Offer to all Shareholders (the **Drag-Along Offer**) in writing (the **Drag-Along Notice**) together with a notice that it wishes to invoke the provisions of this Section 6.5 in which case, the Selling Shareholder shall have the right to require the other Shareholders, pursuant to the Drag-Along Notice to require the other Shareholders to accept the offer and sell all of its Shares and the Shares held by such other Shareholders to the third party pursuant to the terms of the Drag-Along Offer. The Corporation is hereby irrevocably appointed the agent and attorney of the Shareholders and each of them for the purposes of effecting registration of the third party as a Shareholder in completing the sale of the Shares of such other Shareholders to the third party in accordance with this Section 6.5. For purposes hereof, the Drag-Along Offer must be an offer, payable in cash or by certified cheque at closing, for no less than all of the Shares, specifying the aggregate consideration to be paid for such Shares (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and otherwise consistent with Sections 6.3(d)(xii) and 6.3(d)(xiii), made by a third party dealing at Arm's Length with the Selling Shareholder. Any such Drag-Along Offer shall provide that the liability under the purchase agreement of each of the Shareholders who are selling their Shares including, without limitation, liability for breach of representation or warranty or for a claim under an indemnity, shall not be joint and several (solidary) and shall not, under any circumstances, exceed the lesser of its pro rata proportion of any claim and the purchase price payable to such Shareholder (save for customary exceptions). The closing of the sale of Shares pursuant to the terms of this Section 6.5, for the purposes of this Section 6.5 and Article 9, a **Sale Transaction**, shall take place at a date (for the purposes of this Section 6.5 and Article 9, the **Date of Closing**) which is no later than forty-five (45) days after the date the other Shareholders initially received the Drag-Along Offer. For the purposes of Article 9, all Shareholders shall be the **Seller**, the party making the Drag-Along Offer shall be the **Buyer**, the **Purchase Price** shall be the aggregate purchase price determined pursuant to this Section 6.5 (and for greater certainty, the price of each class of Shares shall be determined in accordance with Section 6.2(b) and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation), and the **Purchased Shares** shall be the aggregate of the Shares to be acquired pursuant to Section 6.5.

6.6 Rights of Buyer

Except as provided herein, any purchaser of all of the Shares in accordance with the provisions of this Agreement shall be entitled to all of the rights and benefits accruing to such Shareholders transferring their Shares hereunder and shall be subject to all obligations binding upon such Shareholders in respect thereof.

6.7 Repayment of Shareholder Loans, etc.

Contemporaneously with the completion of a transaction of purchase and sale under an offer by a third party at Arm's Length, (a) the offeror shall repay any Funded Debt owing by it to the Corporation and any indebtedness owing by it to the other Shareholders, and (b) the Third Party Buyer shall (i) purchase from the offeror any Shareholder loans owed by the Corporation to the offeror.

Article 7 - Changes in Circumstances

7.1 Inactive Shareholders

- (a) A Shareholder is deemed to be an Inactive Shareholder immediately following the occurrence of any of the following events (each a **Triggering Event**):
- (i) the Shareholder (other than Forward), or a senior officer or director of a such Shareholder or the Principal of such Shareholder has been convicted of any criminal offence by a court of final and competent jurisdiction and has been sentenced to imprisonment for a period aggregating in excess of 30 days;
 - (ii) the Shareholder (other than Forward), or a Principal of such Shareholder has been convicted of a criminal offence involving moral turpitude including theft, fraud, embezzlement, forgery or misappropriation or of an offence of a similar character involving dishonest acts;
 - (iii) if at any time within the Initial Period, the Shareholder (other than Forward), or a Principal of the Shareholder resigns its employment or independent consulting or similar arrangement with the Corporation or any Subsidiaries of the Corporation and without the consent of the Corporation;
 - (iv) the Shareholder or a Principal of the Shareholder: (A) acknowledges that it is insolvent or unable to pay its debts as they become due, (B) makes an assignment for the benefit of its creditors, (C) appoints or allows the appointment of any receiver, receiver-manager, trustee, liquidator or other Person acting in a similar capacity, (D) institutes any proceeding seeking to have it adjudicated a bankrupt or insolvent, or (E) takes any action or institutes any proceeding for the purpose of, or leading to, the liquidation, dissolution, winding-up, reorganization, arrangement, adjustment, protection, relief or composition of the Shareholder or the Principal or its debts under any law relating to bankruptcy, insolvency, reorganization or relief of debtors; or

- (v) the Shareholder or a Principal of the Shareholder breaches any material provision of this Agreement and the breach is not remedied within 30 days of notice thereof from the Corporation;
 - (vi) except if such spouse or former spouse executes an Agreement To Be Bound, if an application or proceeding is brought under the *Family Law Act* (Ontario) or similar legislation in a different jurisdiction by the spouse or former spouse of the Shareholder to determine the entitlement of the spouse or former spouse to the net family property of the Shareholder or Permitted Transferee and the Shareholder or Permitted Transferee does not produce evidence satisfactory to the Board by Extraordinary Resolution, acting reasonably, within thirty (30) days of the date on which the application or proceeding is brought, that the financial claims of the spouse or former spouse to such entitlement can be settled without in any way, directly or indirectly, encumbering or interfering with the holding of Shares by the Shareholder or Permitted Transferee or requiring disclosure, directly or indirectly, of any Confidential Information to the spouse or former spouse of the Shareholder.
- (b) Each Shareholder or Principal, or in the case of death, incapacity or continuing status as a missing person, its executor, administrator, or other legal or personal representative (each being a **Representative**), shall give notice in writing to the Corporation promptly following the occurrence of a Triggering Event.
 - (c) From and after the date that a Shareholder becomes an Inactive Shareholder, the right of such Shareholder to nominate any Directors is suspended and any nominee Director of such Inactive Shareholder shall resign from the Board. The votes of such Shareholder or its nominee Directors or both of them, as the case may be, shall be excluded for purposes of determining whether a quorum is present or whether decision, action or matter has been approved whether by Extraordinary Resolution or otherwise.
 - (d) If a senior officer or director of a Shareholder that is also a Director is convicted of an offence described in Section 7.1(a)(i) or 7.1(a)(ii), then the Shareholder(s) entitled to nominate such Director shall cause such Director to forthwith tender his or her resignation from the Board.

7.2 Irrevocable Option to Purchase Shares of Inactive Shareholder

- (a) Each Shareholder grants to the Corporation and the other Shareholders an irrevocable option (the **Purchase Option**), exercisable in the event that it becomes an Inactive Shareholder, to purchase all but not less than all of the Shares held by it (the **Purchased Shares**).
- (b) Subject to an election by the Corporation to purchase some or all of the Purchased Shares pursuant to Section 7.2(a), the Corporation shall deliver a notice to each Shareholder other than the Inactive Shareholder (the **Other Shareholders**) within three (3) Business Days following the receipt of notice of, or otherwise becoming aware of, a Triggering Event. The Purchase Option shall be exercisable by the Other Shareholders at any time within 30 days following receipt of notice of the Triggering Event (the **Exercise Period**) upon notice in

writing (the **Exercise Notice**) to the Inactive Shareholder or its Representative and the Corporation.

- (c) If the Other Shareholders elect to exercise the Purchase Option, they shall be entitled to purchase the Purchased Shares *pro rata* in the proportion that each such Shareholder's Shareholder Proportionate Interest bears to the total Shareholder Proportionate Interest held by the Other Shareholders or in such other proportions as the Other Shareholders may mutually agree and such purchase may be made by one or more Other Shareholders jointly or by any one of them alone. The Other Shareholders shall specify the manner in which such Purchased Shares are to be acquired in the Exercise Notice and the Party or Parties so specified shall be the Buyer. If the Other Shareholders who have elected to exercise the Purchase Option cannot agree on the manner in which the Purchased Shares are to be acquired, the Purchase Option shall expire 25 days after delivery of the Exercise Notice.

7.3 Purchase Price for Shares

- (a) The purchase price (the **Purchase Price**) for the Purchased Shares of the Inactive Shareholder (the **Seller**) shall be the product obtained by multiplying the Shareholder Proportionate Interest of the Purchased Shares and the Fair Market Value of the Shares determined in accordance with the provisions of Article 10, except that where the Triggering Event results from (a) the termination of employment of the Inactive Shareholder or a Principal of the Inactive Shareholder as an officer or employee of the Corporation for just cause or the Triggering Event specified in Section 7.1(a)(iii), the Purchase Price otherwise determined under this Section 7.3 shall be reduced by twenty-five percent (25%), or (b) the Triggering Event specified in Sections 7.1(a)(i) or 7.1(a)(ii), the Purchase Price otherwise determined under this Section 7.3 shall be reduced by fifty percent (50%), or in each case to the extent permitted by Laws.
- (b) Where the Purchase Price is paid by the Corporation the Purchase Price shall be paid by delivery of a Promissory Note payable in equal quarterly installments over five years and having a rate of interest equal to the rate of interest per annum which the principal office in Toronto of the bank of the Corporation quotes, publishes and refers to as its "prime rate" and which is its reference rate of interest for loans in Canadian dollars made in Canada to Canadian borrowers, adjusted automatically with each quoted or published change in such rate, all without the necessity of any notice to a Party or any other Person.

7.4 Closing

- (a) The closing of a transaction of purchase and sale contemplated by this Article 7, (a **Sale Transaction**) shall take place at on the date (the **Date of Closing**) which shall, unless the Seller and Buyer otherwise agree, be the latest of:
- (i) the date of which is 90 days after the relevant Triggering Event;

- (ii) the date which is seven days following the receipt of all necessary governmental releases or approvals required to be obtained in order to effect a valid transfer of the Purchased Shares (and the Parties covenant and agree to use their best efforts to obtain such consents, releases or approvals);
 - (iii) the date which is 30 days after the Purchase Price is finally determined in accordance with the provisions of Article 10; and
 - (iv) if the Shareholder becomes an Inactive Shareholder because of the death of the Shareholder or its Principal and Corporation is the Buyer, the date which is ten days following the date upon which the Corporation receives the proceeds of insurance, if any, payable on the life of the deceased Shareholder or Principal.
- (b) The Sale Transaction shall be effected in accordance with the general sale provisions of Article 9.

7.5 Income Tax Filings

Immediately upon receipt of any proceeds of insurance payable on the life insured under such policy or policies, the Corporation shall take all corporate actions and effect all prescribed elections and filings as may be required under the Income Tax Act so that the Purchase Price shall, to the extent that the capital dividend account of the Corporation (as defined in the Income Tax Act) has been increased as a result of the Corporation's receipt of the proceeds of life insurance policies payable upon the death of the life insured, be paid out of the Corporation's capital dividend account.

7.6 No Sale

Notwithstanding any designation of the Corporation as Buyer under Section 7.2 or the provisions of Section 7.4, the Corporation shall not complete any Sale Transaction contemplated by this Article 7 if, for any reason, at the Time of Closing, the purchase of the Purchased Shares by the Corporation is prohibited by the Act or otherwise by Law.

7.7 Suspension of Certain Provisions

Following a Triggering Event pursuant to Section 7.1(a) an Inactive Shareholder shall only be entitled to transfer its Shares in accordance with this Article and the provisions of Article 5, Article 6 and Article 7 shall be suspended and inoperative with respect to such Inactive Shareholder.

Article 8 - Liquidity Transaction

8.1 Liquidity Mandate Right of First Offer

- (a) If at any time and from time to time following the fifth anniversary of the date of this Agreement, Forward desires to deliver a Liquidity Mandate, Forward will first deliver notice to all 10% Shareholders that it intends to effect a Liquidity Mandate specifying the terms upon which it would be prepared to sell all, but not less than all of its Shares to such 10% Shareholders (the **Liquidity Sale Offer**). For

greater certainty, a Liquidity Sale Offer in respect of a Liquidity Mandate shall be deemed to also constitute a Liquidity Sale Offer in respect of all Shares held by Forward.

- (b) The 10% Shareholders, or any combination of them, shall have twenty (20) Business Days following receipt of the Liquidity Sale Offer to (i) accept the Liquidity Sale Offer (a **Liquidity Sale Acceptance**); or (ii) decline the Liquidity Sale Offer. Such election may be made by the 10% Shareholders intending to make a Liquidity Sale Acceptance (the **Liquidity Sale Accepters**) by having a representative of such group provide notice of such election to the secretary of the Corporation and Forward. If no Liquidity Sale Acceptance is received by the secretary of the Corporation and Forward in respect of a Liquidity Sale Offer within such twenty (20) Business Day period, the 10% Shareholders shall be deemed to have elected to decline the Liquidity Sale Offer.
- (c) If a Liquidity Sale Acceptance is received, the Liquidity Sale Accepters shall purchase Forward's Shares in accordance with the terms and conditions specified in such Liquidity Sale Offer. Such sale shall be completed in accordance with Article 9 on the 20th Business Day following the delivery of the Liquidity Sale Acceptance by the Liquidity Sale Accepters or such other date as may be agreed between Forward and the Liquidity Sale Accepters.
- (d) In respect of any Liquidity Sale Offer, in the event that the 10% Shareholders elect or are deemed to have elected to decline the Liquidity Sale Offer, Forward may, for a period of 240 days following the earliest of the dates on which such election or deemed election is made, deliver a Liquidity Mandate to the Board provided that, unless otherwise consented to in writing by the 10% Shareholders holding a majority of the Shares held by the 10% Shareholders, any Liquidity Offer approved by Forward, shall be no more favourable to the purchaser, in the aggregate, than the terms of the declined Liquidity Sale Offer *mutatis mutandis*. If after such 240 day period, a Liquidity Offer has not been accepted, the provisions of this Section 8.1 will again apply to any proposed sale of Shares to which Section 8.1 would apply and to the delivery of a Liquidity Mandate.

8.2 Liquidity Mandate

- (a) Whenever Forward is entitled to deliver a Liquidity Mandate to the Board in accordance with Section 8.1, Forward may provide notice to the Board that it has a Liquidity Mandate (the **Liquidity Notice**). For greater certainty, and without limiting Section 8.1, Forward may not deliver a Liquidity Notice unless there are Class A Directors or Forward is entitled to nominate a Director and shall not be entitled to deliver a Liquidity Notice prior to the fifth anniversary of the date of this Agreement.
- (b) Upon receipt of a Liquidity Notice the Board shall have a Liquidity Mandate and shall carry out the Liquidity Mandate by seeking and considering Liquidity Offers that provide Shareholders the opportunity to obtain liquidity in respect of their Shares, which Liquidity Mandate shall apply until the earlier of (i) Forward delivering a notice to the Board revoking the Liquidity Mandate; or (ii) a Liquidity Offer is approved by the Board by Extraordinary Resolution and a Liquidity Offer so approved is completed. In the event that Forward delivering a notice to the

Board revoking the Liquidity Mandate a further Liquidity Notice may be delivered pursuant to Section 8.2(a) in which case this Section 8.2(b) shall again apply.

- (c) During any period in which the Board has a Liquidity Mandate, the Board shall have the full power and authority to (i) directly or indirectly solicit Liquidity Offers and to take such actions as it deems appropriate in connection therewith, including, without limitation, seeking the advice of, canvassing and/or retaining one or more investment dealers or financial advisors to provide advice on and generally assist with the solicitation, fairness and valuation of Liquidity Offers and satisfaction of the Liquidity Mandate (with fees of any such investment dealer or financial advisor being payable by the Corporation) and directing Parties to cooperate in soliciting Liquidity Offers on such terms and in such manner as the Board may determine by Extraordinary Resolution; and (ii) effect a sale of the Corporation in accordance with the terms of a Liquidity Offer approved in accordance with this Article 8.
- (d) Each of the Parties agrees to cooperate with the Board to seek Liquidity Offers on such terms and from such Persons as the Board may determine by Extraordinary Resolution from time to time during any period in which it has a Liquidity Mandate and to, at the request or direction of the Board, facilitate the solicitation of Liquidity Offers and any Liquidity Transaction contemplated in a Liquidity Offer approved by Forward in accordance with 8.2(f) on a timely basis, including by promptly setting up and maintaining or causing to be set up and maintained, a comprehensive data room, providing access under appropriate confidentiality agreements to such employees, customers and suppliers, agreements, books and records and other documentation, of the Corporation and its Subsidiaries as any potential purchaser, underwriter or agent may reasonably request, preparing and amending comprehensive and appropriate disclosure documents on a timely basis and providing any necessary consents and approvals.
- (e) Forthwith following receipt by any Party of a Liquidity Offer during a time when the Board has a Liquidity Mandate, the recipient thereof shall provide such Liquidity Offer to the Board, and the Board will provide a copy of each such Liquidity Offer to Forward with its recommendations with respect to the acceptance or rejection of such Liquidity Offer.
- (f) If Forward approves any Liquidity Offer so presented by the Board by notice in writing to the Corporation and the other Shareholders, each of the Parties agrees to take all actions necessary to consummate the Liquidity Transaction contemplated therein and, if applicable (but subject to the provisions of the articles of the Corporation), to forthwith cause the distribution of any resulting proceeds therefrom to the Shareholders in connection with fulfilling the objective of completing such Liquidity Transaction to provide liquidity to the Shareholders in respect of their Shares.
- (g) In respect of a Liquidity Offer approved by Forward, Forward or such Permitted Transferee shall be entitled to accept such Liquidity Offer and to execute and deliver all documents and instruments and to cast such votes in respect of any Shares of such Party for and on behalf of each Party who fails to do so in the time required therefor pursuant to the terms of or to give effect to the Liquidity

Transaction contemplated in such Liquidity Offer and to deliver the same to the Corporation or the purchaser thereunder, as the case may be. For such purpose, each of the Parties appoints Forward and its Permitted Transferees as its attorney, with full power of substitution, in the name of such Party to (i) accept such Liquidity Offer and, if applicable, to negotiate, execute and deliver a binding contract of purchase and sale between each of the Parties, as applicable pursuant to the terms of such Liquidity Offer, and the purchaser under such Liquidity Offer, and (ii) execute and deliver all documents and instruments and cast such votes in respect of any Shares of such Party as may be desirable or necessary to accomplish the foregoing and or to accept or authorize the Corporation or any of its Subsidiaries to accept, enter into and perform its obligations in connection with any Liquidity Transaction contemplated in such Liquidity Offer. For greater certainty, any Party that does not, within three (3) Business Days of being requested to do so by Forward or the Corporation, provide a proxy authorizing Forward or its designee to vote the Shares of such Party in favour of any Liquidity Offer approved by Forward in accordance with this Article 8 at a duly called meeting of the Shareholders for such purpose shall, for the purposes of this Section 8.2(g), be deemed to have failed to cast votes in the time required therefor pursuant to the terms of or to give effect to the Liquidity Transaction contemplated in such Liquidity Offer.

- (h) For greater certainty, each of the Parties shall further execute and deliver any tax elections, filings or other such forms as may be appropriate so as to result in available tax efficiencies, all as Forward may reasonably request (any such request being deemed to be reasonable in respect of a Party unless it would result in a materially adverse tax consequence to such Party). If any Party does not comply with the requirements set out in this Section 8.2(h) within three (3) Business Days of being requested to do so by Forward or the Corporation, Forward shall be entitled to execute and deliver such documentation and, for such purpose, each of the Parties hereby appoints Forward and its Permitted Transferee as its attorney, with full power of substitution, in the name of such Party, to execute and deliver any such elections, filings or other forms all as aforesaid.

Article 9 - Procedure For Sale Of Shares

9.1 Application of Sale Provisions

- (a) Except as may otherwise be expressly provided in this Agreement, the provisions of this Article 9 shall apply to any sale of Shares between Shareholders, any sale of Shares by a Shareholder to a third party pursuant to Article 6 or, to the extent applicable, between Shareholders and the Corporation pursuant to the provisions of this Agreement.
- (b) For the purpose of this Article 9, the terms **Seller, Buyer, Date of Closing, Time of Closing, Purchase Price** and **Purchased Shares** with respect to any Sale Transaction shall have the meanings specified in Article 6 and Article 7 as the case may be.

9.2 Obligations of Seller

At or prior to the Time of Closing, the Seller shall:

- (a) assign and transfer to the Buyer the Purchased Shares and deliver the share certificate(s) representing the Purchased Shares duly endorsed for transfer to the Buyer or as directed by it;
- (b) do all other things required in order to deliver good and marketable title to the Purchased Shares to the Buyer free and clear of any Liens;
- (c) deliver to the Corporation and the Buyer all necessary documents (which shall be in form and substance reasonably satisfactory to the solicitors for the Buyer) required to transfer to the Buyer the indebtedness of the Corporation and the other Shareholder to the Seller or to otherwise comply fully with the intent of this Agreement;
- (d) deliver to the Corporation signed resignations of the Seller and its nominees, if any, as Directors, officers and employees of the Corporation, as the case may be;
- (e) deliver to the Corporation releases by the Seller and its nominees, if any, of all claims against the Corporation with respect to any matter or thing up to and including the Time of Closing in their capacities as Directors, officers, Shareholders, employees or creditors of the Corporation, as the case may be, except for any claims which might arise out of the Sale Transaction;
- (f) deliver to the remaining Shareholder releases by the Seller and its nominees, if any, all claims against each remaining Shareholder and their respective nominees, if any, in their capacities as a Shareholder, Director or officer of the Corporation, except for any claims which might arise out of the Sale Transaction; and
- (g) either provide the Buyer with evidence reasonably satisfactory to the Buyer that the Seller is not then a non-resident of Canada within the meaning of the Income Tax Act or provide the Buyer with a certificate pursuant to subsection 116(2) of the Income Tax Act with a certificate limit in an amount not less than the Purchase Price for the Purchased Shares.

9.3 Release of Guarantees etc.

If, at the Time of Closing, the Seller, a Principal of the Seller or any other Person for and on behalf of the Seller, shall have provided a guarantee or security to secure any indebtedness, liability or obligation of the Corporation or the remaining Shareholders, then the remaining Shareholders shall use their best efforts to deliver up or cause to be delivered up to the Seller or cancel or cause to be cancelled all of such guarantee and security at the Time of Closing. If, notwithstanding such best efforts, the cancellation or discharge of any such guarantee or security is not obtained, the remaining Shareholders shall deliver to the Seller, the Principal and such other Person an indemnity in writing, in form reasonably satisfactory to counsel for the Seller, indemnifying them against any

and all claims, losses, costs or damages which may be or which shall have been paid, suffered or incurred by them with respect to the guarantee, security or covenant.

9.4 Deliveries to Seller

At or prior to the Time of Closing, each of the remaining Shareholders shall:

- (a) deliver to the Seller and its nominees, if any, a release by it, in its capacity as a Director, officer and Shareholder of the Corporation, of all of its claims against the Seller and its nominees in its capacity as a Shareholder, Director or officer of the Corporation, except for any claims which may arise out of the Sale Transaction; and
- (b) cause the Corporation to deliver to the Seller and its nominees, if any, a release by the Corporation of all its claims against the Seller and its nominees with respect to any matter or thing arising as a result of the Seller or its nominees being a Shareholder, Director or officer of the Corporation, as the case may be, except for any claims which might arise out of the Sale Transactions.

9.5 Repayment of Funded Debts

If, at the Time of Closing, the Corporation is indebted to the Seller, the Corporation shall repay such amount to the Seller at the Time of Closing. If, at the Time of Closing, the Seller is indebted to the Corporation, the Seller shall repay such amount to the Corporation at the Time of Closing and, if the Seller fails to make such repayment, the Buyer shall be required to pay the amount of such indebtedness to the Corporation from the Purchase Price and the amount of the Purchase Price payable to the Seller shall be reduced accordingly.

9.6 Payment of Purchase Price

Unless otherwise agreed in the Sales Transaction and permitted by this Agreement, the Purchase Price (less an amount required to be withheld or paid to the Corporation or another Person pursuant to this Agreement including Section 9.5) shall be paid by the Buyer in full by cash or bank draft at the Time of Closing.

9.7 Non-Compliance with Conditions

If at the Time of Closing (i) the Purchased Shares are not free and clear of all Liens, or (ii) evidence or a certificate referred to in Section 9.2(g) is not provided, the Buyer may, without prejudice to any other rights which it may have, purchase the Purchased Shares subject to such Liens or in the absence of such evidence or certificate, and, in that event, the Buyer shall, at the Time of Closing, (iii) assume all obligations and liabilities with respect to such Liens, and (iv) make the payment of tax required under Section 116 of the Income Tax Act, as the case may be; and in each such case the Purchase Price payable by the Buyer for the Purchased Shares shall be satisfied, in whole or in part, as the case may be, by such assumption or payment and the amount so assumed or paid shall be deducted from the Purchase Price payable at the Time of Closing).

9.8 Non-Completion by Seller

- (a) If, at the Time of Closing, the Seller fails to complete the Sale Transaction, the Buyer shall have the right, if not in default under this Agreement, without prejudice to any other rights which it may have, make payment of the Purchase Price payable to the Seller at the Time of Closing by depositing such amount to the credit of the Seller in the main branch of the Corporation's bankers in the City of Toronto. Such deposit shall constitute valid and effective payment of the Purchase Price to the Seller irrespective of any action the Seller may have taken to transfer or grant of Lien on the Purchased Shares. If the Purchase Price has been so paid, then from and after the date of deposit, the Sales Transaction shall be deemed to have been fully completed and all right, title, benefit and interest, both at law and in equity, in and to the Purchased Shares shall conclusively be deemed to have been transferred to and become vested in the Buyer and all right, title, benefit and interest, both at law and in equity, in and to the Purchased Shares of the Seller or of any transferee of the Seller shall cease. The Buyer shall also have the right to execute and deliver, on behalf of and in the name of the Seller, such deeds, transfers, share certificates, resignations and other documents that may be necessary to complete the Sale Transaction and each Shareholder, to the extent it may be a Seller irrevocably appoints any Shareholder who becomes a Buyer in a Sale Transaction its attorney in that behalf, with no restriction or limitation in that regard and declaring that this power of attorney is coupled with an interest and may be exercised during any subsequent legal incapacity on its part.
- (b) The Seller shall be entitled to receive the amount deposited with the Corporation's bankers pursuant to Section 9.8(a) together with the releases and indemnities to which it may be entitled pursuant to Section 9.3 and Section 9.4 on delivery to the Buyer of the documents referred to in Section 9.2 and in compliance with all other provisions of this Agreement.

9.9 Non-Completion by Buyer

In addition to and without limiting any remedy that may be available at law or in equity to the Seller, in the event that a person who is obligated to purchase Shares in accordance with this Agreement defaults in the performance of its obligation to complete such purchase, the Seller may, at its option, by notice in writing to the defaulting Person, terminate all its obligations relating to such purchase and, upon the giving of such notice in accordance with the provisions of this Section 9.9, such obligations shall be terminated without prejudice to the continued effectiveness of this Agreement.

9.10 No Joint Liability

For greater certainty, the Parties acknowledge and agree that where a Sale Transaction involves more than one Buyer, the Buyers in such Sale Transaction are not jointly liable for the payment of the Purchase Price for the Purchased Shares and any indebtedness purchased, but are only liable for their agreed share.

Article 10 - Fair Market Value

10.1 Purchase Price for Shares

The provisions of this Article 10 shall apply with respect to any determination of Fair Market Value required to be made pursuant to this Agreement.

10.2 Meaning of Fair Market Value

- (a) For purposes of this Agreement, **Fair Market Value** means the price per relevant class of Shares having regard to the Proportionate Interest of such class of Shares and the priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation, determined by (a) the Board by Extraordinary Resolution, in good faith in respect of matters relating to the transfer or potential transfer of less than 10% of the Shares; or (b) in all other cases by a First Valuator (as hereinafter defined) or Second Valuator (as hereinafter defined) pursuant to this Article 10 as of the relevant Valuation Date, that would be received upon a sale of all of the issued and outstanding Shares in a single transaction determined in an open and unrestricted market between prudent parties, acting at arm's length and under no compulsion to act, and having reasonable knowledge of all relevant facts concerning the Corporation. In determining the Fair Market Value of the Shares, such First Valuator or Second Valuator shall be considered as an expert and shall not be construed as acting as an arbitrator within the meaning of the *Arbitration Act*, 1991 (Ontario).
- (b) The determination of the Fair Market Value of the Shares shall be made as if the Corporation were a "going concern" (except to the extent that market, financial, economic, business or other conditions dictate different criteria in the reasonable judgment of the Board, First Valuator or Second Valuator as applicable) without any discount for a minority interest or any premium for control, but, for greater certainty, the value of each class of Shares shall be determined having regard to the Proportionate Interest of such class of Shares and by applying the same priority allocation as would be applicable pursuant to the Articles upon a liquidation, dissolution or winding-up of the Corporation. The value of the Shares shall not be diminished because (i) the Shares are not publicly traded, or (ii) the Seller owns a minority interest in the Corporation.

10.3 Estimate of Fair Market Value

- (a) Immediately following the receipt of an Exercise Notice under Section 7.2(b), which a First Valuator or Second Valuator determination is required, the Board by Extraordinary Resolution shall instruct a certified business valuator with advertising media industry experience (the **First Valuator**) to prepare and deliver

to the Seller and Buyer, within a period of 30 days from the date of receipt of such instructions, an Estimate Valuation Report setting forth the First Valuator's estimate as to the Fair Market Value of the Shares and the basis upon which such estimate has been calculated (the **First Valuator's Report**).

- (b) If the estimate of the Fair Market Value of the Shares determined by the Board, or set forth in the First Valuator's Report, as applicable, is acceptable to the Seller and Buyer and agreed to in writing within a period of ten days following the delivery of the First Valuator's Report to them, it shall become the Fair Market Value of the Shares for purposes of the Sale Transaction to which it relates.
- (c) If the statement of the Fair Market Value determined by the Board, or set forth in the First Valuator's, as applicable, is unacceptable to the Seller or the Buyer they shall negotiate expeditiously and in good faith during such ten day period to arrive at a mutually agreeable Fair Market Value. If such agreement is reached, the amount so determined and agreed shall become the Fair Market Value of the Shares for purposes of the Sale Transaction to which it relates.
- (d) If the Seller and Buyer are unable to agree as to the Fair Market Value of the Shares within such ten day period, the Seller and Buyer shall each immediately designate a Person who is at arm's length to the Parties as its representative and the Persons so selected shall jointly appoint a third Person who is at arm's length to the Parties and their selected representatives. The Persons so chosen shall select an independent certified business valuator with advertising media industry experience by majority decision (a **Second Valuator**) for a final determination as to the Fair Market Value of the Shares.
- (e) The Second Valuator so selected shall determine the Fair Market Value of the Shares as quickly as practicable after the date of its selection having regard to the factors identified in Section 10.2. The Second Valuator shall deliver its report concerning the Fair Market Value of the Shares to the Seller and Buyer (the **Second Valuator's Report**) and such report shall be conclusive and binding. The Fair Market Value so determined shall become the Fair Market Value of the Shares for purposes of the Sale Transaction.
- (f) The costs and expenses of the First Valuator incurred in connection with preparation of the First Valuator's Report shall be paid by the Corporation. The costs and expenses of the Second Valuator incurred in connection with preparation of the Second Valuator's Report shall be shared equally by the Seller and the Buyer.

Article 11 - Non-Competition

11.1 Non-Competition

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person) carry on, be engaged in, have any financial or other interest in or be otherwise commercially involved in, any endeavour, activity or business in all or any part of the World which is substantially the same as or in competition with the Business.

11.2 Non-Solicitation of Customers

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder, shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person):

- (a) canvass, call upon, solicit the business of, or have any contact with any Customer or Prospective Customer;
- (b) accept any business from any Customer or Prospective Customer; or
- (c) supply any goods or services to any Customer or Prospective Customer'

in each case, in connection with an activity, endeavour or business which is or is reasonably expected to be competitive with the Business.

11.3 Non-Solicitation of Employees

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person):

- (a) employ, offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment of the Corporation or any of its Subsidiaries, any Person who is employed by the Corporation or any of its Subsidiaries, whether or not such Person would commit any breach of his contract or terms of employment by leaving the employ of the Corporation; or
- (b) procure or assist any Person to employ, offer employment to, or solicit the employment or engagement of, or otherwise entice away from the employment of the Corporation or any of its Subsidiaries, any Person who is employed by the Corporation whether or not such Person would commit any breach of his or her contract or terms of employment by leaving the employ of the Corporation or such Subsidiary.

A Shareholder shall not be in default under this Agreement by reason of making general advertisements for employment or engagement or the use of general search firm

services with respect to employment or engagement, provided such advertisement or search is not targeted directly or indirectly to any employees of the Corporation or its Subsidiaries.

11.4 Non-Interference

During its Restricted Period, a Shareholder and, if the Shareholder is not an individual, the Principal of such Shareholder, shall not, on its own behalf or on behalf of, or in connection with, any other Person, directly or indirectly, in any capacity whatsoever (including by or through a Connected Person), (a) request or advise any Customer, client or supplier of the Corporation or any of its Subsidiaries to cancel, curtail or otherwise adversely change such Customer's, client's or supplier's patronage of, or relationship with the Corporation or any of its Subsidiaries; or (b) make statements which are reasonably likely to affect the public standing of the Corporation or any of the Subsidiaries or the Business.

11.5 Exceptions

- (a) No Shareholder or Principal shall be in default under this Article 11 by reason of its holding, as a passive investor, not more than five percent of the issued and outstanding securities of a corporation or other entity, the securities of which are listed on a recognized stock exchange and with which such Person has no other connection whatsoever; and
- (b) The provisions of Sections 11.1, 11.2 and 11.4 shall not apply in respect of a Competing Shareholder; provided such Competing Shareholder (i) disclosed to the Corporation, prior to becoming a Shareholder, that it is a Competing Shareholder; and (ii) is not in breach of Section 3.16. As of the date of this Agreement there are no Competing Shareholders.

11.6 Remedies

Each Shareholder and Principal acknowledges that a breach or threatened breach by it of any provision of this Article 11 will result in the Corporation and the other Shareholders and Principals suffering irreparable harm which cannot be calculated or fully or adequately compensated by recovery of damages alone. Accordingly, each Shareholder and Principal agrees that the Corporation and any other Shareholder or Principal shall be entitled to interim and permanent injunctive relief, specific performance and other equitable remedies, in addition to any other relief to which it may become entitled.

Article 12 - Family Law Act

12.1 Transfer of Property by Shareholder

Each Shareholder and Principal agrees that if:

- (a) pursuant to any order of a court, property is required to be transferred from the Shareholder or Principal to a Spouse or Co-Vivant;

- (b) such order does not require that Shares or securities of the Shareholder of which it is Principal be transferred to the Spouse or Co-Vivant; and
- (c) the value of the property that is required to be transferred from the Shareholder or Principal to the Spouse or Co-Vivant is less than the value of the property of the Shareholder or Principal other than the Shares, where the value of the property of the Shareholder or Principal other than the Shares is calculated net of all debts, liabilities and obligations of the Shareholder or Principal;

then such order shall be satisfied by the transfer to the Spouse or Co-Vivant of property of the Shareholder or Principal other than Shares or securities of the Shareholder of which it is Principal.

12.2 Shares of Corporate Shareholders

Unless such Spouse or Co-Vivant executes an Agreement To Be Bound, each Principal agrees that, where pursuant to any order of a court, property is required to be transferred to the Spouse or Co-Vivant of the Principal and, for any reason whatsoever, the property to be transferred includes securities of the Shareholder of which it is Principal, the Principal shall use its best efforts to satisfy such order by the delivery of non-voting securities of the Shareholder to the Spouse or Co-Vivant.

Article 13 Dispute Resolution

13.1 Best Endeavours to Settle Disputes

Any controversy, dispute, claim, question or difference (a **Dispute**) between the Parties arising out of, relating to, or in connection with, this Agreement (other than Disputes with respect to Fair Market Value which will be resolved in the manner set out in Article 10) is to be resolved in accordance with the procedures set out in the following Sections 13.2 and 13.3, which are the exclusive procedures for the resolution of any such Dispute between the Parties.

13.2 Efforts to Settle Disputes

- (a) The Parties shall attempt in good faith to resolve any Dispute promptly by negotiation. However, at any time, a Party may give the other Parties written notice (the **Initial Notice**) of any Dispute not so resolved. Within 15 days after delivery of an Initial Notice, the recipient Parties shall deliver to the others a written response. Both the Initial Notice and the response must include a statement of that Party's position, a summary of arguments supporting that position, and the name and contact particulars of the Person who will represent that Party and of any other Person who will accompany the representative. Within 30 days after delivery of the Initial Notice, the representatives of the Parties shall meet at mutually acceptable times and places, as often as they reasonably deem necessary, to attempt to resolve the Dispute.
- (b) All negotiations pursuant to this Section 13.2 are confidential and are to be treated as compromise and settlement negotiations for purposes of applicable rules of evidence.

13.3 Arbitration

Any Dispute which is not resolved pursuant to Section 13.2, within 60 days after delivery of the Initial Notice (the **Final Date**) shall be finally resolved by arbitration in accordance with the Simplified Arbitration Rules of the ADR Institute of Canada Inc. then currently in effect (the **ADR Rules**) by a sole arbitrator with advertising media industry experience appointed by mutual agreement of the Shareholders. If the Shareholders fail to agree on an arbitrator within five (5) Business Days following the earlier of (a) the expiry of the Final Date, and (b) the date on which the shareholders agree that the Dispute should be submitted to arbitrator, any Shareholder may apply to a judge of a court of competent jurisdiction to appoint an arbitrator. If one Party fails to participate in the negotiation as agreed herein, the other Parties may commence arbitration prior to the expiration of the time periods set forth above. The arbitration will be governed by the laws of Ontario and the laws of Canada applicable therein, and judgment upon the award rendered by the arbitrator may be entered by any court having jurisdiction. The place of arbitration will be Toronto, Ontario and the arbitration will be conducted in the English language.

13.4 Confidentiality of Arbitration

The Parties agree that the arbitration shall be kept confidential and that the existence of the proceeding and any element of it (including any pleadings, briefs or other documents submitted or exchanged, any testimony or other oral submissions and any awards) shall not be disclosed beyond the arbitrator, the Parties, their counsel and any person necessary to the conduct of the proceeding, except as may lawfully be required in judicial proceedings relating to the arbitration or otherwise.

Article 14 - Miscellaneous

14.1 Term of Agreement.

- (a) This Agreement comes into effect on this date and will terminate on the earlier of:
 - (i) with respect to any Shareholder, and subject to any provision to the contrary contained in this Agreement, on the date on which such Shareholder no longer owns any Shares;
 - (ii) the date on which one Person acquires all of the issued and outstanding Shares in compliance with the Agreement;
 - (iii) the date on which this Agreement is terminated by Extraordinary Resolution of the Board, together with the written approval of Shareholders holding an aggregate Shareholder Proportionate Interest of at least 66^{2/3}%;
 - (iv) the date on which the Corporation completes an Initial Public Offering (as defined in the Articles).
- (b) Notwithstanding the foregoing, the obligations of the Parties set out in Section 3.16, Article 11 and Section 14.1 continue in full force and effect after termination of this Agreement.

- (c) The termination of this Agreement shall have no effect upon any obligation of a Party to make a payment for any Shares purchased pursuant to the provisions of this Agreement or to pay any other amounts owing by it under this Agreement prior to the date of such termination.

14.2 Notices

- (a) Any notice, consent, waiver or other communication given under this Agreement must be in writing and may be given by delivering it (personally or by courier) or sending it by facsimile or other similar form of recorded communication addressed in accordance with Schedule 14.2(a) Notices.
- (b) Any such communication is deemed to have been delivered and received on the date of delivery or transmission by facsimile or other similar form of recorded communication, as applicable, if the day is a Business Day and delivery or transmission was received by the recipient Party prior to 5 pm (Toronto time) and otherwise on the next Business Day. A Person may change its address for service by notice given in accordance with the foregoing and any subsequent communication must be sent to such Person at its changed address.

14.3 Time of the Essence

Time is of the essence of this Agreement.

14.4 Third Party Beneficiaries

Except as otherwise expressly provided in this Agreement, the Parties do not intend that this Agreement benefit or create any legal or equitable right, remedy or cause of action in, or on behalf of, any Person other than a Party and no Person, other than a Party, is entitled to rely on the provisions of this Agreement in any proceeding.

14.5 No Agency or Partnership

Nothing contained in this Agreement shall make or constitute any Party, the representative, agent, principal or partner of any other Party and it is understood that no Party has the capacity to make commitments of any kind whatsoever or incur obligations or liabilities binding upon any other Party.

14.6 Expenses

Except as otherwise expressly provided in this Agreement, all costs and expenses (including the fees and disbursements of legal counsel, investment advisers and accountants) incurred in connection with this Agreement and the transactions contemplated in this Agreement shall be paid by the Party incurring such expenses.

14.7 Amendments

This Agreement may only be amended, supplemented or otherwise modified by Extraordinary Resolution of the Board, together with the written approval of Shareholders holding an aggregate Shareholder Proportionate Interest of at least 66^{2/3}%.

14.8 Waiver

The failure or delay by a Party in enforcing, or insisting upon strict performance of, any provision of this Agreement does not constitute a waiver of such provision or in any way affect the enforceability of this Agreement (or any of its provisions) or deprive a Party of the right, at any time or from time to time, to enforce or insist upon strict performance of that provision or any other provision of this Agreement. Any waiver by a Party of any provision of this Agreement is effective only if in writing and signed by a duly authorized representative of such Party.

14.9 Entire Agreement

This Agreement and the Subscription & Investment Agreement constitute the entire agreement between the Parties and supersedes all prior agreements, understandings, negotiations and discussions relating to the subject matter hereof or thereof, whether oral or written, provided that nothing in this Agreement is intended to supersede any agreements entered into as a condition of the SIA Closing. There are no representations, warranties, covenants, conditions or other agreements, express or implied, collateral, statutory or otherwise, between the Parties relating to the subject matter hereof except as specifically set forth in this Agreement. None of the Parties has relied or is relying on any other information, discussions or understandings in entering into and completing the transactions contemplated in this Agreement.

14.10 Successors and Assigns

- (a) This Agreement shall become effective when executed by all the Parties and after that time shall be binding upon and enure to the benefit of the Parties and their respective successors, heirs, personal representatives and permitted assigns.
- (b) Except otherwise provided in this Agreement, neither this Agreement nor any of the rights or obligations under this Agreement shall be assignable or transferable by any Party without the prior written consent of the other Parties unless (i) the assignor transfers all Shares owned by it to the assignee and such transfer is permitted under and completed in accordance with this Agreement, and (ii) the assignee agrees to be bound by this Agreement.

14.11 Severability

If any provision of this Agreement is determined by an arbitrator or a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect, without amendment.

14.12 Further Assurances

Each of the Parties shall promptly do such further acts and execute such documents as any other Party may reasonably require from time to time for the purpose of giving effect to this Agreement and shall use all reasonable efforts and take all such steps as may be reasonably within its power to implement to their full extent, in good faith, the provisions of this Agreement.

14.13 Counterparts

This Agreement may be executed in any number of separate counterparts (including by facsimile or other electronic means) and all such signed counterparts will together constitute one and the same agreement. To evidence its execution of an original counterpart of this Agreement, a Party may send a copy of its original signature on the execution page hereof to the other Parties by facsimile or other means of recorded electronic transmission and such transmission (including in PDF form) with an acknowledgement of receipt shall constitute delivery of an executed copy of this Agreement to the receiving Party.


IN WITNESS WHEREOF the Parties have executed this Unanimous Shareholders Agreement.

FORWARD DIMENSION CAPITAL 1 LLP

By: R. Murphy
Name: ROB MURPHY
Title: DESIGNATED MEMBER.

(Signature Page for Unanimous Shareholders Agreement)

J.D. CRAIG HOLDINGS INC.

By: 
Name: DREW CRAIG
Title: DIRECTOR

(Signature Page for Unanimous Shareholders Agreement)

DUM HOLDINGS INC.

By: 

Name: KEN BICKNELL

Title: President & CEO


(Signature Page for Unanimous Shareholders Agreement)

THE BICKNELL FAMILY TRUST, by its trustee

By: 


Name:

Title:

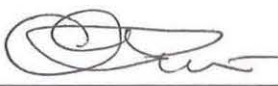

Witness


Kenneth Bicknell

(Signature Page for Unanimous Shareholders Agreement)

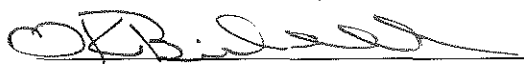
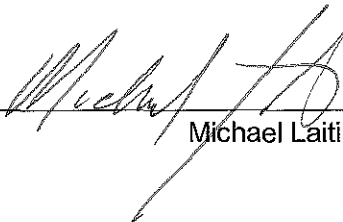


Witness

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Oliver Plett

(Signature Page for Unanimous Shareholders Agreement)


Witness } 
Michael Laitinen

(Signature Page for Unanimous Shareholders Agreement)

NEIL EAST SOUND BROADCASTING LTD.

By: N. Paul East
Name: N. PAUL EAST
Title: PRESIDENT

C. McCullough
Witness


N. Paul East
Paul East

(Signature Page for Unanimous Shareholders Agreement)


時本 祐子 } 時本 豊太郎

Witness Toyotaro Tokimoto
Yuko Tokimoto

(Signature Page for Unanimous Shareholders Agreement)



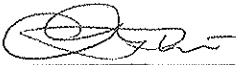
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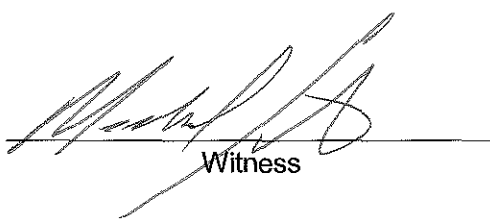
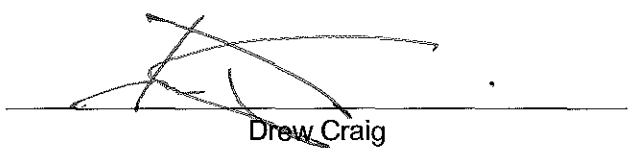
Gyun Chae

(Signature Page for Unanimous Shareholders Agreement)

6789502 MANITOBA LTD.


By:  _____
Name:
Title:

(Signature Page for Unanimous Shareholders Agreement)

 } 
Witness Drew Craig

(Signature Page for Unanimous Shareholders Agreement)

DIGITAL UNDERGROUND MEDIA INC.

By: 
Name: KIEN BICKNELL
Title: President & CEO

(Signature Page for Unanimous Shareholders Agreement)

Schedule 1.1(a)
Permitted Liens

1. Security interests contemplated by the Windsor Funded Debt and the DUM Shareholder Loan and documents ancillary thereto.
2. Security interests contemplated in the Agreement.

**Schedule 2.2(a)
Ownership of Shares**

Shareholder	Class A Common Shares	Class B Common Shares
J.D. Craig Holdings	-	414,697
DUM Holdings	-	10,000
Bicknell	-	63,104
678	-	12,000
Plett	-	5,189
Bicknell Trust	-	2,390
Laitinen	-	15,700
SBL	-	5,300
Tokimoto	-	2,650
Chae	-	10,783
Forward	541,813	-

Schedule 2.3(a)
Ownership of Shareholders

Shareholder	Principal
J.D. Craig Holdings	Craig
DUM Holdings	Craig, Bicknell
Bicknell	-
678	Plett
Plett	-
Bicknell Trust	Bicknell
Laitinen	-
SBL	East
Tokimoto	-
Chae	-
Forward	-

Schedule 2.4(h)
Rights to Purchase Shares

Stock Option Plan

Nil, as of the execution of the Agreement.

Warrants

The Corporation has issued warrants to Windsor Private Capital Inc. to acquire up to 6,773 Class B Common Shares at a price of \$36.91 per share, until December 17, 2015.

The Corporation has issued warrants to Windsor Private Capital Inc. to acquire up to 6,773 Class B Common Shares at a price of \$36.91 per share, until December 21, 2017.

The Corporation has issued warrants to Beacon Securities Limited and Cormark Securities Inc. to acquire up to 11,378 and 4,876 Class B Common Shares respectively at a price of \$36.91 per share, until the third anniversary of the date of this Agreement.

The Corporation has issued warrants to Bruce Rothney to acquire up to 5,418 Class B Common Shares at a price of \$36.91 per share, until the fifth anniversary of the date of this Agreement.

**Schedule 2.4(i)
Articles and By-Laws**

Request ID: 011878928
Demande n°:
Transaction ID: 040364244
Transaction n°:
Category ID: CT
Catégorie:

Province of Ontario
Province de l'Ontario
Ministry of Government Services
Ministère des Services gouvernementaux

Date Report Produced: 2010/01/19
Document produit le:
Time Report Produced: 12:20:33
Imprimé à:

Certificate of Incorporation Certificat de constitution

This is to certify that

Ceci certifie que

DIGITAL UNDERGROUND MEDIA INC.

Ontario Corporation No.

Numéro matricule de la personne morale en
Ontario

002230983

is a corporation incorporated,
under the laws of the Province of Ontario.

est une société constituée aux termes
des lois de la province de l'Ontario.

These articles of incorporation
are effective on

Les présents statuts constitutifs
entrent en vigueur le

JANUARY 19 JANVIER, 2010



Director/Directrice

Business Corporations Act/Loi sur les sociétés par actions

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Request ID / Demande n°

Ontario Corporation Number
Numéro de la compagnie en Ontario

11878928

2230983

FORM 1

FORMULE NUMÉRO 1

BUSINESS CORPORATIONS ACT

/

LOI SUR LES SOCIÉTÉS PAR ACTIONS

ARTICLES OF INCORPORATION
STATUTS CONSTITUTIFS

1. The name of the corporation is: *Dénomination sociale de la compagnie:*
DIGITAL UNDERGROUND MEDIA INC.
2. The address of the registered office is: *Adresse du siège social:*
181 BAY STREET Suite 2100
(Street & Number, or R.R. Number & if Multi-Office Building give Room No.)
(Rue et numéro, ou numéro de la R.R. et, s'il s'agit édifice à bureau, numéro du bureau)
TORONTO ONTARIO
CANADA M5J 2T3
(Name of Municipality or Post Office) (Postal Code/Code postal)
(Nom de la municipalité ou du bureau de poste)
3. Number (or minimum and maximum number) of directors is: *Nombre (ou nombres minimal et maximal) d'administrateurs:*
Minimum 1 Maximum 10
4. The first director(s) is/are: *Premier(s) administrateur(s):*
First name, initials and surname *Resident Canadian State Yes or No*
Prénom, initiales et nom de famille Résident Canadien Oui/Non
Address for service, giving Street & No. *Domicile élu, y compris la rue et le*
or R.R. No., Municipality and Postal Code *numéro, le numéro de la R.R., ou le nom*
de la municipalité et le code postal
- * DREW YES
CRAIG
24 HAZELTON AVE.
TORONTO ONTARIO
CANADA M5R 2E2

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5. Restrictions, if any, on business the corporation may carry on or on powers the corporation may exercise.
Limites, s'il y a lieu, imposées aux activités commerciales ou aux pouvoirs de la compagnie.

No restrictions.

6. The classes and any maximum number of shares that the corporation is authorized to issue:
Catégories et nombre maximal, s'il y a lieu, d'actions que la compagnie est autorisée à émettre.

An unlimited number of common shares.

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7. Rights, privileges, restrictions and conditions (if any) attaching to each class of shares and directors authority with respect to any class of shares which may be issued in series: *Droits, privilèges, restrictions et conditions, s'il y a lieu, rattachés à chaque catégorie d'actions et pouvoirs des administrateurs relatifs à chaque catégorie d'actions que peut être émise en série:*

As prescribed by the Business Corporations Act.

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-
8. The issue, transfer or ownership of shares is/is not restricted and the restrictions (if any) are as follows:
L'émission, le transfert ou la propriété d'actions est/n'est pas restreinte. Les restrictions, s'il y a lieu, sont les suivantes:

No shares issued by the Corporation shall be transferred without the approval of:

(a) the directors of the Corporation, expressed by a resolution of the board of directors;

or

(b) the shareholders of the Corporation, expressed by a resolution of the shareholders.

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11878928

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9. Other provisions, (if any, are):
Autres dispositions, s'il y a lieu:

It shall be a condition of these Articles that:

1. The number of shareholders of the Corporation, exclusive of persons who are in its employment and exclusive of persons who, having been formerly in the employment of the Corporation, were, while in that employment, and have continued after the termination of that employment to be, shareholders of the Corporation, is limited to not more than fifty, two or more persons who are the joint registered owners of one or more shares being counted as one shareholder.

2. Any invitation to the public to subscribe for securities of the Corporation is prohibited.

3. No securities, other than non-convertible debt securities, shall be transferred without

(a) the approval of

(i) the directors of the Corporation, expressed by a resolution of the directors; or

ii) the shareholders of the Corporation, expressed by a resolution of the shareholders; or alternatively

(b) compliance with the restrictions contained in any security holders' agreement if the transfer of such securities is restricted by a security holders' agreement.

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11878928

2230983

-
10. The names and addresses of the incorporators are
Nom et adresse des fondateurs

First name, initials and last name
or corporate name

*Prénom, initiale et nom de
famille ou dénomination sociale*

Full address for service or address of registered office or of principal place of business
giving street & No. or R.R. No., municipality and postal code
*Domicile élu, adresse du siège social ou adresse de l'établissement principal, y compris
la rue et le numéro, le numéro de la R.R., le nom de la municipalité et le code postal*

* DREW CRAIG

24 HAZELTON AVE.

TORONTO ONTARIO
CANADA M5R 2E2

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Government Services

Ministère des
Services gouvernementaux

**Ontario
CERTIFICATE**

This is to certify that these articles
are effective on

CERTIFICAT

Ceci certifie que les présents statuts
entrent en vigueur le

MAY 06 MAI, 2010

Ontario Corporation Number
Numéro de la société en Ontario

2230983

Director / Directrice

Business Corporations Act / Loi sur les sociétés par actions

**ARTICLES OF AMENDMENT
STATUTS DE MODIFICATION**

Form 3
Business
Corporations
Act

Formule 3
Loi sur les
sociétés par
actions

1. The name of the corporation is: (Set out in BLOCK CAPITAL LETTERS)
Dénomination sociale actuelle de la société (écrire en LETTRES MAJUSCULES SEULEMENT) :

D	I	G	I	T	A	L		U	N	D	E	R	G	R	O	U	N	D		M	E	D	I	A		I	N	C	.

2. The name of the corporation is changed to (if applicable): (Set out in BLOCK CAPITAL LETTERS)
Nouvelle dénomination sociale de la société (s'il y a lieu) (écrire en LETTRES MAJUSCULES SEULEMENT) :

3. Date of incorporation/amalgamation:
Date de la constitution ou de la fusion :

2010/01/19

(Year, Month, Day)
(année, mois, jour)

4. Complete only if there is a change in the number of directors or the minimum / maximum number of directors.
Il faut remplir cette partie seulement si le nombre d'administrateurs ou si le nombre minimal ou maximal d'administrateurs a changé.

Number of directors is/are: minimum and maximum number of directors is/are:
Nombre d'administrateurs : nombres minimum et maximum d'administrateurs :

Number minimum and maximum
Nombre minimum et maximum

or

5. The articles of the corporation are amended as follows:
Les statuts de la société sont modifiés de la façon suivante :

See attached pages 1A - 1B

- (a) To create an unlimited number of Preferred shares;
- (b) To declare that the authorized capital of the Corporation after giving effect to the foregoing shall consist of an unlimited number of Common shares and an unlimited number of Preferred shares;
- (c) To attach to the Preferred shares and the Common shares the following rights, privileges, restrictions and conditions:

Common Shares

1. The holders of the common shares shall be entitled to receive, as and when properly declared by the board of directors of the Corporation dividends on the common shares at any time outstanding which the directors may determine to declare and pay in any fiscal year of the Corporation.
2. In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the common shares shall be entitled to receive the remaining property and assets of the Corporation.
3. At all meetings of the shareholders, the holders of the common shares of the Corporation shall be entitled to one (1) vote for each common share held by them.
4. Any amendment to the articles of the Corporation to delete or vary any right, privilege, restriction or condition attaching to the common shares or to create shares ranking in priority to or on a parity with the common shares, in addition to the authorization by special resolution, shall be authorized by at least two-thirds (2/3) of the votes cast at a meeting of the holders of the common shares duly called for that purpose.

Preferred Shares

1. The holders of the Preferred Shares shall not be entitled to receive dividends.
2. The holders of the Preferred Shares shall not be entitled as such to receive notice of or to attend any meeting of the shareholders of the Corporation and shall not be entitled to vote at any such meeting; the holders of the Special Shares shall, however, be entitled to notice of meetings of the shareholders called for the purpose of authorizing the dissolution of the Corporation or the sale, lease or exchange of all or substantially all the property of the Corporation other than in the ordinary course of business of the Corporation under subsection 184(3) of the Business Corporations Act, R.S.O. 1990, c. B. 16.
3. In the event of the liquidation, dissolution or winding up of the Corporation, whether voluntary or involuntary, the holders of the Special Shares shall be

entitled to receive, before any distribution of any part of the assets of the Corporation among the holders of the common shares, an amount equal to the amount paid up thereon, and any dividends declared thereon and unpaid and no more.

4. The Corporation may, upon giving notice as hereinafter provided, redeem the whole of the Preferred Shares on payment of the aggregate amount of \$300,000. Not less than thirty (30) days notice in writing of such redemption shall be given by mailing such notice to the registered holders of the shares to be redeemed, specifying the date and place or places of redemption. If notice of any such redemption be given by the Corporation in the manner aforesaid and an amount sufficient to redeem the shares be deposited with any trust company or chartered bank in Canada, as specified in the notice, on or before the date fixed for redemption. Notice of such redemption may be waived by the holders of the Preferred Shares to be redeemed.

5. The holders of Preferred Shares shall be entitled to require the Corporation to redeem at any time after a minimum of two years after the initial date of issuance of the Preferred Shares, all of the Preferred Shares registered in the name of such holder on the books of the Corporation by tendering to the Corporation at its registered office share certificates representing the Preferred Shares which the registered holder desires to have the Corporation redeem together with a request in writing specifying that the registered holder desires to have the Preferred Shares represented by such certificate redeemed by the Corporation, the aggregate price to be paid upon such redemption to be the amount of \$300,000. The Corporation shall tender payment in full for such Preferred Shares within thirty (30) days of receipt of notice from the registered holder of the Preferred Shares.

- 6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
- 7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2010/05/06

(Year, Month, Day)
(année, mois, jour)

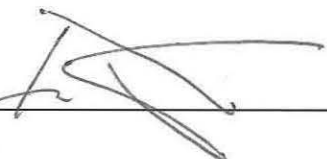
These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

DIGITAL UNDERGROUND MEDIA INC.

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une).

By/
Par :

(Signature)
(Signature)



President

(Description of Office)
(Fonction)

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À l'usage exclusif du ministère



Ministry of
Government Services

Ministère des
Services gouvernementaux

Ontario

CERTIFICATE
This is to certify that these
articles are effective on

CERTIFICAT
Ceci certifie que les présents
statuts entrent en vigueur le

JULY 27 JUILLET, 2015

Ontario Corporation Number
Numéro de la société en Ontario

2230983

17

Director / Directeur
Business Corporations Act / Loi sur les sociétés par actions

Form 3
Business
Corporations
Act

Formule 3
Loi sur les
sociétés par
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**ARTICLES OF AMENDMENT
STATUTS DE MODIFICATION**

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3. Date of incorporation/amalgamation:
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2010-01-19

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Number of directors is/are: minimum and maximum number of directors is/are:
Nombre d'administrateurs : nombres minimum et maximum d'administrateurs :

Number minimum and maximum
Nombre minimum et maximum

or

5. The articles of the corporation are amended as follows:
Les statuts de la société sont modifiés de la façon suivante :

See attached pages 1A to 1P.

The Articles of the Corporation be and the same are hereby amended as follows:

1. to create an unlimited number of Class A Common Shares; and
2. to redesignate all of the authorized and issued and outstanding common shares of the Corporation as Class B Common Shares on the basis of 100 Class B Common Shares for each common share outstanding, rounded to the nearest whole;
3. to eliminate the preferred shares of the Corporation;
4. to declare that effective immediately following the issuance of the Certificate of Articles of Amendment as provided herein the authorized capital of the Corporation shall consist of:
 - (a) an unlimited number of Class A Common Shares; and
 - (b) an unlimited number of Class B Common Shares;
5. to provide that (i) the rights, privileges, restrictions and conditions attached to the Class B Common Shares are amended and restated as hereinafter set forth, and (ii) the Class A Common Shares shall have attached thereto the following rights, privileges, restrictions and conditions:

PART 1: INTERPRETATION

1.1 Definitions:

For the purpose of these share provisions:

“**Act**” means *Business Corporations Act* (Ontario);

“**Aggregate Class A Common Share Catch-Up Amount**” means with respect to the Class A Common Shares, the Class A Common Share Catch-Up Amount in respect of all outstanding Class A Common Shares;

“**Aggregate Class A Common Redemption Amount**” means, with respect to the Class A Common Shares of the Corporation, an amount equal to:

- (a) if, at the relevant time, the Equity Value in the Corporation is \$30,000,000 or lower, the Investment Amount;
- (b) if, at the relevant time, the Equity Value in the Corporation is between \$30,000,000.01 and \$130,000,000.00, the amount determined by the formula:

$$(A \times B + C) \times D$$

where:

A = - 0.00000001;

B = Equity Value;

C = 1.3; and

D = Investment Amount;

and

- (c) if, at the relevant time, the Equity Value in the Corporation exceeds \$130,000,000.01, \$0;

“**Business**” means, collectively, the business of the Corporation, carried on or to be carried on by the Corporation and its Subsidiaries, at any relevant time, including owning and operating a digital media advertising business and related infrastructure and businesses, including the development and operation of underground advertising systems in underground transit tunnels;

“**Class A Common Share Catch-Up Amount**” means, at the relevant time:

- (a) where the IRR Threshold is or has been exceeded, nil;
- (b) where the IRR Threshold is and has not been exceeded, the amount necessary for the holders of Class A Common Shares outstanding at that time to have achieved the IRR Threshold upon the conclusion of the relevant liquidation, dissolution, winding up or Liquidity Event, as applicable.

“**Class A Common Share Percentage**” has the meaning given to it in Section 5.2(b) of the Class A Common Share Provisions;

“**Class A Common Share Vote**” means, at the relevant time, in respect of each Class A Common Share (i) in respect of a class vote, one vote; and (ii) at any other time, the number of votes determined by the following formula:

$$\frac{(E \times F)}{G}$$

where

E = the Class A Proportionate Interest;

F = the aggregate number of Common Shares outstanding; and

G = the aggregate number of Class A Common Shares outstanding;

“**Class A Common Shares**” means class A common shares in the capital of the Corporation;

“Class A Common Share Proportionate Interest” means, at the relevant time, the number given by the formula:

$$\frac{(H \times I) + J}{(H \times I) + J + H + K}$$

where

H = the sum of (i) 541,813 (being the outstanding number of each of the Class A Common Shares and Class B Common Shares immediately following the Closing); plus (ii) the number of Class B Common Shares issued pursuant to any transactions contemplated by Section 4.8 of the Unanimous Shareholders' Agreement;

I = (i) prior to the Redemption Notice, 1.0; and (ii) following the Redemption Notice, the result of: (A) the Investment Amount immediately prior to the Redemption Notice; divided by (B) the hypothetical Investment Amount had the funding in respect of which the Redemption Notice was issued been completed;

J = the result of (i) the number of Class A Common Shares outstanding at the relevant time; minus (ii) 541,813 (being the outstanding number of Class A Common Shares immediately following the Closing); and

K = the result of (i) the number of Class B Common Shares outstanding at the relevant time; minus (ii) H;

“Class B Common Share Proportionate Interest” means, at the relevant time, the number determined by (i) 1.0; minus (ii) the Class A Common Share Proportionate Interest;

“Class B Common Share Vote” means, at the relevant time, in respect of each Class B Common Share (i) in respect of a class vote, one vote; and (ii) at any other time, the the number of votes determined by the following formula:

$$\frac{(L \times M)}{N}$$

where

L = the Class B Common Share Proportionate Interest;

M = the aggregate number of Common Shares outstanding; and

N = the aggregate number of Class B Common Shares outstanding;

“Class B Common Shares” means class B common shares in the capital of the Corporation;

“Closing” has the meaning given to it in the Subscription & Investment Agreement;

“Common Shares” means the Class A Common Shares and the Class B Common Shares;

“Control” means, when applied to the relationship between a Person or group of Persons and a corporation, the beneficial ownership by such Person(s) at the relevant time of shares of such corporation carrying more than the greater of (i) 50% of the voting rights ordinarily exercisable at meetings of shareholders of such corporation; and (ii) the percentage of voting rights ordinarily exercisable at meetings of shareholders of such corporation that are sufficient to elect a majority of the directors of such corporation, and the words **“Controlled by”**, **“Controlling”** and similar words have corresponding meanings; provided that a Person or group of Persons who Control a corporation shall be deemed to Control a corporation which is Controlled by such corporation and so on;

“Conversion Value” means the value of the equity in the Corporation as a going concern in a manner consistent with the value of the Corporation established for the purposes of the Initial Public Offering;

“Corporation” means Digital Underground Media Inc.;

“Equity Value” means:

(a) the total amount of consideration (whether in the form of cash, securities or other property) delivered, paid, available to be paid or deemed to be available to be paid, as applicable, to the holders of Common Shares and any other class of shares in the capital of the Corporation, as determined:

(i) pursuant to the liquidation, dissolution or winding up of the Corporation (taken as a single transaction);

(ii) pursuant to a Liquidity Event transaction (other than an Initial Public Offering) where the consideration for such transaction was paid or is payable to the Corporation, as if the Corporation were deemed to make a liquidating distribution upon the consummation of such Liquidity Event transaction; or

(iii) pursuant to a Liquidity Event transaction (other than an Initial Public Offering) where the consideration for such transaction was paid directly to the shareholders of the Corporation; or

(b) in the case of an Initial Public Offering, the Conversion Value; or

(c) in all other circumstances, the Fair Market Value of the Common Shares and any other class of shares in the capital of the Corporation.

“Fair Market Value” means, in respect of assets other than securities, their fair market value as determined in good faith by the board of directors of the Corporation, and in respect of securities:

- (a) if such securities are not subject to any statutory hold periods or contractual restrictions on transfer:
- (i) if traded on one or more securities exchanges or markets, the weighted average of the closing prices of such securities on the exchange or market on which the securities are primarily traded over the 30-day period ending three trading days prior to the relevant date;
 - (ii) if actively traded over-the-counter, the weighted average of the closing bid or sale prices (whichever are applicable) over the 30-day period ending three trading days prior to the relevant date; or
 - (iii) if there is no active public market, the fair market value of such securities as determined in good faith by the board of directors of the corporation, but no discount or premium is to be applied to their valuation on the basis of the securities constituting a minority block or a majority block of securities; or
- (b) if such securities are subject to statutory hold periods or contractual restrictions on transfer, or both, the fair market value of such securities as determined by applying an appropriate discount, as determined in good faith by the board of directors, to the value as calculated in accordance with subsection (a) above; but if any Majority Holders object to any determination by the board of directors of the Corporation and notify the board of directors of such objection within ten days of receiving notice of such determination, the Corporation and the Majority Holders will, within ten days following such ten-day period, jointly appoint an independent valuator that is a nationally recognized investment banking firm or business valuation firm with media advertising industry experience to determine the fair market value. If the Corporation and the Majority Holders cannot agree on the valuator with media advertising industry experience within such time period, then the Corporation and the Majority Holders will, within the next 10 days, jointly select an arbitrator to appoint such valuator with media advertising industry experience, failing which an arbitrator may be appointed in accordance with Section 10 of the *Arbitration Act, 1991* (Ontario), and such arbitrator will select the valuator with media advertising industry experience who will determine the fair market value. The determination by the valuator of the fair market value is final and binding on the holders of Class A Common Shares, the holders of Class B Common Shares and the Corporation, absent manifest error. The costs of any such valuation shall be paid for by the Corporation unless otherwise determined by the arbitrator;

“Initial Public Offering” means an initial public offering of any Common Shares or any common shares of any of the Corporation's Subsidiaries or the securities in the capital of another Person formed for the purpose of taking the Business public or another transaction, as a result of which (in either case) any Common Shares (or the securities in the capital of another Person issued in exchange for all outstanding shares and/or issued as consideration for the sale or transfer by the Corporation of all or substantially all of its

assets) or the shares of any Subsidiary are listed and posted for trading, traded or quoted on one or more of The Toronto Stock Exchange, the TSX Venture Exchange, the New York Stock Exchange, the NASDAQ National Market System or the AMEX Exchange or on such other exchange or quotation system as may be approved by the Corporation;

“Investment Amount” the amount of consideration paid to the Corporation in exchange for the issuance the Class A Common Shares and any contributed surplus paid to the Corporation in respect of the Class A Common Shares prior to or at the relevant time;

“IRR” means the compounded pre-tax internal rate of return, expressed as a percentage rate per annum, realized by the holder of the Class A Common Shares on the Investment Amount, taking into account, without duplication (i) all dividends paid on, returns of capital in respect of, or other distributions paid on the Class A Common Shares; and (ii) the amount of consideration receivable by such holder of Class A Common Shares in respect of such holder’s Class A Common Shares in connection with a liquidation, dissolution, winding-up or Liquidity Event, as applicable;

“IRR Threshold” means an IRR of 7.5%;

“Liquidity Amount” has the meaning given to it in Section 4.1(a) of the Class A Common Share provisions;

“Liquidity Event” means:

- (a) the amalgamation or merger of the Corporation with another corporation, or an arrangement, reorganization or other transaction or series of transactions, pursuant to which the holders of voting securities of the Corporation immediately prior to the transaction or series of transactions hold, immediately after such transaction, directly or indirectly, less than 50% of the voting power to elect directors of the Corporation or the surviving corporation;
- (b) a sale, lease or other disposition of all or substantially all of the assets of the Corporation to a person at arm’s length (within the meaning of the *Income Tax Act* (Canada));
- (c) an Initial Public Offering; or
- (d) a sale, exchange or other disposition of all or substantially all of the outstanding shares of the Corporation pursuant to which the holders of voting securities of the Corporation immediately prior to the transaction or series of transactions hold, immediately after such transaction, directly or indirectly, less than 50% of the voting power to elect directors of the Corporation or the surviving corporation;

“Majority Holders” means the holders, at the relevant time, of:

- (a) at least more than 50% of the issued and outstanding Class A Common Shares;

- (b) voting securities of the Corporation carrying in the aggregate more than 50% of the votes attached to all voting securities of the Corporation;

“Person” includes any individual, sole proprietorship, partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, body corporate, and a natural person in his capacity as trustee, executor, administrator, or other legal representative;

“Proportionate Interest” means in respect of the Class A Common Shares, the Class A Common Share Proportionate Interest, and in respect of the Class B Common Shares, the Class B Common Share Proportionate Interest;

“Redemption Notice” has the meaning given to it in the Subscription & Investment Agreement; and

“Subscription & Investment Agreement” means the subscription and investment agreement dated on or about July 27, 2015 by and among the Corporation, Forward Dimension Capital 1 LLP, Drew Craig and Ken Bicknell as amended, restated or replaced from time to time in accordance with its terms.

1.2 Meaning of “Subsidiary”

For purposes of these share provisions, a corporation shall be a subsidiary (a **“Subsidiary”**) of another corporation if:

- (a) it is Controlled by (i) that other, (ii) that other and one or more corporations each of which is Controlled by that other, or (iii) two or more corporations each of which is Controlled by that other; or
- (b) it is a Subsidiary of a corporation that is that other's Subsidiary.

PART 2: CLASS A COMMON SHARE PROVISIONS

The rights, privileges, restrictions and conditions of the Class A Common Shares are as set out below.

ARTICLE 1 VOTING RIGHTS

1.1 Entitlement to Vote

- (a) Each holder of Class A Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares or specified series of shares are entitled to vote.
- (b) At all meetings of which notice must be given to the holders of the Class A Common Shares, each holder of Class A Common Shares is entitled to the number of votes that is equal to the Class A Common Share Vote in respect of each Class A Common Share so held.

1.2 Single Class

Except as otherwise provided in these Class A Common Share provisions or required by applicable law, the holders of Class A Common Shares will vote together with holders of Class B Common Shares and any other class of shares as a single class on all matters submitted to a vote of shareholders.

1.3 Exceptions to Class Voting

The holders of Class A Common Shares are not entitled to vote separately as a class upon, and are not entitled to dissent rights in respect of (but for greater certainty are entitled to vote against), any proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized Class A Common Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Class A Common Shares; or
- (b) create a new class or series of shares equal or superior to the Class A Common Shares.

ARTICLE 2 DIVIDENDS

2.1 Entitlement to Dividends

- (a) The holders of Class A Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of

shares of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation.

- (b) Subject to any rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, and other than in respect of the payment of a dividend as contemplated by ARTICLE 4 of the Class A Common Share provisions, no dividend (including stock dividends) or other distribution will be paid, declared or set apart for payment in respect of the Class A Common Shares unless a corresponding dividend is paid or declared and set apart for payment in respect of the Class B Common Shares. Dividends shall be paid, declared or set apart for payment on the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 3 LIQUIDATION, DISSOLUTION AND WINDING-UP

3.1 Liquidation, Dissolution and Winding-Up

- (a) Prior to the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Common Shares shall first be entitled to receive in priority to the holders of Class B Common Shares, (i) the Aggregate Class A Common Redemption Amount; and (ii) the Aggregate Class A Common Share Catch-Up Amount. Any assets thereafter remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.
- (b) Following the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, any assets remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 4 LIQUIDITY EVENT

4.1 Liquidity Events

In the event of a Liquidity Event where the nature of the transaction is such that the consideration (whether in the form of cash, securities or other property) in connection with such Liquidity Event would be:

- (a) receivable by the Corporation, then, upon the closing of such Liquidity Event, the Corporation will repurchase the outstanding Class A Common Shares for an amount equal to the total of all amounts that would be distributed in respect of the Class A Common Shares pursuant to ARTICLE 3 of these Class A Common Share provisions as if the Corporation were to make a liquidating distribution at that time (the “**Liquidity Amount**”); or

- (b) receivable by the shareholders of the Corporation, then:
- (i) the Corporation will not permit such Liquidity Event to occur unless the transaction (or series of transactions) provides for the receipt by the holders of Class A Common Shares (through consideration received by the shareholders in connection with such transaction and/or a distribution by the Corporation) of an amount equal to the Liquidity Amount; or
 - (ii) if the Corporation cannot prevent such Liquidity Event from occurring, the Corporation shall pay (by dividend or other distribution by the Corporation or otherwise) to the holders of Class A Common Shares an amount such that such payment, together with any amounts received by the holders of the Class A Common Shares from any other source in connection with the Liquidity Event, is an amount equal to the Liquidity Amount or, if the Corporation cannot legally pay such amounts in full at that time, it shall at that time and from time to time when possible, pay all amounts it is legally able to pay and any unpaid amount shall increase at a rate of 15% per annum, compounded annually until such unpaid amount is paid in full.

Written notice of any proposed Liquidity Event stating an estimated payment date, the amount and form of the payments to be made to the holders of Class A Common Shares on repurchase of their shares, as a distribution by the Corporation or otherwise, and the place where such payments shall be made, shall be delivered to the holders of all classes and series of shares not less than 45 days prior to the proposed date of such proposed Liquidity Event (or, if such period of advance notice is impracticable, notice shall be provided as far in advance of the proposed Liquidity Event as possible).

ARTICLE 5 CONVERSION

5.1 Automatic Conversion

The Class A Common Shares automatically convert into Class B Common Shares immediately prior to the completion of an Initial Public Offering.

5.2 Conversion Rate

Each Class A Common Share is convertible into that number of Class B Common Shares calculated as follows:

- (a) determine the Conversion Value;
- (b) determine the amount that would be distributed to the Class A Common Shareholders if the Conversion Value were distributed to the holders of the Common Shares on a liquidation of the Corporation in accordance with ARTICLE 3 of these Class A Common Share provisions immediately before the

time of conversion, and express it as a percentage of the total Conversion Value (the “**Class A Common Share Percentage**”); and

- (c) divide (i) the product of (A) the number of Class B Common Shares outstanding immediately prior to the conversion; and (B) the Class A Common Share Percentage by (ii) the product of (A) the number of Class A Common Shares outstanding immediately prior to the conversion and (B) 100% minus the Class A Common Share Percentage.

Upon the pricing of the Initial Public Offering, the Conversion Value will be determined in good faith by the board of directors of the Corporation; but if the Majority Holders object to any determination by the board of directors of the Corporation and notify the board of directors of such objection within ten days of receiving notice of such determination, the Corporation and the Majority Holders will, within ten days following such ten-day period, jointly appoint an independent valuator that is a nationally recognized investment banking firm or business valuation firm with media advertising industry expertise to determine the fair market value. If the Corporation and the Majority Holders cannot agree on the valuator within such time period, then the Corporation and the Majority Holders will, within the next 10 days, jointly select an arbitrator to appoint such valuator with media advertising industry expertise, failing which an arbitrator may be appointed in accordance with Section 10 of the *Arbitration Act, 1991* (Ontario), and such arbitrator will select the valuator with media advertising industry expertise who will determine the fair market value. The determination by the valuator of the fair market value is final and binding on the holders of Class A Common Shares and holders of Class B Common Shares and the Corporation, absent manifest error. The costs of any such valuation shall be paid for by the Corporation unless otherwise determined by the arbitrator.

5.3 Time of Conversion

Conversion is deemed to be effected immediately prior to the completion of the Initial Public Offering.

5.4 Effect of Conversion

As at the time of the conversion of the Class A Common Shares:

- (a) the rights of a holder of Class A Common Shares as a holder of the converted Class A Common Shares shall cease; and
- (b) each Person in whose name any certificate for Class B Common Shares is issuable upon such conversion is deemed to have become the holder of record of such Class B Common Shares.

5.5 Mechanics of Conversion

- (a) Upon the automatic conversion of any Class A Common Shares into Class B Common Shares, each holder of Class A Common Shares must surrender the certificate or certificates formerly representing that holder's Class A Common

Shares at the principal office of the Corporation or the office of any transfer agent for the Class B Common Shares.

- (b) Upon receipt by the Corporation of the certificate or certificates, the Corporation will issue and deliver to such holders of Class A Common Shares, promptly at the office and in the name shown on the surrendered certificate or certificates, a certificate or certificates for the number of Class B Common Shares into which such Class A Common Shares are converted.
- (c) The Corporation is not required to issue certificates evidencing the Class B Common Shares issuable upon conversion until certificates formerly evidencing the converted Class A Common Shares are either delivered to the Corporation or its transfer agent, or the holder of Class A Common Shares notifies the Corporation or such transfer agent that such certificates have been lost, stolen or destroyed, and executes and delivers an agreement to indemnify the Corporation from any loss incurred by the Corporation in connection with the loss, theft or destruction.
- (d) On the date upon which all Class A Common Shares are converted in accordance with the provisions hereof, each holder of Class A Common Shares will be deemed to have become a holder of Class B Common Shares for all purposes, notwithstanding any delay in the surrender of certificates representing the Common Shares into which such Class A Common Shares have been converted and all certificates representing the converted Class A Common Shares are deemed to represent the Class B Common Shares into which such Class A Common Shares are converted and all certificates representing Class A Common Shares will be deemed to have been cancelled.
- (e) If the board of directors of the Corporation expects, acting reasonably, that the Class A Common Shares will convert pursuant to the provisions of Section 5.1 of these Class A Common Share provisions, the Corporation will, at least 20 days before the date it reasonably believes will be the date of the automatic conversion, send by prepaid priority overnight courier or deliver, to each holder of Class A Common Shares a notice in writing of the intention of the Corporation to close an Initial Public Offering and thereby convert such shares. Accidental failure or omission to give that notice to one or more holders of Class A Common Shares will not affect the validity of such conversion, but if that failure or omission is discovered, the Corporation will send such notice promptly to any holder of Class A Common Shares that was not given notice. That notice will have the same force and effect as if given in due time. The notice will set out the number of Class A Common Shares held by the person to whom it is addressed that are to be converted, the number of Class B Common Shares into which those shares will be converted, the expected date of closing of and details regarding the Initial Public Offering and the place or places in Canada at which holders of Class A Common Shares may present and surrender the certificate or certificates representing such shares for conversion.

5.6 Reservation of Shares Issuable Upon Conversion.

The Corporation shall at all times keep available out of its authorized but unissued Class B Common Shares, solely for the purpose of effecting the conversion of the Class A Common Shares in accordance herewith, such number of Class B Common Shares as shall from time to time be sufficient to effect the conversion of all outstanding Class A Common Shares into Class B Common Shares; and if at any time the number of authorized but unissued Class B Common Shares or other securities or property shall not be sufficient to effect the conversion of all then outstanding Class A Common Shares, in addition to such other remedies as shall be available to the holder of such Class A Common Shares, the Corporation will take such corporate action as may, in the opinion of its counsel, be necessary to increase its authorized but unissued Class B Common Shares to such number of shares as shall be sufficient for such purposes, including, without limitation, engaging in commercially reasonable efforts to obtain the requisite shareholder approval of any necessary amendment to its articles of incorporation.

5.7 Change

None of the Class B Common Shares or the Class A Common Shares shall be subdivided or consolidated or otherwise changed unless, contemporaneously therewith, the issued shares of such other class of shares are subdivided or consolidated or otherwise changed to give effect to the intent of these Articles.

5.8 Other

Other than as expressly provided for in these Class A Common Share provisions and the Class B Common Share provisions, respectively, the Class A Common Shares and the Class B Common Shares shall be identical in all respects and, without limiting the generality of the foregoing, no rights of any kind shall be conferred by the Corporation upon the holders of either of such classes of shares unless the same rights are conferred on the holders of the other class of shares, without distinction as to the class of share held.

ARTICLE 6 MISCELLANEOUS

6.1 Distributions Other than Cash

Where payments which are to be made hereunder are payable in securities or property other than cash, the value of such securities or other property is their Fair Market Value.

6.2 Notice Entitlement

The holders of the Class A Common Shares of the Corporation shall be entitled to receive not less than ten (10) days notice in writing on the occurrence of a proposal to change the banking services of the Corporation

PART 3: CLASS B COMMON SHARE PROVISIONS

The rights, privileges, restrictions and conditions of the Class B Common Shares are as set out below.

ARTICLE 1 VOTING RIGHTS

1.1 Entitlement to Vote

- (a) Each holder of Class B Common Shares is entitled to receive notice of and to attend all meetings of shareholders of the Corporation and to vote at such meetings, except meetings at which only holders of a specified class of shares (other than Class B Common Shares) or specified series of shares are entitled to vote.
- (b) At all meetings of which notice must be given to the holders of the Class B Common Shares, each holder of Class B Common Shares is entitled to the number of votes that is equal to the Class B Common Share Vote in respect of each Class B Common Share so held.

1.2 Single Class

Except as otherwise provided in these Class B Common Share provisions or required by applicable law, the holders of Class B Common Shares will vote together with the holders of Class A Common Shares and any other class of shares as a single class on all matters submitted to a vote of shareholders.

1.3 Exceptions to Class Voting

The holders of Class B Common Shares are not entitled to vote separately as a class upon, and are not entitled to dissent rights in respect of (but for greater certainty are entitled to vote against), any proposal to amend the articles of the Corporation to:

- (a) increase or decrease any maximum number of authorized Class B Common Shares, or increase any maximum number of authorized shares of a class or series having rights or privileges equal or superior to the Class B Common Shares; or
- (b) create a new class or series of shares equal or superior to the Class B Common Shares.

ARTICLE 2 DIVIDENDS

2.1 Entitlement to Dividends

- (a) The holders of Class B Common Shares are entitled, subject to the rights, privileges, restrictions and conditions attaching to any other class or series of

shares of the Corporation, to receive dividends if, as and when declared by the board of directors of the Corporation.

- (b) Subject to any rights, privileges, restrictions and conditions attaching to any other class or series of shares of the Corporation, no dividend (including stock dividends) or other distribution will be paid, declared or set apart for payment in respect of the Class B Common Shares unless a corresponding dividend is paid or declared and set apart for payment in respect of the Class A Common Shares. Dividends shall be paid, declared or set apart for payment on the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 3 LIQUIDATION, DISSOLUTION AND WINDING-UP

3.1 Liquidation, Dissolution and Winding-Up

- (a) Prior to the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, the holders of Class A Common Shares shall first be entitled to receive in priority to the holders of Class B Common Shares, (i) the Aggregate Class A Common Redemption Amount; and (ii) the Aggregate Class A Common Share Catch-Up Amount. Any assets thereafter remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.
- (b) Following the Redemption Notice, upon the liquidation, dissolution or winding-up of the Corporation, any assets remaining shall be distributed among the holders of the Class A Common Shares and the Class B Common Shares in accordance with the Proportionate Interest applicable to each class.

ARTICLE 4 CHANGES TO CLASS A COMMON SHARES AND CLASS B COMMON SHARES

4.1 Change

None of the Class A Common Shares or the Class B Common Shares shall be subdivided or consolidated or otherwise changed unless, contemporaneously therewith, the issued shares of such other class of shares are subdivided or consolidated or otherwise changed to give effect to the intent of these Articles.

4.2 Other

Other than as expressly provided for in these Class B Common Share provisions and the Class A Common Share provisions, respectively, the Class A Common Shares and the Class B Common

Shares shall be identical in all respects and, without limiting the generality of the foregoing, no rights of any kind shall be conferred by the Corporation upon the holders of either of such classes of shares unless the same rights are conferred on the holders of the other class of shares, without distinction as to the class of share held.

ARTICLE 5 MISCELLANEOUS

5.1 Distributions Other than Cash

Where payments which are to be made hereunder are payable in securities or property other than cash, the value of such securities or other property is their Fair Market Value.

5.2 Notice Entitlement

The holders of the Class B Common Shares of the Corporation shall be entitled to receive not less than ten (10) days notice in writing on the occurrence of a proposal to change the financial year end of the Corporation

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6. The amendment has been duly authorized as required by sections 168 and 170 (as applicable) of the *Business Corporations Act*.
La modification a été dûment autorisée conformément aux articles 168 et 170 (selon le cas) de la *Loi sur les sociétés par actions*.
7. The resolution authorizing the amendment was approved by the shareholders/directors (as applicable) of the corporation on
Les actionnaires ou les administrateurs (selon le cas) de la société ont approuvé la résolution autorisant la modification le

2015, 07, 24

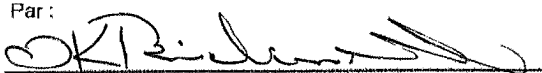
(Year, Month, Day)
(année, mois, jour)

These articles are signed in duplicate.
Les présents statuts sont signés en double exemplaire.

DIGITAL UNDERGROUND MEDIA INC.

(Print name of corporation from Article 1 on page 1)
(Veuillez écrire le nom de la société de l'article un à la page une)

By/
Par :



(Signature)
(Signature)

Oswald Kenneth Bicknell, President

(Description of Office)
(Fonction)

BY-LAW NO. 1

A by-law relating generally to the transaction
of the business and affairs of

DIGITAL UNDERGROUND MEDIA INC.

(hereinafter called the "Corporation")

Section 1 **INTERPRETATION**

1.01 **Definitions:** In this by-law, unless the context otherwise requires:

- (a) "Act" means the *Business Corporations Act*, as amended or re-enacted from time to time;
- (b) "articles" means the original or restated articles of incorporation, articles of amendment, articles of amalgamation, articles of arrangement, articles of continuance, articles of dissolution, articles of reorganization, articles of revival and includes any amendments thereto;
- (c) "board" means the board of directors of the Corporation;
- (d) "by-law" means any by-law of the Corporation as from time to time in force and effect;
- (e) "resident Canadian" means an individual who is,
 - (i) a Canadian citizen ordinarily resident in Canada,
 - (ii) a Canadian citizen not ordinarily resident in Canada who is a member of a prescribed class of persons, or
 - (iii) a permanent resident within the meaning of the *Immigration Act* (Canada) and ordinarily resident in Canada ("résident canadien");
- (f) "unanimous shareholder agreement" means a written agreement among all the shareholders of the Corporation or among all the shareholders and one or more persons who are not shareholders, or a written declaration of the beneficial holder of all of the issued shares of the Corporation that restricts in whole or in part the

power of the directors to manage or supervise the management of the business and affairs of the Corporation;

- (g) All terms contained in the by-laws which are defined in the Act shall have the meanings given to such terms in the Act save as specifically provided herein to the contrary.

1.02 **Interpretation:** Words importing the singular number only shall include the plural and vice versa; words importing masculine gender shall include the feminine and neuter genders. Wherever reference is made in this or any other by-law or in any special resolution of the Corporation to any statute or section thereof, such reference shall be deemed to extend and refer to any amendment or to re-enactment of such statute or section, as the case may be.

Section 2 GENERAL

2.01 **Corporate Seal:** The Corporation may have a corporate seal which the directors may by resolution from time to time adopt.

2.02 **Fiscal Period:** The fiscal period of the Corporation shall terminate on such day in each year as the board of directors may from time to time by resolution determine.

2.03 **Execution of Documents:** Contracts, documents, share certificates or any instruments in writing requiring the signature of the Corporation may be signed by any one of the directors or officers of the Corporation and all contracts, documents, share certificates and instruments in writing so signed shall be binding upon the Corporation without any further authorization or formality. Notwithstanding this, the board may at any time and from time to time direct the manner in which and the person or persons by whom any particular deed, transfer, contract or obligation or any class of deeds, transfers, contracts or obligations may be signed.

Section 3 DIRECTORS

3.01 **Powers:** Subject to any unanimous shareholder agreement, the board shall manage, or supervise the management of, the business and affairs of the Corporation. The board may exercise all such powers and do all such acts and things as may be exercised or done by the Corporation and are not by the Act, the articles, the by-laws, a unanimous shareholder agreement, any special resolution of the Corporation or by statute expressly directed or required to be done in some other manner.

3.02 **Election and Term:** Subject to subsection 120(a) of the Act, the election of directors shall take place at the first meeting of shareholders after the effective date of

this by-law, and at each succeeding annual meeting at which an election of directors is required. The directors shall hold office for a term expiring not later than the close of the third annual meeting of shareholders following the election. A director not elected for an expressly stated term ceases to hold office at the close of the first annual meeting of shareholders following his election. Incumbent directors, if qualified, shall be eligible for re-election. If an election of directors is not held at the proper time the directors shall continue in office until their successors are elected.

Section 4 MEETING OF DIRECTORS

4.01 **Calling of Meetings:** Meetings of the board shall be held from time to time at such place within or outside Ontario as the Chairman of the Board, the President or a majority of the directors may determine. A meeting of the board may be convened by the Chairman of the Board, the President or any one director at any time and the Secretary shall, upon direction from any of the foregoing, convene a meeting of the board.

4.02 **Notice of Meeting:** Notice of the time and place of each meeting of the board shall be given in the manner provided in section 9.01 to each director not less than forty-eight hours before the time when the meeting is to be held. A notice of a meeting of directors need not specify the purpose of or the business to be transacted at the meeting except where the Act requires such purpose or business to be specified. A director may in any manner and at any time waive notice of or otherwise consent to a meeting of the board and attendance of a director at a meeting of directors is a waiver of notice of the meeting except where a director attends a meeting for the express purpose of objecting to the transaction of any business on the grounds that the meeting is not lawfully called.

4.03 **Meetings by Telephone or Electronic Facilities:** If all the directors present at or participating in the meeting consent, a director or all of the directors may participate in a meeting of the board or of a committee of the board by means of such telephone, electronic or other communications facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and any director participating in such a meeting by such means is deemed to be present at the meeting. Any such consent shall be effective whether given before or after the meeting to which it relates and may be given with respect to all meetings of the board and of committees of the board held while a director holds office. For the purpose hereof, participation in a meeting by such means shall be deemed to be such consent. If a majority of the directors participating in such a meeting are then in Canada the meeting shall be deemed to have been held in Canada.

4.04 **Quorum:** Subject to any unanimous shareholder agreement, a quorum at any meeting of directors shall be a majority of the directors.

4.05 **Chairman of Meetings:** Subject to the provisions of any resolution of the directors specifying the duties of the Chairman of the Board hereof, the President (if he is a director and if he is present), shall preside as chairman at all meetings of the board. In the absence of a President who is a director, the directors present shall choose one of their number to be chairman of the meeting.

4.06 **Votes to Govern:** All questions arising at any meeting of directors shall, subject to any unanimous shareholder agreement, be decided by a majority of the votes cast on the question.

4.07 **Committees of Directors:** Directors may appoint from their number a committee of directors and delegate to such committee any of the powers of the directors except those which, under the Act, a committee of directors has no authority to exercise. If the directors appoint a committee of directors, a majority of the members of the committee must be resident Canadians. The meetings and proceedings of the committee shall be governed by the provisions of the by-laws of the Corporation for regulating the meetings and proceedings of the directors as far as the same are applicable thereto.

Section 5 **OFFICERS**

5.01 **Appointment:** Subject to the Act and to any unanimous shareholder agreement, the board may from time to time designate the offices of the Corporation, appoint officers, specify their duties and delegate to them powers to manage the business and affairs of the Corporation. None of the officers, except the Chairman of the Board, if any, need be a director of the Corporation. Two or more offices of the Corporation may be held by the same person.

5.02 **Chairman of the Board:** The Chairman of the Board (if any) shall, when present, preside at all meetings of the directors and shareholders and of any committee of directors; he shall sign such contracts, documents or instruments in writing as may require his signature in accordance with the by-laws and shall have such other powers and duties as may from time to time be assigned to him by the board of directors.

5.03 **President:** If appointed, the President shall be the chief executive officer of the Corporation and, subject to the authority of the board, shall exercise general supervision of the business and affairs of the Corporation; and he shall have such other powers and duties as the board may specify. In the absence of the Chairman of the Board, if any, the President shall, when present, chair all meetings of the directors and the shareholders and of any committee of directors.

5.04 **Vice-President:** In the absence or disability or refusal to act of the President, a Vice-President may be vested with all the powers and may perform all the duties of the President, or if there is more than one Vice-President, by the Vice-President

in order of seniority or designation (as determined by the board), except that no Vice-President shall preside at a meeting of the board unless he is also a director.

5.05 **Secretary:** The Secretary shall attend and be the Secretary of all meetings of the board, shareholders and committees of the board and shall enter or cause to be entered in records kept for that purpose minutes of all proceedings thereat; he shall give or cause to be given, as and when instructed, all notices to shareholders, directors, officers, auditors and members of committees of the board; he shall be the custodian of all books, papers, records, documents and instruments belonging to the Corporation, except when some other officer or agent has been appointed for that purpose; and he shall have such other powers and duties as the board may specify.

5.06 **Treasurer:** The Treasurer shall keep or cause to be kept proper accounting records in compliance with the Act and shall be responsible for the deposit of money, the safekeeping of securities and the disbursement of the funds of the Corporation; he shall render to the board whenever required an account of all his transactions as Treasurer and of the financial position of the Corporation; and he shall have such other powers and duties as the board may specify or as are incident to his office.

5.07 **Managing Director:** The directors may appoint from their number a managing director who is a resident Canadian and, subject to the Act and any unanimous shareholder agreement, may delegate to such managing director any of the powers of the board.

Section 6

PROTECTION OF DIRECTORS, OFFICERS AND OTHERS

6.01 **Limitation of Liability:** Every director and officer of the Corporation in exercising their powers and discharging their duties shall act honestly and in good faith with a view to the best interest of the Corporation and shall exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. Subject to the foregoing, no director or officer shall be liable for the acts, omissions, failures, neglects or defaults of any other director, officer or employee, or for joining in any act for conformity, or for any loss, damage or expense suffered or incurred by the Corporation through the insufficiency or deficiency of title to any property acquired by the Corporation or for or on behalf of the Corporation, or for the insufficiency or deficiency of any security in or upon which any of the moneys of the Corporation shall be invested, or damage arising from the bankruptcy, insolvency, or tortious act of any person with whom any of the moneys, securities or effects of the Corporation shall be deposited, or for any loss occasioned by any error of judgment or oversight on his or her part, or for any other loss, damage or misfortune which shall happen in the execution of the duties of his or her office or in relation thereto. Nothing herein shall relieve any director or officer from the duty to act in accordance with the Act and the regulations thereunder or from liability for any breach thereof.

6.02 **Indemnity:** Subject to the limitations contained in the Act, the Corporation shall indemnify a director or officer, a former director or officer of the Corporation, or a person who acts or acted at the Corporation's request as a director or officer of a body corporate of which the Corporation is or was a shareholder or creditor and his heirs or legal representatives, against all costs, charges and expenses, including an amount paid to settle an action or satisfy a judgment, reasonably incurred by him in respect of any civil, criminal or administrative action or proceeding to which he is made a party by reason of being or having been a director or officer of the Corporation or such body corporate, if:

- (a) he acted honestly and in good faith with a view to the best interests of the Corporation; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, he had reasonable grounds for believing that his conduct was lawful.

6.03 **Right to Indemnification:** The Corporation shall also indemnify an individual referred to in section 6.02 in such other circumstances as the Act or law permits or requires. Nothing in these by-laws shall limit the right of any person entitled to indemnity to claim indemnity apart from the provisions of these by-laws.

6.04 **Insurance:** Subject to the limitations contained in the Act, the Corporation may purchase and maintain insurance for the benefit of any individual referred to in section 6.02 as the board may from time to time determine.

Section 7 **MEETINGS OF SHAREHOLDERS**

7.01 **Calling of Meetings:** The directors of the Corporation shall call an annual meeting of shareholders not later than eighteen (18) months after the Corporation comes into existence and subsequently not later than fifteen (15) months after holding the last preceding annual meeting. The directors of the Corporation may at any time call a special meeting of shareholders. The Secretary shall cause notice of a meeting of shareholders to be given in accordance with section 7.03 hereof when directed to do so by the board or the President.

7.02 **Place of Meetings:** Subject to the articles and any unanimous shareholder agreement, meetings of shareholders shall be held at such place in or outside Ontario as the directors determine or at the registered office of the Corporation.

7.03 **Notice of Meetings:** Notice of the time and place of each meeting of shareholders shall be given by the Secretary of the Corporation in the manner provided in section 9.01 hereof not less than ten (10), nor more than fifty (50) days before the date of

the meeting to each director, to the auditor and to each shareholder entitled to vote at the meeting. A shareholder may in any manner and at any time waive notice of or otherwise consent to a meeting of shareholders.

7.04 **Meetings Without Notice:** A meeting of shareholders may be held without notice at any time and place permitted by the Act:

- (a) if all the shareholders entitled to vote thereat are present in person or represented by proxy or if those not present or represented by proxy waive notice of or otherwise consent to such meeting being held; and
- (b) if the auditors and the directors are present or waive notice of or otherwise consent to such meeting being held.

At such a meeting any business may be transacted which the Corporation at a meeting of shareholders may transact.

7.05 **Meetings by Electronic Means:** A meeting of shareholders may be held by telephone or electronic means and a shareholder who, through those means, votes at the meeting or establishes a communications link to the meeting shall be deemed to be present at the meeting.

7.06 **Chairman and Secretary:** Subject to the provisions of this section and of section 5.02 hereof, the President shall preside as chairman at each meeting of the shareholders. In the event that the President is not present within fifteen (15) minutes from the time fixed for holding the meeting, or is unable or refuses to preside as Chairman at such meeting, the persons present and entitled to vote shall choose one of their number to be chairman. The Secretary shall be the secretary of any meeting of shareholders. If the Secretary is absent, the chairman shall appoint some person, who need not be a shareholder, to act as Secretary of the meeting.

7.07 **Persons Entitled to be Present:** The only persons entitled to be present at a meeting of the shareholders shall be those entitled to vote thereat, the directors and auditors of the Corporation and others who, although not entitled to vote, are entitled or required under any provision of the Act or the articles or by-laws to be present at the meeting. Any other person may be admitted only on the invitation of the chairman of the meeting or with the consent of the meeting.

7.08 **Quorum:** Subject to any unanimous shareholder agreement, the holders of a majority of the shares entitled to vote at a meeting of shareholders, whether present in person or represented by proxy, constitute a quorum, irrespective of the number of persons actually present at the meeting. No business shall be transacted at any meeting while a quorum is not present. If the Corporation has only one (1) shareholder or only one (1) shareholder of any class or series of shares, the shareholder present in person or represented by proxy constitutes a meeting.

7.09 **Proxies:** Every shareholder entitled to vote at a meeting of shareholders may appoint a proxyholder, or one or more alternate proxyholders, who need not be shareholders as the shareholder's nominee, to attend and act at the meeting in the manner, to the extent authorized and with the authority conferred by the proxy. A proxy shall be in writing executed by the shareholder or his duly appointed attorney and shall conform with the requirements of the Act.

7.10 **Votes to Govern:** At any meeting of shareholders every question shall, unless otherwise required by the Act, the articles, by-laws or any unanimous shareholder agreement, be determined by the majority of the votes cast on the question.

7.11 **Show of Hands:** Subject to the provisions of the Act, any question at a meeting of shareholders shall be decided by a show of hands unless a ballot thereon is required or demanded as hereinafter provided. Whenever a vote by show of hands shall have been taken upon a question, unless a ballot thereon is so required or demanded, a declaration by the chairman of the meeting that the vote upon the question has been carried or carried by a particular majority or not carried and an entry to that effect in the minutes of the meeting shall be prima facie evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against any resolution or other proceeding in respect of the said question, and the result of the vote so taken shall be the decision of the shareholders upon the said question.

7.12 **Ballots:** On any question proposed for consideration at a meeting of shareholders, and whether or not a show of hands has been taken thereof, any shareholder or proxyholder entitled to vote at the meeting may require or demand a ballot. A ballot so required or demanded shall be taken in such manner as the chairman shall direct except if the ballot be demanded on the election of a chairman or on the question or adjournment or termination, in which event the ballot shall be taken forthwith without adjournment. A requirement or demand for a ballot may be withdrawn at any time prior to the taking of the ballot. If a ballot is taken, each person present shall be entitled, in respect of the shares which he is entitled to vote at the meeting upon the question, to that number of votes provided by the Act or the articles, and the result of the ballot so taken shall be the decision of the shareholders upon the said question.

Section 8

SHARES AND TRANSFERS

8.01 **Lien for Indebtedness:** If the articles of the Corporation provide that the Corporation has a lien on a share or shares registered in the name of a shareholder or the shareholder's personal representative for a debt of that shareholder to the Corporation, the right of the Corporation to the lien shall be noted conspicuously on every security certificate. The directors may refuse to permit the registration of a transfer of any share or share of the Corporation registered in the name of a shareholder who is indebted to the Corporation. Subject to the Act, the directors of the Corporation may

apply any dividends or other distributions paid or payable on or in respect of the share or shares in respect of which the Corporation has such a lien in repayment of the debt of that shareholder to the Corporation.

8.02 **Transfer of Shares:** Subject to the provisions of the Act and subject to the restrictions on transfer (if any) set forth in the articles, by-laws and any unanimous shareholder agreement, shares of the Corporation shall be transferable on the books of the Corporation upon surrender of the certificate representing such shares properly endorsed or accomplished by a properly executed transfer.

8.03 **Defaced, Destroyed, Stolen or Lost Certificates:** Where the owner of a share or shares of the Corporation claims that the certificate for such share or shares has been defaced, lost, apparently destroyed or wrongfully taken, the Corporation shall issue a new share certificate in place of the original share certificate on such terms as to indemnity, reimbursement of expenses and evidence of loss and of title as the board may from time to time prescribe, whether generally or in any particular case.

Section 9 NOTICES

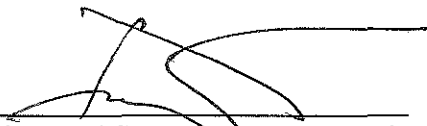
9.01 **Method of Giving Notice:** Any notice, communication or other document to be given by the Corporation to a shareholder, director, officer, or auditor of the Corporation under any provision of the Act, the articles or by-laws shall be sufficiently given if delivered personally to the person to whom it is to be given or if delivered to his latest address as shown in the records of the Corporation or if mailed by prepaid ordinary mail or airmail in a sealed envelope addressed to him at his latest address as shown in the records of the Corporation or if sent by any means of any telephonic, electronic or other communication facility. The Secretary may change the address on the records of the Corporation of any shareholder that produces a written copy in accordance with any information believed by him to be reliable. A notice, communication or document so delivered shall be deemed to have been given when it is delivered personally or at the address aforesaid. A notice, communication or document so mailed shall be deemed to have been given on the fifth day after it is deposited in a post office or public letter box. A notice sent by any means of electronic or recorded telephonic communication shall be deemed to have been given when delivered to the appropriate communication corporation or agency or its representative for dispatch.

Section 10 MISCELLANEOUS

10.01 **Effective Date:** These by-laws shall come into force when made by the board and confirmed by the shareholders in accordance with the Act.

10.02 **Paramountcy:** In the event of any conflict between any provision of these by-laws and any unanimous shareholder agreement, the provisions of the unanimous shareholder agreement shall prevail to the extent of the conflict, and the directors and the shareholders shall amend these by-laws accordingly.

EFFECTIVE as of the 6th day of May, 2010.



President and Secretary - Drew Craig

Schedule 4.7
Outstanding Convertible Securities

See Schedule 2.4(h).

Schedule 14.2(a)**Notices**

(i) To Forward at:

Forward Dimension Capital 1 LLP
44 Great Marlborough Street
London, United Kingdom
W1F 7JL

Email: gavin.owston@forwardpe.com
Attention: Gavin Owston

(ii) To J.D. Craig Holdings, DUM Holdings and Craig at:

4280 Rockridge Road
West Vancouver, BC
V7W 1A5
Canada

Attention: Drew Craig
Email: drew.craig@craigwireless.com

(iii) To Bicknell and Bicknell Trust at:

3965 Westridge Avenue
West Vancouver, BC
V7V 3H6
Canada

Attention: Ken Bicknell
Email: ken@digitalundergroundmedia.com

(iv) To 678 and Plett at:

c/o Blaine Coates
Spiring Wealth Management Group
200 Waterfront Drive, Suite 400
Winnipeg, Manitoba
R3B 3P1
Attention: Blaine Coates
Email: blaine.coates@nbc.ca

(v) To Laitinen at:

5440 Wallace Avenue
Delta, BC
V4M 3V3
Canada

Email: mike@digitalundergroundmedia.com

(vi) To SBL and East at:

1A-1455 Waverley Street
Winnipeg, MB
Canada
R3T 0P7

Attention: Paul East
Email: eastp@sbl.ca

(vii) To Tokimoto at:

5-3-1-O-1904, MinatoMirai, Nishi-ku,
Yokohama City
Kanagawa, Japan
220-0012

Email: tokimoto@daoapp.com

(viii) To Chae at:

105-1101, 14, Seogeunae-ro 16beon-gil,
Giheung-gu, Yongin-si,
Gyeonggi-do, Korea

Email: doitagain@innovex.co.kr

(ix) To the Corporation at:

219 – 255 West 1st Street
North Vancouver, BC
Canada
V7M 3G8

Attention: Ken Bicknell
Email: ken@digitalundergroundmedia.com

Exhibit 3.6(a)

Accounting Principles, Procedures and Methodology

Total Net Revenue and EBITDA shall be based on the following accounting policies, principles and methods:

1. In the first instance on a basis consistent with the assumptions employed in preparing the Annual Business Plan for 2015.
2. To the extent that a particular accounting policy, principle or method had not arisen, and so no assumption applied, in preparing the Annual Business Plan for 2015 it should be treated in accordance with the accounting policies set out in the consolidated financial statement of the Corporation for the year ended 31 August 2013.
3. To the extent that a particular accounting policy, principle or method had also not arisen, and so no assumption applied, in preparing the consolidated financial statement of the Corporation, it should be treated in accordance with GAAP.

For the avoidance of doubt the following policies, principles and methods have been assumed in the preparation of the Annual Business Plan for 2015.

1. Revenue recognition. (a) Advertising revenue from the Corporation's digital tunnel subway systems is recognised in and matched to the period in which the advertising is displayed. Any revenue received in advance for the display of advertising in future periods is deferred and recognised across the period in which the Corporation meets its obligations for the display of such advertising. (b) Any revenues generated from licencing the intellectual property or Corporations digital tunnel subway systems shall be recognised when the Corporation has satisfied its contractual obligations under the related agreement. (c) No revenue shall be recognised from an agreement with a related party entity of the Corporation.
2. Non-recurring revenue. No revenue shall be recognised in respect of one-off or non-recurring transactions including, but not limited to, the disposal of companies, operations or business units.
3. Month end closing procedures. The month end closing procedures for any period used as the basis of an EBITDA or Total Net Revenue calculation shall be prepared to the same standard as for a year end closing.
4. Sales and marketing expenses and R&D expenses. For the purpose of any EBITDA calculation the charges for both sales and marketing expenses and R&D expenses shall be adjusted such that the monthly charge shall be the higher of actual expenses incurred or the amount contained in the Annual Business Plan for 2015 for the relevant month.
5. Release of accruals or provisions. For the purpose of any EBITDA calculation any release of accrual or provision shall be included in the EBITDA of that month only to the extent that it had previously been charged in that month.

Exhibit 3.12
Form of Indemnity

(see attached)

Confidential

Dated _____, 2015

DIGITAL UNDERGROUND MEDIA INC.

and

[INDEMNIFIED PARTY]

INDEMNIFICATION AGREEMENT

THIS INDEMNIFICATION AGREEMENT is dated _____, 2015 and made between:

- 1 **DIGITAL UNDERGROUND MEDIA INC.**, a corporation formed under the laws of Ontario (the **Corporation**); and
- 2 **[NAME OF INDEMNIFIED PARTY]**, an individual residing in ●, in the ● (the **Indemnified Party**).

RECITALS:

- (A) The Indemnified Party:
1. is or has been a director or officer of the Corporation; or
 2. at the request of the Corporation, is or has been a director or officer of, or is or has been an individual who acts or has acted in a similar capacity for, an Other Entity (as defined below).
- (B) The Corporation considers it in the best interests of the Corporation to enter into this Agreement to set out the circumstances and manner in which the Indemnified Party may be indemnified in respect of certain costs, charges or expenses that the Indemnified Party may incur as a result of acting as a director or officer of the Corporation or as a director or officer or in a similar capacity of an Other Entity at the request of the Corporation.
- (C) Sections 6.02 and 6.03 of By-Law No.1 of the Corporation contemplate that the Indemnified Party may be indemnified in certain circumstances.

NOW THEREFORE in consideration of the mutual covenants and agreements contained herein and other good and valuable consideration (the receipt and sufficiency of which are acknowledged), the Parties agree as follows:

Article 1 – Interpretation

1.1 Definitions

In this Agreement, the following terms have the following meaning.

Act means the *Business Corporations Act* (Ontario) and the regulations made thereto, as from time to time amended, and every statute that may be substituted therefor, and in the case of such amendment or substitution, any reference to the Act in this Agreement refers to the amended or substituted provisions therefor.

Agreement means this indemnification agreement, as it may be amended or restated from time to time and the words “Article” and “Section” followed by a number mean and refer to the specified article or section of this indemnification agreement.

Business Day means any day, other than a Saturday, Sunday or statutory or civic holiday in Toronto, Ontario, Vancouver, British Columbia and London, United Kingdom.

Excluded Proceeding means any civil, criminal, administrative, investigative or other proceeding initiated by the Indemnified Party (a) against the Corporation other than an action relating to the enforcement of this Agreement or (b) against any person or entity unless the Corporation has joined with the Indemnified Party or consented in writing to the initiation of the proceeding.

Indemnifiable Person means a director or officer of the Corporation or an individual who, at the request of the Corporation, acts as a director or officer, or in a similar capacity, of an Other Entity.

Losses means all costs, charges, expenses, losses, damages, Taxes, fees (including any legal, professional or advisory fees or disbursements reasonably incurred) or amounts paid to settle or dispose of a claim or satisfy a judgment, in each case, which the Indemnified Party may reasonably suffer, sustain, incur or be required to pay in respect of a threatened, pending or completed Proceeding.

Other Entity means any direct or indirect subsidiary of the Corporation and any other entity, including any corporation, not-for-profit corporation, joint venture, partnership, trust entity or other enterprise, in respect of which the Indemnified Party was requested by the Corporation to serve as a director or officer or as an individual acting in a similar capacity in respect of such other entity.

Parties means the Corporation and the Indemnified Party and their respective heirs, executors, legal representatives, successors and permitted assigns.

Proceeding means any civil, criminal, administrative, investigative or other proceeding to which the Indemnified Party is made a party or involved in by reason of the Indemnified Party's association with the Corporation or Other Entity, other than an Excluded Proceeding.

Taxes includes any assessment, reassessment, claim or other amount for taxes, charges, duties, levies, imposts or similar amounts, including any interest and penalties in respect thereof, but excludes taxes on any fees, salary or other form of director or officer compensation the Indemnified Party receives.

1.2 Other Defined Terms

Words and expressions defined in the Act have the same meanings when used herein.

1.3 Gender and Number

Any reference in this Agreement to gender includes all genders and words importing the singular include the plural and *vice versa*.

1.4 Certain Phrases

In this Agreement (a) the words "including" and "includes" mean "including (or includes) without limitation", and (b) in the computation of periods of time from a specified date to a later specified date, unless otherwise expressly stated, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding" and if the last day of any such period is not a Business Day, such period will end on the next Business Day.

1.5 Headings, Etc.

The division of this Agreement into Articles and Sections and the insertion of headings are for convenient reference only and are not to affect or be used in the construction or interpretation of this Agreement.

Article 2 – Indemnification by Corporation and Obligations of Indemnified Party

2.1 General Indemnity

The Corporation shall indemnify and hold the Indemnified Party harmless from and against any and all Losses, provided that:

- (a) the Indemnified Party acted honestly and in good faith with a view to the best interests of the Corporation or Other Entity, as the case may be; and
- (b) in the case of a criminal or administrative action or proceeding that is enforced by monetary penalty, the Indemnified Party had reasonable grounds for believing that his conduct was lawful.

2.2 Mandatory Obligation to Indemnify

Nothing in this letter shall adversely affect or diminish the obligation of the Corporation to indemnify the Indemnified Party pursuant to Section 136(4.2) of the *Business Corporations Act* (Ontario).

2.3 Partial Indemnification

If it is determined by a court of competent jurisdiction that the Indemnified Party is entitled under any provisions of this Agreement to indemnification by the Corporation for some or a portion of the Losses incurred in respect of any claim but not for the total amount thereof, the Corporation shall nevertheless indemnify the Indemnified Party for the portion thereof to which the Indemnified Party is determined by a court of competent jurisdiction to be so entitled.

2.4 Advance of Expenses

The Corporation shall advance monies to the Indemnified Party in respect of any Proceeding provided that the Indemnified Party shall repay any moneys advanced if the Indemnified Party does not fulfill the conditions of Section 2.1(a) or 2.1(b). Under no circumstances will the Corporation be required to advance monies to the Indemnified Party in connection with an Excluded Proceeding.

2.5 Indemnity in Derivative Action

In respect of a Proceeding by or on behalf of the Corporation or Other Entity to procure a judgment in its favour to which the Indemnified Party is made a party because of the Indemnified Party's association with the Corporation or Other Entity, the Corporation shall, at the Indemnified Party's request, make application for approval of a court of competent jurisdiction to indemnify the Indemnified Party against all Losses in connection with such Proceeding or to advance monies to the Indemnified Party under Section 2.44 if the Indemnified Party fulfils the condition of Sections 2.1(a) and 2.1(b) above.

Article 3 – Directors' and Officers' Liability Insurance

3.1 Insurance

- (a) The Corporation shall maintain adequate directors' and officers' liability insurance and provide the Indemnified Party with evidence of compliance therewith upon request from time to time. The Corporation shall maintain such insurance for so long as the Indemnified

Party remains an Indemnifiable Person and for a period of time thereafter as is necessary to ensure proper coverage against all claims in respect of which he is entitled to indemnity hereunder.

- (b) If following any Indemnified Party ceasing to be an Indemnifiable Person, the Corporation's insurance policies are not available in respect of the Indemnified Party, the Corporation shall obtain replacement insurance policies or modifications of the existing policies which will have at least the same insurance coverage and contain terms that are not less favourable to the Indemnified Party and shall cover any Losses arising out of or relating to events which occurred on or before the date the Indemnified Party ceased to be an Indemnifiable Person.

3.2 Deductible

If for any reason whatsoever, any directors' and officers' liability insurer asserts that the Indemnified Party is subject to a deductible under any existing or future directors' and officers' liability insurance purchased and maintained by the Corporation for the benefit of the Indemnified Party, the Corporation shall pay the deductible for and on behalf of the Indemnified Party.

3.3 No Double Recovery

The Corporation shall not be obligated to pay the Indemnified Party for any Losses which have been paid to on behalf of the Indemnified Party under any insurance policy maintained by the Corporation or otherwise.

3.4 Subrogation

To the extent permitted by law, the Corporation shall be subrogated to all rights which the Indemnified Party may have under all policies of insurance or other contracts pursuant to which the Indemnified Party may be entitled to reimbursement of, or indemnification in respect of, any Losses borne by the Corporation pursuant to this agreement.

Article 4 – Indemnification Proceedings

4.1 Notice of Proceedings

Each Party shall give notice to the other as soon as practicable upon it receiving any demand letter, statement of claim, writ, notice of motion, indictment, subpoena, investigation order or other document commencing, threatening or continuing any Proceeding involving the Corporation or Other Entity or the Indemnified Party which may give rise to a claim for indemnification under this Agreement. Such notices shall be in writing and include a description of such Proceeding or threatened Proceeding, a summary of the facts giving rise to such Proceeding or threatened Proceeding and, if possible, an estimate of any potential liability arising under such Proceeding or threatened Proceeding. Failure by the Indemnified Party to give notice of any such Proceeding or threatened Proceeding shall not relieve the Corporation from liability under this Agreement except to the extent that the failure materially prejudices the Corporation or Other Entity, as the case may be.

4.2 Defence of Action

- (a) Promptly after receiving written notice of any Proceeding or threatened Proceeding from the Indemnified Party, the Corporation shall assume conduct of the defence thereof in a timely manner and retain counsel on behalf of the Indemnified Party, provided that such counsel is reasonably satisfactory to the Indemnified Party, to represent the Indemnified Party in respect of the Proceeding. In the event the Corporation assumes conduct of the

defence on behalf of the Indemnified Party, the Indemnified Party hereby consents to the conduct thereof and of any action taken by the Corporation, in good faith, in connection therewith. The Indemnified Party shall fully cooperate in such defence including, without limitation, the provision of documents, attending examinations for discovery, making affidavits, meeting with counsel, testifying and divulging to the Corporation and its insurers all information reasonably required to defend or prosecute the Proceeding.

- (b) In connection with any Proceeding or other matter for which the Indemnified Party may be entitled to indemnity hereunder, the Indemnified Party may employ separate counsel of the Indemnified Party's choosing and such counsel may participate in the defence thereof but the fees and disbursements of such counsel shall be at the Indemnified Party's sole expense notwithstanding any other provision of this Agreement unless (a) employment of such other counsel has been authorized by the Corporation, (b) the Corporation has not appointed counsel pursuant to Section 4.2(a) in a timely manner; or (c) the Corporation has appointed counsel that is not reasonably satisfactory to the Indemnified Party, in which event, the reasonable fees and disbursements of such counsel shall be paid by the Corporation on behalf of the Indemnified Party.

4.3 Settlement of Claim

No admission of liability and no settlement of any Proceeding in a manner adverse to the Indemnified Party shall be made without the consent of the Indemnified Party; provided, however, that no consent of the Indemnified Party is required in the case of a settlement by the Corporation where such settlement (a) includes an unconditional release of the Indemnified Party from all liability arising out of such Proceeding, and (b) does not include a statement as to, or an admission of, fault, culpability or a failure to act, by or on behalf of the Indemnified Party.

4.4 Determination of Right to Indemnification

If the payment of an indemnity or the advancement of monies under this Agreement requires the approval of a court under the provisions of the Act or otherwise, either the Corporation or the Indemnified Party may apply to a court of competent jurisdiction for an order approving such indemnity or the advancement of such monies by the Corporation pursuant to this Agreement.

4.5 Other Indemnities

This Agreement supersedes and replaces all prior indemnities entered into by or between the Indemnified Party and the Corporation or an Other Entity with respect to the subject matter of this Agreement provided that nothing in this provision shall operate to restrict in any way any indemnity to which the Indemnified Party is entitled under the Corporation's by-law, the constating documents of any Other Entity, any applicable policy of insurance, guarantee or third party indemnity or otherwise at law.

Article 5 – Miscellaneous

5.1 Effective Time

This Agreement shall be deemed to have effect as and from the first date that the Indemnified Party becomes or became an Indemnifiable Person and shall continue in full force and effect until terminated by agreement of the Parties.

5.2 Confidentiality

The Indemnified Party shall keep this Agreement confidential and shall not disclose it or any of its terms to any other Person except and only to the extent required by applicable law.

5.3 Insolvency

The liability of the Corporation under this Agreement shall not be affected, discharged, impaired, mitigated or released by reason of the discharge or release of the Indemnified Party in any bankruptcy, insolvency, receivership or other similar proceeding of creditors. The rights of the Indemnified Party under this Agreement shall not be prejudiced or impaired by permitting or consenting to any assignment in bankruptcy, receivership, insolvency or any other creditor's proceedings of or against the Corporation or an Other Entity or by the winding-up or dissolution of the Corporation or an Other Entity.

5.4 Multiple Proceedings

No action or proceeding brought or instituted under this Agreement and no recovery pursuant thereto shall be a bar or defence to any further action or proceeding which may be brought under this Agreement.

5.5 Notices

Any notice, consent, waiver or other communication given under this Agreement must be in writing and may be given by delivering it (whether in person, by courier service or other personal method of delivery) or sending it by e-mail or other similar form of electronic record transmission:

(a) to the Indemnified Party at:

●

Attention: ●

E-mail: ●

(b) to the Corporation at:

Digital Underground Media Inc.
219 - 255 West 1st Street
North Vancouver, British Columbia, Canada
V7M 3G8

Attention: Ken Bicknell, Chief Executive Officer

E-mail: ken@digitalundergroundmedia.com

Any such communication is deemed to have been delivered on the date of personal delivery or transmission, as the case may be, if such day is a Business Day and such delivery or transmission was received by the recipient Party prior to 5 pm (Toronto time) and otherwise on the next Business Day. Any Party may change its address for service by notice given in accordance with the foregoing and any subsequent notice must be sent to such Party at its changed address.

5.6 Amendments

This Agreement may only be amended, supplemented or otherwise modified by written agreement of the Parties.

5.7 Waiver

The failure or delay by a Party in enforcing or insisting upon strict performance of any of the provisions of this Agreement does not constitute a waiver of such provision or in any way affect the validity or enforceability of this Agreement or deprive a Party of the right, at any time or from time to time, to enforce or insist upon strict performance of that provision or any other provision of this Agreement. Any waiver by a Party of any provision of this Agreement is effective only if in writing and signed by a duly authorized representative of such Party.

5.8 Severability

If any provision of this Agreement is determined by a court of competent jurisdiction to be illegal, invalid or unenforceable, that provision will be severed from this Agreement and the remaining provisions will continue in full force and effect, without amendment.

5.9 Governing Law

- (a) This Agreement is governed by and is to be interpreted and enforced in accordance with the laws of the Province of Ontario and the federal laws of Canada applicable therein.
- (b) Each of the Parties irrevocably attorns and submits to the exclusive jurisdiction of the courts of Ontario with respect to all matters arising out of or relating to this Agreement and all matters, agreements and documents contemplated by this Agreement.

5.10 Independent Legal Advice

The Indemnified Party acknowledges that he has been advised to obtain independent legal advice with respect to entering into this Agreement, that he has obtained such independent legal advice or has decided not to seek such advice, and that he is entering into this Agreement with full knowledge of its contents, of his own free will and with capacity and authority to do so.

5.11 Time of the Essence

Time is of the essence of this Agreement.

5.12 Successors and Assigns

This Agreement will be binding upon and enure to the benefit of the Parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

Neither this Agreement nor any of the rights, duties or obligations under this Agreement are assignable or transferable by either party without the prior written consent of the other party, not to be unreasonably withheld.

5.13 Further Assurances

Each Party shall, at the request of the other Party, execute and deliver such additional assurances as may be reasonably required to effectively carry out the intent of this Agreement.

5.14 Counterparts

This Agreement may be executed in any number of separate counterparts (including by electronic means) and all such signed counterparts will together constitute one and the same agreement.

IN WITNESS WHEREOF the Parties have executed and delivered this Agreement.

Witness

[Indemnified Party]

DIGITAL UNDERGROUND MEDIA INC.

By: _____

Name:

Title:

(Signature Page for Indemnification Agreement)

C

THIS IS EXHIBIT "C"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 1TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

Digital Underground Media Inc. Financial Reporting Package

For the Month of

October 2015

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at October 31, 2015

	Actual	Plan	Variance
Current Assets			
Cash	1,345,823	479,770	866,053
Funds Held in Escrow for Korea Purchase	302,100	0	302,100
Accounts Receivable	95,686	245,332	(149,646)
Inventory Parts for Systems	504,085	519,000	(14,915)
Deposit on Installation	127,492	0	127,492
Prepaid Expenses	17,579	0	17,579
Total Current Assets	2,392,765	1,244,102	1,148,663
Capital Assets			
Systems	846,559	1,822,069	(975,511)
Accumulated Depreciation - Systems	(143,463)	(146,923)	3,460
Net Systems	703,096	1,675,146	(972,050)
Furniture and Fixtures	4,914	105,802	(100,888)
Accumulated Depreciation - Fixtures	(2,997)	(6,303)	3,306
Net Fixtures	1,916	99,499	(97,583)
Tunnel Software	611,942	0	611,942
Accumulated Depreciation Software	(45,131)	0	(45,131)
Net Software	566,811	0	566,811
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(381,114)	(381,114)	1
Net SMM License	272,225	272,225	1
TVS License	16,818	22,118	(5,300)
Accumulated Amortization TVS License	(2,117)	0	(2,117)
Total TVs License	14,701	22,118	(7,417)
Asset Purchase			
Innovex	415,000	1,288,959	(873,959)
Dasung	100,000	100,000	0
TVS	332,342	342,955	(10,614)
Less Accumulated Amortization	(11,679)	(44,253)	32,574
Net Intangibles Acquired	835,663	1,687,661	(851,998)
Other Assets			
TVS Receivable	45,790	0	45,790
Transit Deposits	188,110	0	188,110
Total Other Assets	233,900	0	233,900
Total Assets	5,021,076	5,000,750	20,326

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at October 31, 2015

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	441,705	102,814	338,891
Wages Payable	2,711	0	2,711
VAT / GST Recoverable	(173,221)	0	(173,221)
Current Liabilities	271,195	102,814	168,381
Due to Windsor Capital	0	2,192,436	(2,192,436)
Due to JD Craig Holdings	2,281,134	0	2,281,134
Due to Spectrum Motion Media	476,080	445,429	30,651
Due to DUM Holdings Inc.	459,129	500,432	(41,303)
Due to David Chae	390,520	450,000	(59,480)
Total Liabilities	3,878,057	3,691,111	186,946
Equity			
Common B	3,503,736	3,748,016	(244,280)
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Share Issuance Costs	(282,400)	0	(282,400)
Deficit	(7,110,698)	(7,438,377)	327,679
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	(9,650)	0	(9,650)
Total Equity	1,143,019	1,309,639	(166,620)
Total Liabilities and Equity	5,021,076	5,000,750	20,326

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending October 31, 2015

	Month			YTD			
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	63,610			105,115			
Direct Taxes on Revenue	(7,645)			(12,634)			
Net Revenue	55,965	233,311	(177,346)	92,482	322,352	(229,870)	1
Cost of Sales							
Volume Bonus	5,725	0	5,725	9,460	0	(9,460)	
Transit Share Rent	38,746	106,321	(67,575)	72,984	184,882	111,898	
License Fee	0	2,236	(2,236)	0	2,777	2,777	
Sales Commissions	17,599	32,085	(14,486)	29,082	40,820	11,738	
System Operating Costs	101	15,750	(15,649)	193	20,250	20,057	
Total Cost of Sales	62,171	156,392	(94,221)	111,719	248,729	137,010	
Gross Margin	(6,207)	76,919	(83,126)	(19,237)	73,623	(366,881)	1
Expenses							
Location Expenses	15,402	10,000	(5,402)	35,687	20,000	(15,687)	2
Sales and Marketing	12,926	20,000	7,074	17,026	40,000	22,974	
Sales Research	10,125	20,000	9,875	17,685	40,000	22,315	
Digital Control	0	2,500	2,500	0	5,000	5,000	
Executive	34,259	55,968	21,709	50,926	101,938	51,012	
Finance	99,682	35,635	(64,047)	132,657	71,270	(61,387)	3
Operations Management	8,000	8,000	0	16,000	16,000	0	
Research and Development	22,954	27,458	4,504	46,207	54,916	8,709	
Project Management	2,844	5,000	2,156	2,844	10,000	7,156	
Administration	6,083	10,178	4,095	8,631	17,677	9,046	
I/T	0	5,000	5,000	0	10,000	10,000	
Total Expenses	212,274	199,739	(12,535)	327,662	386,801	59,139	
EBITDA	(218,481)	(122,820)	(95,661)	(346,898)	(313,178)	(33,720)	
Loss (gain) Foreign Exchange	779	0	(779)	6,778	0	(6,778)	
Interest Expense	33,565	31,629	(1,936)	70,204	63,868	(6,336)	4
Depreciation and Amortization	35,373	42,670	7,297	73,211	77,139	3,928	5
Net Income before taxes	(288,197)	(197,119)	(91,078)	(497,091)	(454,185)	(42,906)	
Income taxes	(1,564)	0	(1,564)	(2,584)	0	(2,584)	
Net Income after taxes	(289,761)	(197,119)	(92,642)	(499,675)	(454,185)	(45,490)	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending October 31, 2015

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Location Expenses						
Salaries	0			18,098		
Professional fees	6,606			8,477		
Consulting	8,097			8,097		
Rent	392			675		
Bank Charges	307			340		
Total Location expenses	15,402	10,000	(5,402)	35,687	20,000	(15,687)
Sales and Marketing						
Promotion	9,489	10,000	511	11,989	20,000	8,011
Travel	3,437	10,000	6,563	5,037	20,000	14,963
Total Sales and Marketing	12,926	20,000	7,074	17,026	40,000	22,974
Sales Research						
Outside Research	10,125	20,000	9,875	17,685	40,000	22,315
Digital Control						
Contract Work	0	2,500	2,500	0	5,000	5,000
Executive						
Salaries and benefits	17,099	23,885	6,786	33,765	47,771	14,006
Business development	16,470	20,000	3,530	16,470	40,000	23,530
Board Meetings	0	10,000	10,000	0	10,000	10,000
D&O Insurance	690	2,083	1,393	690	4,167	3,477
Total Executive	34,259	55,968	21,709	50,926	101,938	51,012
Finance						
Salaries and benefits	13,865	19,635	5,770	27,299	39,270	11,971
Software License Fees	11	1,000	990	11	2,000	1,990
Debt Finance Fee	69,000	0	(69,000)	69,000	0	(69,000)
Professional fees	16,806	15,000	(1,806)	36,348	30,000	(6,348)
Total Finance	99,682	35,635	(64,047)	132,657	71,270	(61,387)
Operations Management						
Consulting	8,000	8,000	0	16,000	16,000	0
Research & Development						
Contractors	22,954	12,458	(10,496)	46,207	24,916	(21,291)
R&D costs	0	15,000	15,000	0	30,000	30,000
Total Research & Development	22,954	27,458	4,504	46,207	54,916	8,709

2

3

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending October 31, 2015

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Project Management						
Travel	2,844	5,000	2,156	2,844	10,000	7,156
Administration						
Insurance General Liability	1,929	2,500	571	3,797	5,000	1,203
Bank Charges	442	1,000	558	944	2,000	1,056
Office and Postage	2,293	1,000	(1,293)	2,473	1,150	(1,323)
Office Phones	414	100	(314)	414	200	(214)
Cell Phones	338	400	62	338	800	462
Internet	0	200	200	0	400	400
Bad Debt reserve	0	1,853	1,853	0	1,877	1,877
Office Rent	666	3,125	2,459	666	6,250	5,584
Total Administration	6,083	10,178	4,095	8,631	17,677	9,046
I/T						
Software License Fees	0	1,000	1,000	0	2,000	2,000
Contract Work	0	4,000	4,000	0	8,000	8,000
Total I/T	0	5,000	5,000	0	10,000	10,000
Interest Expense						
Interest on Loan	20,203	22,119	1,916	42,033	43,525	1,492
Interest on license and asset purchases	10,378	6,402	(3,976)	22,057	14,146	(7,911)
Interest on DUM Holdings Loan	2,906	3,108	202	5,701	6,197	496
Other Interest Paid	79	0	(79)	413	0	(413)
Total Interest	33,565	31,629	(1,936)	70,204	63,868	(6,336)
Depreciation and Amortization						
Systems	7,303	15,184	7,881	17,033	22,618	5,585
Non System Assets	48	1,686	1,638	96	3,401	3,305
Tunnel Software	14,916	0	(14,916)	29,832	0	(29,832)
Spectrum Motion Patent	10,889	10,889	0	21,777	21,778	1
Asset Purchases	2,217	14,911	12,694	4,473	29,342	24,869
Total Depreciation and Amortization	35,373	42,670	7,297	73,211	77,139	3,928

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Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending October 31, 2015

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	0	77,019	(77,019)	0	156,606	(156,606)
Cash paid to suppliers and employees	(213,523)	(312,109)	98,586	(388,259)	(750,249)	361,990
Interest paid	(20,602)	(22,119)	1,517	(42,224)	(44,238)	2,014
	(234,125)	(257,209)	23,084	(430,483)	(637,881)	207,398
Financing activities						
Spectrum Motion Media loan payment	(131,042)	(123,598)	(7,444)	(131,042)	(123,598)	(7,444)
Retirement of Windsor Loan	(2,191,532)	0	(2,191,532)	(2,191,532)	0	(2,191,532)
JD Craig Loan	2,212,134	0	2,212,134	2,212,134	0	2,212,134
Proceeds from issuance of shares	0	0	0	0	0	0
	(110,440)	(123,598)	13,158	(110,440)	(123,598)	13,158
Investing activities						
Non System Assets	0	0	0	0	0	0
Money in Escrow for Korea Purchase	(302,100)	0	(302,100)	(302,100)	0	(302,100)
Deposit on Systems	(195,992)	202,500	(398,492)	(195,992)	202,500	(398,492)
System Purchases	0	(930,000)	930,000	0	(980,000)	980,000
	(498,092)	(727,500)	229,408	(498,092)	(777,500)	279,408
Increase (decrease) in cash resources	(842,657)	(1,108,307)	265,650	(1,039,014)	(1,538,979)	(3,057,764)
Cash resources, beginning of period	2,188,479	1,588,078	600,401	2,384,837	2,018,750	366,087
Cash resources, end of period	1,345,822	479,771	866,051	1,345,823	479,771	866,052

Notes on Financial Statements

- 1 Revenue is lower than plan - Systems expected to generate revenue for October - Seoul (4), LA (1), Madrid (1)
- 2 Location expenses in October - include Brazil costs for Sergio fee of \$R10,500 for Sept and Oct and additional legal fees for dealing with termination of Paulo as Branch Manager Brazil
- 3 Finance costs include a debt finance fee of \$69,000 for the loan from JD Craig
- 4 Interest Expense includes presumed interest for Chae loan not in the plan
- 5 Depreciation different than plan as a result of operating software not reflected in the plan

Digital Underground Media Inc. Financial Reporting Package

For the Month of

November 2015

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at November 30, 2015

	Actual	Plan	Variance
Current Assets			
Cash	1,115,282	48,048	1,067,234
Funds Held in Escrow for Korea Purchase	302,100	0	302,100
Accounts Receivable	128,949	433,891	(304,942)
Inventory Parts for Systems	504,085	481,500	22,585
Deposit on Installation	355,773	0	355,773
Prepaid Expenses	29,313	0	29,313
Total Current Assets	2,435,502	963,439	1,472,063
Capital Assets			
Systems	846,559	2,347,069	(1,500,511)
Accumulated Depreciation - Systems	(150,766)	(166,482)	15,716
Net Systems	695,793	2,180,587	(1,484,794)
Furniture and Fixtures	4,914	105,802	(100,888)
Accumulated Depreciation - Fixtures	(3,043)	(7,961)	4,918
Net Fixtures	1,870	97,841	(95,971)
Tunnel Software	611,942	0	611,942
Accumulated Depreciation Software	(60,047)	0	(60,047)
Net Software	551,895	0	551,895
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(392,002)	(392,003)	1
Net SMM License	261,337	261,336	1
TVS License	16,818	22,118	(5,300)
Accumulated Amortization TVS License	(2,117)	0	(2,117)
Total TVs License	14,701	22,118	(7,417)
Asset Purchase			
Innovex	415,000	1,288,959	(873,959)
Dasung	100,000	100,000	0
TVS	332,342	342,955	(10,614)
Less Accumulated Amortization	(13,896)	(58,684)	44,788
Net Intangibles Acquired	833,446	1,673,230	(839,784)
Other Assets			
TVS Receivable	46,667	0	46,667
Transit Deposits	156,508	0	156,508
Total Other Assets	203,175	0	203,175
Total Assets	4,997,718	5,198,550	(200,832)

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at November 30, 2015

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	401,635	474,053	(72,418)
Wages Payable	2,923	0	2,923
VAT / GST Recoverable	(178,860)	0	(178,860)
Current Liabilities	225,698	474,053	(248,355)
Due to Telefonica	225,802	0	225,802
Due to JD Craig Holdings	2,281,134	2,191,723	89,411
Due to Spectrum Motion Media	491,568	451,650	39,918
Due to DUM Holdings Inc.	461,960	503,559	(41,600)
Due to David Chae	394,371	450,000	(55,629)
Total Liabilities	4,080,533	4,070,985	9,548
Equity			
Common B	3,503,736	3,748,016	(244,280)
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Share Issuance Costs	(282,400)	0	(282,400)
Deficit	(7,351,378)	(7,620,451)	269,073
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	5,195	0	5,195
Total Equity	917,185	1,127,565	(210,380)
Total Liabilities and Equity	4,997,718	5,198,550	(200,832)

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending November 30, 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	100,703			205,819			
Direct Taxes on Revenue	(12,103)			(24,737)			
Net Revenue	88,600	268,145	(179,545)	181,082	590,497	(409,415)	1
Cost of Sales							
Volume Bonus	9,063	0	9,063	18,524	0	18,524	
Transit Share Rent	46,193	129,994	(83,801)	119,177	314,876	(195,699)	
License Fee	0	2,164	(2,164)	0	4,941	(4,941)	
Sales Commissions	27,861	34,862	(7,001)	56,944	75,682	(18,738)	
System Operating Costs	103	18,000	(17,897)	295	38,250	(37,955)	
Total Cost of Sales	83,221	185,020	(101,799)	194,939	433,749	(238,810)	2
Gross Margin	5,379	83,125	(77,746)	(13,857)	156,748	(170,605)	
Expenses							
Location Expenses	8,608	10,000	1,392	44,294	30,000	(14,294)	
Sales and Marketing	18,126	20,000	1,874	35,152	60,000	24,848	
Sales Research	0	20,000	20,000	17,685	60,000	42,315	
Digital Control	0	2,500	2,500	0	7,500	7,500	
Executive	39,281	45,968	6,687	90,207	147,906	57,699	
Finance	38,789	35,636	(3,153)	177,297	106,906	(70,391)	3
Operations Management	8,000	8,000	0	24,000	24,000	0	
Research and Development	23,317	27,458	4,141	69,524	82,374	12,850	
Project Management	3,057	5,000	1,943	5,901	15,000	9,099	
Administration	11,663	10,348	(1,315)	20,294	28,025	7,731	4
I/T	0	3,000	3,000	0	13,000	13,000	
Total Expenses	150,842	187,910	37,068	484,354	574,711	90,357	
EBITDA	(145,462)	(104,785)	(40,677)	(498,211)	(417,963)	(80,248)	
Loss (gain) Foreign Exchange	15,937	0	(15,937)	22,715	0	(22,715)	
Interest Expense	35,584	30,755	(4,829)	105,788	94,624	(11,164)	5
Depreciation and Amortization	35,371	46,536	11,165	108,581	120,351	11,770	
Net Income before taxes	(232,354)	(182,076)	(50,278)	(735,295)	(632,938)	(102,357)	
Income taxes	(2,476)	0	(2,476)	(5,060)	0	(5,060)	
Net Income after taxes	(234,830)	(182,076)	(52,754)	(740,355)	(632,938)	(107,417)	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending November 30 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Location Expenses							
Salaries	0			18,098			
Professional fees	4,778			13,255			
Consulting	3,590			11,687			
Rent	171			846			
Bank Charges	68			408			
Total Location expenses	8,608	10,000	1,392	44,294	30,000	(14,294)	
Sales and Marketing							
Promotion	7,661	10,000	2,339	12,699	30,000	17,301	
Travel	10,464	10,000	(464)	22,453	30,000	7,547	
Total Sales and Marketing	18,126	20,000	1,874	35,152	60,000	24,848	
Sales Research							
Outside Research	0	20,000	20,000	17,685	60,000	42,315	
Digital Control							
Contract Work	0	2,500	2,500	0	7,500	7,500	
Executive							
Salaries and benefits	18,591	23,885	5,294	52,357	71,656	19,300	
Business development	20,000	20,000	0	36,470	60,000	23,530	
Board Meetings	0	0	0	0	10,000	10,000	
D&O Insurance	690	2,083	1,393	1,380	6,250	4,870	
Total Executive	39,281	45,968	6,687	90,207	147,906	57,699	
Finance							
Salaries and benefits	15,574	19,636	4,062	42,873	58,906	16,033	
Software License Fees	155	1,000	845	166	3,000	2,834	
Debt Finance Fee	0	0	0	69,000	0	(69,000)	
Professional fees	23,060	15,000	(8,060)	65,257	45,000	(20,257)	3
Total Finance	38,789	35,636	(3,153)	177,297	106,906	(70,391)	
Operations Management							
Consulting	8,000	8,000	0	24,000	24,000	0	
Research & Development							
Contractors	23,317	12,458	(10,859)	69,524	37,374	(32,150)	
R&D costs	0	15,000	15,000	0	45,000	45,000	
Total Research & Development	23,317	27,458	4,141	69,524	82,374	12,850	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending November 30, 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Project Management							
Travel	3,057	5,000	1,943	5,901	15,000	9,099	
Administration							
Insurance General Liability	2,000	2,500	500	5,797	7,500	1,703	
Bank Charges	420	1,000	580	1,364	3,000	1,636	
Office and Postage	4,929	1,000	(3,929)	7,401	2,150	(5,251)	4
Office Phones	200	100	(100)	614	300	(314)	
Cell Phones	600	400	(200)	938	1,200	262	
Internet	218	200	(18)	218	600	382	
Bad Debt reserve	0	2,023	2,023	0	3,900	3,900	
Office Rent	3,296	3,125	(171)	3,962	9,375	5,413	
Total Administration	11,663	10,348	(1,315)	20,294	28,025	7,731	
I/T							
Software License Fees	0	1,000	1,000	0	3,000	3,000	
Contract Work	0	2,000	2,000	0	10,000	10,000	
Total I/T	0	3,000	3,000	0	13,000	13,000	
Interest Expense							
Interest on Loan	22,546	21,406	(1,140)	64,578	64,931	353	
Interest on license and asset purchases	10,207	6,221	(3,986)	32,263	20,368	(11,895)	
Interest on DUM Holdings Loan	2,830	3,128	298	8,531	9,325	794	
Other Interest Paid	2	0	(2)	415	0	(415)	
Total Interest	35,584	30,755	(4,829)	105,788	94,624	(11,164)	5
Depreciation and Amortization							
Systems	7,303	19,559	12,256	24,336	42,177	17,841	
Non System Assets	46	1,658	1,612	142	5,060	4,918	
Tunnel Software	14,916	0	(14,916)	44,748	0	(44,748)	
Spectrum Motion Patent	10,889	10,889	0	32,666	43,772	11,106	
Asset Purchases	2,217	14,430	12,213	6,690	29,342	22,652	
Total Depreciation and Amortization	35,371	46,536	11,165	108,581	120,351	11,770	

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending November 30, 2015

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	0	79,587	(79,587)	0	236,193	(236,193)
Cash paid to suppliers and employees	(240,995)	(2,403)	(238,592)	(629,254)	(752,866)	123,612
Interest paid	(22,546)	(21,406)	(1,140)	(64,770)	(64,931)	161
	(263,541)	55,778	(319,319)	(694,023)	(581,604)	(112,419)
Financing activities						
Spectrum Motion Media loan payment	0	0	0	(131,042)	(123,598)	(7,444)
Retirement of Windsor Loan	0	0	0	(2,191,532)	0	(2,191,532)
JD Craig Loan	0	0	0	2,212,134	0	2,212,134
Proceeds from issuance of shares	0	0	0	0	0	0
	0	0	0	(110,440)	(123,598)	13,158
Investing activities						
Non System Assets	0	0	0	0	0	0
Money in Escrow for Korea Purchase	0	0	0	(302,100)	0	(302,100)
Deposit on Systems	33,000	37,500	(4,500)	(162,992)	239,500	(402,492)
System Purchases	0	(525,000)	525,000	0	(1,505,000)	1,505,000
	33,000	(487,500)	520,500	(465,092)	(1,265,500)	800,408
Increase (decrease) in cash resources	(230,541)	(431,722)	201,181	(1,269,555)	(1,970,702)	(3,288,305)
Cash resources, beginning of period	1,345,822	479,770	866,052	2,384,837	2,018,750	366,087
Cash resources, end of period	1,115,282	48,048	1,067,234	1,115,282	48,048	1,067,234

Notes on Financial Statements

- 1 Revenue from Brazil location - plan had Seoul, Madrid, Los Angeles and second system selling in November
- 2 Cost of Sales - includes over \$21,000 in minimum guarantee to Madrid with no revenue
- 3 Legal fees on patents for \$8,200 not in plan for this month; patent management moved from Gowlings to ADE & CO to reduce costs
- 4 Office costs include \$3,500 for furniture and fixtures for the office - expensed in accounts
- 5 Interest costs - bridge loan at 12% same as previous, balance slightly higher, interest not planned for Chae purchase now included

Digital Underground Media Inc. Financial Reporting Package

For the Month of

December 2015

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at December 31, 2015

	Actual	Plan	Variance
Current Assets			
Cash	3,986,744	3,535,918	450,826
Funds Held in Escrow for Korea Purchase	302,100	0	302,100
Accounts Receivable	142,626	79,587	63,039
Inventory Parts for Systems	504,085	933,677	(429,592)
Deposit on Installation	371,562	0	371,562
Prepaid Expenses	28,623	17,579	11,044
Total Current Assets	5,335,741	4,566,761	768,980
Capital Assets			
Systems	846,559	846,559	(1)
Accumulated Depreciation - Systems	(158,069)	(157,572)	(497)
Net Systems	688,490	688,987	(497)
Furniture and Fixtures	4,914	0	4,914
Accumulated Depreciation - Fixtures	(3,089)	0	(3,089)
Net Fixtures	1,824	0	1,824
Tunnel Software	611,942	616,856	(4,914)
Accumulated Depreciation Software	(74,963)	(66,928)	(8,035)
Net Software	536,979	549,928	(12,949)
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(402,891)	(402,892)	1
Net SMM License	250,448	250,447	1
TVS License	16,818	16,818	0
Accumulated Amortization TVS License	(2,117)	(2,118)	1
Total TVs License	14,701	14,700	1
Asset Purchase			
Innovex	415,000	415,000	0
Dasung	100,000	100,000	0
TVS	332,342	355,693	(23,352)
Less Accumulated Amortization	(16,113)	(46,785)	30,672
Net Intangibles Acquired	831,229	823,908	7,320
Other Assets			
TVS Receivable	48,440	0	48,440
Transit Deposits	159,773	154,610	5,163
Total Other Assets	208,213	154,610	53,603
Total Assets	7,867,624	7,049,341	818,283

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at December 31, 2015

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	610,925	29,344	581,581 **
Wages Payable	2,923	0	2,923
VAT / GST Recoverable	(184,579)	0	(184,579)
Current Liabilities	429,269	29,344	399,925
Due to Telefonica	241,004	0	241,004
Due to JD Craig Holdings	2,281,134	2,282,038	(904)
Due to Spectrum Motion Media	517,183	488,814	28,369
Due to DUM Holdings Inc.	464,850	464,886	(37)
Due to David Chae	398,391	398,369	22
Total Liabilities	4,331,830	3,663,451	668,379
Equity			
Common B	3,503,736	3,263,616	240,120
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Preferred Equity	3,000,000	3,000,000	0
Share Issuance Costs	(432,400)	0	(432,400)
Deficit	(7,581,033)	(7,877,726)	296,693
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	3,459	0	3,459
Total Equity	3,535,794	3,385,890	149,904
Total Liabilities and Equity	7,867,624	7,049,341	818,283

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending December 31, 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	34,241			240,060			
Direct Taxes on Revenue	(4,115)			(28,852)			
Net Revenue	30,126	79,587	(49,461)	211,208	283,866	(72,658)	1
Cost of Sales							
Volume Bonus	3,082	0	3,082	21,605	0	21,605	
Transit Share Rent	32,667	75,344	(42,677)	151,844	261,594	(109,750)	
License Fee	0	0	0	0	0	0	
Sales Commissions	9,473	7,163	2,310	66,417	38,625	27,792	
System Operating Costs	106	2,250	(2,144)	401	6,851	(6,450)	
Total Cost of Sales	45,328	84,757	(39,429)	240,267	307,070	(66,803)	2
Gross Margin	(15,203)	(5,170)	(10,033)	(29,060)	(23,204)	(5,856)	
Expenses							
Location Expenses	7,660	10,000	2,340	51,954	45,402	(6,552)	
Sales and Marketing	13,137	26,666	13,529	48,289	79,592	31,303	
Sales Research	0	45,000	45,000	17,685	95,125	77,440	
Digital Control	0	2,500	2,500	0	5,000	5,000	
Executive	37,167	88,468	51,301	127,374	212,583	85,210	
Finance	30,924	35,636	4,712	208,221	206,577	(1,644)	3
Operations Management	8,000	8,000	0	32,000	32,000	0	
Research and Development	23,317	27,458	4,141	92,841	105,328	12,487	
Project Management	1,366	5,000	3,634	7,267	17,844	10,577	
Administration	6,410	8,267	1,857	26,705	30,002	3,297	4
I/T	0	3,000	3,000	0	11,000	11,000	
Total Expenses	127,982	259,995	132,013	612,335	840,453	228,118	
EBITDA	(143,184)	(265,165)	121,981	(641,395)	(863,657)	222,262	
Loss (gain) Foreign Exchange	13,097	0	(13,097)	35,812	0	(35,812)	
Interest Expense	37,162	32,423	(4,739)	142,950	129,599	(13,351)	5
Depreciation and Amortization	35,371	33,239	(2,132)	143,952	136,381	(7,571)	
Net Income before taxes	(228,814)	(330,827)	102,013	(964,109)	(1,129,637)	165,528	
Income taxes	(842)	0	(842)	(5,901)	(1,564)	(4,337)	
Net Income after taxes	(229,656)	(330,827)	101,171	(970,010)	(1,131,201)	161,191	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending December 31, 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Location Expenses							
Salaries	0			18,098			
Professional fees	3,707			16,962			
Consulting	3,707			15,394			
Rent	177			1,023			
Bank Charges	71			479			
Total Location expenses	7,660	10,000	2,340	51,954	45,402	(6,552)	
Sales and Marketing							
Promotion	5,137	16,666	11,529	17,836	46,155	28,319	
Travel	8,000	10,000	2,000	30,453	33,437	2,984	
Total Sales and Marketing	13,137	26,666	13,529	48,289	79,592	31,303	
Sales Research							
Outside Research	0	45,000	45,000	17,685	95,125	77,440	
Digital Control							
Contract Work	0	2,500	2,500	0	5,000	5,000	
Executive							
Salaries and benefits	16,667	23,885	7,218	69,023	88,756	19,733	
Business development	19,810	62,500	42,690	56,280	118,970	62,690	
Board Meetings	0	0	0	0	0	0	
D&O Insurance	690	2,083	1,393	2,070	4,857	2,787	
Total Executive	37,167	88,468	51,301	127,374	212,583	85,210	
Finance							
Salaries and benefits	15,629	19,636	4,007	58,503	72,771	14,268	
Software License Fees	295	1,000	705	461	3,000	2,539	
Debt Finance Fee	0	0	0	69,000	69,000	0	
Professional fees	15,000	15,000	0	80,257	61,806	(18,451)	3
Total Finance	30,924	35,636	4,712	208,221	206,577	(1,644)	
Operations Management							
Consulting	8,000	8,000	0	32,000	32,000	0	
Research & Development							
Contractors	23,317	12,458	(10,859)	92,841	45,328	(47,513)	
R&D costs	0	15,000	15,000	0	60,000	60,000	
Total Research & Development	23,317	27,458	4,141	92,841	105,328	12,487	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending December 31, 2015

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Project Management							
Travel	1,366	5,000	3,634	7,267	17,844	10,577	
Administration							
Insurance General Liability	1,935	2,500	565	7,732	9,429	1,697	
Bank Charges	326	1,000	674	1,690	3,442	1,752	
Office and Postage	66	1,000	934	7,468	4,443	(3,025)	4
Office Phones	165	100	(65)	779	714	(65)	
Cell Phones	600	400	(200)	1,538	1,538	0	
Internet	234	200	(34)	453	600	147	
Bad Debt reserve	0	(58)	(58)	0	(205)	(205)	
Office Rent	3,083	3,125	42	7,045	10,041	2,996	
Total Administration	6,410	8,267	1,857	26,705	30,002	3,297	
I/T							
Software License Fees	0	1,000	1,000	0	3,000	3,000	
Contract Work	0	2,000	2,000	0	8,000	8,000	
Total I/T	0	3,000	3,000	0	11,000	11,000	
Interest Expense							
Interest on Loan	23,249	23,023	(226)	87,827	88,829	1,002	
Interest on license and asset purchases	10,886	6,513	(4,373)	43,149	26,880	(16,269)	
Interest on DUM Holdings Loan	2,890	2,887	(3)	11,421	11,752	331	
Other Interest Paid	137	0	(137)	553	2,138	1,585	
Total Interest	37,162	32,423	(4,739)	142,950	129,599	(13,351)	5
Depreciation and Amortization							
Systems	7,303	7,055	(248)	31,639	28,219	(3,420)	
Non System Assets	46	0	(46)	188	0	(188)	
Tunnel Software	14,916	9,321	(5,595)	59,664	37,275	(22,389)	
Spectrum Motion Patent	10,889	10,889	0	43,555	43,556	1	
Asset Purchases	2,217	5,974	3,757	8,907	27,331	18,424	
Total Depreciation and Amortization	35,371	33,239	(2,132)	143,952	136,381	(7,571)	

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending December 31, 2015

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	0	79,587	(79,587)	0	315,780	(315,780)
Cash paid to suppliers and employees	(105,289)	(635,928)	530,639	(734,543)	(1,586,185)	851,642
Interest paid	(23,249)	(23,023)	(226)	(88,018)	(88,829)	811
	(128,538)	(579,364)	450,826	(822,561)	(1,359,234)	536,673
Financing activities						
Spectrum Motion Media loan payment	0	0	0	(131,042)	(123,598)	(7,444)
Retirement of Windsor Loan	0	0	0	(2,191,532)	0	(2,191,532)
JD Craig Loan	0	0	0	2,212,134	0	2,212,134
Proceeds from issuance of shares	3,000,000	3,000,000	0	3,000,000	3,000,000	0
	3,000,000	3,000,000	0	2,889,560	2,876,402	13,158
Investing activities						
Non System Assets	0	0	0	0	0	0
Money in Escrow for Korea Purchase	0	0	0	(302,100)	0	(302,100)
Deposit on Systems	0	0	0	(162,992)	0	(162,992)
System Purchases	0	0	0	0	0	0
	0	0	0	(465,092)	0	(465,092)
Increase (decrease) in cash resources	2,871,462	2,420,636	450,826	1,601,907	1,517,168	(416,843)
Cash resources, beginning of period	1,115,282	1,115,282	0	2,384,837	2,018,750	366,087
Cash resources, end of period	3,986,744	3,535,918	450,826	3,986,744	3,535,918	450,826

Notes on Financial Statements

- 1 Revenue from Brazil location - lower than anticipated for December
- 2 Cost of Sales - includes over \$21,000 in minimum guarantee to Madrid with no revenue
- 3 Legal fees on patents not originally budgeted
- 4 YTD Office costs include \$3,500 for furniture and fixtures for the office - expensed in accounts
- 5 Interest costs - bridge loan at 12% same as previous, balance slightly higher, interest not planned for Chae purchase now included
- ** Payables are higher than anticipated - accrual of finance fee of \$150,000 plus payables in Brazil (these will be paid in January)
Brazil has been holding payables until Bank account under full control of new country manager (this occurred in January 2016)

Digital Underground Media Inc. Financial Reporting Package

For the Month of

January 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at January 31, 2016

	Actual	Plan	Variance
Current Assets			
Cash	3,428,990	2,511,484	917,506
Funds Held in Escrow for Korea Purchase	308,195	0	308,195
Accounts Receivable	142,626	87,974	54,652
Inventory Parts for Systems	504,085	933,677	(429,592)
Deposit on Installation	389,553	0	389,553
Prepaid Expenses	29,940	17,579	12,361
Total Current Assets	4,803,388	3,550,714	1,252,674
Capital Assets			
Systems	846,559	846,559	(1)
Accumulated Depreciation - Systems	(162,814)	(162,814)	0
Net Systems	683,745	683,745	(0)
Furniture and Fixtures	4,914	0	4,914
Accumulated Depreciation - Fixtures	(3,135)	0	(3,135)
Net Fixtures	1,778	0	1,778
Tunnel Software	611,942	616,856	(4,914)
Accumulated Depreciation Software	(89,879)	(89,879)	0
Net Software	522,063	526,977	(4,914)
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(413,780)	(413,780)	0
Net SMM License	239,559	239,559	0
TVS License	16,818	16,818	0
Accumulated Amortization TVS License	(2,117)	(2,118)	1
Total TVS License	14,701	14,700	1
Asset Purchase			
Innovex	415,000	415,000	0
Dasung	100,000	100,000	0
TVS	332,342	355,693	(23,352)
Less Accumulated Amortization	(18,330)	(46,785)	28,455
Net Intangibles Acquired	829,012	823,908	5,103
Other Assets			
TVS Receivable	48,440	0	48,440
Transit Deposits	160,221	654,610	(494,389)
Total Other Assets	208,661	654,610	(445,949)
Total Assets	7,302,907	6,494,213	808,694

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at January 31, 2016

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	557,251	50,824	506,427 **
Wages Payable	5,078	0	5,078
VAT / GST Recoverable	(198,786)	0	(198,786)
Current Liabilities	363,543	50,824	312,719
Due to Telefonica	244,564	0	244,564
Due to JD Craig Holdings	2,281,134	2,282,038	(904)
Due to Spectrum Motion Media	390,910	363,946	26,964
Due to DUM Holdings Inc.	467,740	467,792	(53)
Due to David Chae	402,410	402,353	57
Total Liabilities	4,150,300	3,566,953	583,347
Equity			
Common B	3,503,736	3,263,616	240,120
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Preferred Equity	3,000,000	3,000,000	0
Share Issuance Costs	(432,400)	0	(432,400)
Deficit	(7,951,793)	(8,336,356)	384,563
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	(8,968)	0	(8,968)
Total Equity	3,152,606	2,927,260	225,346
Total Liabilities and Equity	7,302,907	6,494,213	808,694

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending January 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	0			240,060			
Direct Taxes on Revenue	0			(28,852)			
Net Revenue	0	81,974	(81,974)	211,208	365,840	(154,632)	1
Cost of Sales							
Volume Bonus	0	0	0	21,605	0	21,605	
Transit Share Rent	25,993	76,824	(50,831)	177,837	338,418	(160,581)	
License Fee	0	0	0	0	0	0	
Sales Commissions	0	7,378	(7,378)	66,417	19,337	47,080	
System Operating Costs	105	2,250	(2,145)	506	9,101	(8,595)	
Total Cost of Sales	26,098	86,452	(60,354)	266,365	366,856	(100,491)	2
Gross Margin	(26,098)	(4,478)	(21,620)	(55,158)	(1,016)	(54,142)	
Expenses							
Location Expenses	10,225	10,000	(225)	62,179	45,402	(16,777)	
Sales and Marketing	16,750	26,666	9,916	65,039	106,258	41,219	
Sales Research	3,500	70,000	66,500	21,185	165,125	143,940	
Digital Control	0	2,500	2,500	0	7,500	7,500	
Executive	33,106	140,968	107,862	160,479	353,551	193,072	
Finance	38,149	30,636	(7,513)	246,370	237,213	(9,157)	3
Operations Management	8,000	8,000	0	40,000	40,000	0	
Research and Development	147,768	84,958	(62,810)	240,609	190,286	(50,323)	
Project Management	1,756	5,000	3,244	9,023	22,844	13,821	
Administration	6,743	8,280	1,537	33,447	38,282	4,835	4
I/T	0	3,000	3,000	0	14,000	14,000	
Total Expenses	265,997	390,008	124,011	878,333	1,220,461	342,128	
EBITDA	(292,095)	(394,486)	102,391	(933,490)	(1,221,477)	287,987	
Loss (gain) Foreign Exchange	12,416	0	(12,416)	48,229	0	(48,229)	
Interest Expense	33,435	31,061	(2,374)	176,384	160,660	(15,724)	5
Depreciation and Amortization	32,813	42,404	9,591	176,765	178,785	2,020	
Net Income before taxes	(370,759)	(467,951)	97,192	(1,334,869)	(1,560,922)	226,053	
Income taxes	0	0	0	(5,901)	(1,564)	(4,337)	
Net Income after taxes	(370,759)	(467,951)	97,192	(1,340,770)	(1,562,486)	221,716	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending January 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Location Expenses							
Salaries	0			18,098			
Professional fees	6,217			23,178			
Consulting	3,683			19,077			
Rent	175			1,198			
Bank Charges	150			628			
Total Location expenses	10,225	10,000	(225)	62,179	45,402	(16,777)	
Sales and Marketing							
Promotion	11,250	16,666	5,416	35,953	62,821	26,868	
Travel	5,500	10,000	4,500	29,086	43,437	14,351	
Total Sales and Marketing	16,750	26,666	9,916	65,039	106,258	41,219	7
Sales Research							
Outside Research	3,500	70,000	66,500	21,185	165,125	143,940	7
Digital Control							
Contract Work	0	2,500	2,500	0	7,500	7,500	
Executive							
Salaries and benefits	17,916	23,885	5,969	86,939	112,641	25,702	
Business development	14,500	105,000	90,500	70,780	223,970	153,190	7
Board Meetings	0	10,000	10,000	0	10,000	10,000	
D&O Insurance	690	2,083	1,393	2,760	6,940	4,180	
Total Executive	33,106	140,968	107,862	160,479	353,551	193,072	
Finance							
Salaries and benefits	14,767	19,636	4,869	73,269	92,407	19,138	
Software License Fees	200	1,000	800	661	4,000	3,339	
Debt Finance Fee	0	0	0	69,000	69,000	0	
Professional fees	23,183	10,000	(13,183)	103,440	71,806	(31,634)	3
Total Finance	38,149	30,636	(7,513)	246,370	237,213	(9,157)	
Operations Management							
Consulting	8,000	8,000	0	40,000	40,000	0	
Research & Development							
Contractors	23,317	12,458	(10,859)	116,158	57,786	(58,372)	
R&D costs	124,451	72,500	(51,951)	124,451	132,500	8,049	
Total Research & Development	147,768	84,958	(62,810)	240,609	190,286	(50,323)	4

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending January 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Project Management							
Travel	1,756	5,000	3,244	9,023	22,844	13,821	7
Administration							
Insurance General Liability	1,935	2,500	565	9,667	11,929	2,262	
Bank Charges	193	1,000	807	1,883	4,442	2,559	
Office and Postage	32	1,000	968	7,500	5,443	(2,057)	
Office Phones	300	100	(200)	1,079	814	(265)	
Cell Phones	1,000	400	(600)	2,538	1,938	(600)	
Internet	200	200	0	653	800	147	
Bad Debt reserve	0	(45)	(45)	0	(250)	(250)	
Office Rent	3,083	3,125	42	10,128	13,166	3,038	
Total Administration	6,743	8,280	1,537	33,447	38,282	4,835	
I/T							
Software License Fees	0	1,000	1,000	0	4,000	4,000	
Contract Work	0	2,000	2,000	0	10,000	10,000	
Total I/T	0	3,000	3,000	0	14,000	14,000	
Interest Expense							
Interest on Loan	22,546	23,023	477	110,372	111,852	1,480	
Interest on license and asset purchases	7,967	5,132	(2,835)	51,116	32,012	(19,104)	
Interest on DUM Holdings Loan	2,890	2,906	16	14,311	14,658	347	
Other Interest Paid	32	0	(32)	585	2,138	1,553	
Total Interest	33,435	31,061	(2,374)	176,384	160,660	(15,724)	5
Depreciation and Amortization							
Systems	4,745	7,055	2,310	36,384	35,274	(1,110)	
Non System Assets	46	9,165	9,119	234	9,165	8,931	
Tunnel Software	14,916	9,321	(5,595)	74,580	46,596	(27,984)	
Spectrum Motion Patent	10,889	10,889	0	54,444	54,445	1	
Asset Purchases	2,217	5,974	3,757	11,124	33,305	22,181	
Total Depreciation and Amortization	32,813	42,404	9,591	176,765	178,785	2,020	

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending January 31, 2016

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	0	79,587	(79,587)	0	395,367	(395,367)
Cash paid to suppliers and employees	(392,772)	(456,130)	63,358	(1,127,316)	(2,042,315)	914,999
Interest paid	(22,546)	(23,023)	477	(110,564)	(111,852)	1,288
	(415,318)	(399,566)	(15,752)	(1,237,879)	(1,758,800)	520,921
Financing activities						
Spectrum Motion Media loan payment	(142,436)	(124,868)	(17,568)	(273,478)	(248,466)	(25,012)
Retirement of Windsor Loan	0	0	0	(2,191,532)	0	(2,191,532)
JD Craig Loan	0	0	0	2,212,134	0	2,212,134
Proceeds from issuance of shares	0	0	0	3,000,000	3,000,000	0
	(142,436)	(124,868)	(17,568)	2,747,124	2,751,534	(4,410)
Investing activities						
Non System Assets	0	0	0	0	0	0
Money in Escrow for Korea Purchase	0	0	0	(302,100)	0	(302,100)
Deposit on Systems	0	(500,000)	500,000	(162,992)	(500,000)	337,008
System Purchases	0	0	0	0	0	0
	0	(500,000)	500,000	(465,092)	(500,000)	34,908
Increase (decrease) in cash resources	(557,754)	(1,024,434)	466,680	1,044,153	492,734	(974,597)
Cash resources, beginning of period	3,986,744	3,535,918	450,826	2,384,837	2,018,750	366,087
Cash resources, end of period	3,428,990	2,511,484	917,507	3,428,990	2,511,484	917,506

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Notes on Financial Statements

- 1 Revenue from Brazil location - No revenue from Brazil for January
- 2 Cost of Sales - includes minimum guarantee to Madrid with no revenue
- 3 Legal fee for Sales Agent Contract template \$6,000; accrued \$15,000 for future costs and budget only \$10,000;
- 4 R&D costs include the reversion all in January plus led panels, etc for testing - budgeted over two months (Jan and Feb) - will balance out in Feb
- 5 Interest costs - bridge loan at 12% same as previous, balance slightly higher, interest not planned for Chae purchase now included
- ** Payables are higher than anticipated - payables in Brazil will be paid in March as money comes in
- Canada accrual - professional fees for 2015/2014 audit, 2016 audit accrual, R&D salaries paid every three months,
- 6 Cash higher than budgeted - deposit for Seoul Metro of \$500,000 occurred in February 2016 will move from Cash to Transit Deposits
- 7 The additional expenses budgeted for in November 2015 have not occurred as planned, these accounts are under budget this is a timing issue
The expenses have been pushed out a couple of months.

Digital Underground Media Inc. Financial Reporting Package

For the Month of

February 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at February 29, 2016

	Actual	Plan	Variance
Current Assets			
Cash	2,521,859	1,988,297	533,562
Funds Held in Escrow for Korea Purchase	811,625	0	811,625
Accounts Receivable	103,605	76,686	26,919
Inventory Parts for Systems	504,085	1,058,677	(554,592)
Deposit on Installation	395,753	0	395,753
Prepaid Expenses	49,241	17,579	31,662
Total Current Assets	4,386,168	3,141,239	1,244,929
Capital Assets			
Systems	961,055	846,559	114,496
Accumulated Depreciation - Systems	(170,197)	(178,736)	8,539
Net Systems	790,858	667,823	123,035
Furniture and Fixtures	8,208	0	8,208
Accumulated Depreciation - Fixtures	(3,181)	0	(3,181)
Net Fixtures	5,027	19,688	(14,661)
Tunnel Software	611,942	616,856	(4,914)
Accumulated Depreciation Software	(104,795)	(104,795)	0
Net Software	507,147	512,061	(4,914)
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(424,669)	(424,669)	0
Net SMM License	228,670	228,670	0
TVS License	16,818	16,818	0
Accumulated Amortization TVS License	(2,117)	(2,118)	1
Total TVS License	14,701	14,700	1
Asset Purchase			
Innovex	415,000	415,000	0
Dasung	100,000	100,000	0
TVS	332,342	355,693	(23,352)
Less Accumulated Amortization	(20,547)	(58,346)	37,799
Net Intangibles Acquired	826,795	812,347	14,448
Other Assets			
TVS Receivable	48,440	0	48,440
Transit Deposits	160,221	654,610	(494,389)
Total Other Assets	208,661	654,610	(445,949)
Total Assets	6,968,026	6,051,138	916,888

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at February 29, 2016

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	565,290	47,545	517,745 **
Wages Payable	5,078	0	5,078
VAT / GST Recoverable	(251,416)	0	(251,416)
Current Liabilities	318,952	47,545	271,407
Due to Telefonica	244,564	0	244,564
Due to JD Craig Holdings	2,281,134	2,280,553	581
Due to Spectrum Motion Media	390,910	368,534	22,376
Due to DUM Holdings Inc.	470,630	470,715	(85)
Due to David Chae	406,429	406,377	52
Total Liabilities	4,112,619	3,573,724	538,895
Equity			
Common B	3,503,736	3,263,616	240,120
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Preferred Equity	3,000,000	3,000,000	0
Share Issuance Costs	(432,000)	0	(432,000)
Deficit	(8,252,663)	(8,786,202)	533,539
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	(5,697)	0	(5,697)
Total Equity	2,855,407	2,477,414	377,993
Total Liabilities and Equity	6,968,026	6,051,138	916,888

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending February 29, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	0			240,060			
Direct Taxes on Revenue	0			(28,852)			
Net Revenue	0	76,686	(76,686)	211,208	442,526	(231,318)	1
Cost of Sales							
Volume Bonus	0	0	0	21,605	0	21,605	
Transit Share Rent	25,762	73,545	(47,783)	203,599	411,963	(208,364)	
License Fee	0	0	0	0	0	0	
Sales Commissions	0	6,902	(6,902)	66,417	26,239	40,178	
System Operating Costs	285	2,250	(1,965)	792	11,351	(10,559)	
Total Cost of Sales	26,047	82,697	(56,650)	292,413	449,553	(157,140)	2
Gross Margin	(26,047)	(6,011)	(20,036)	(81,206)	(7,027)	(74,179)	
Expenses							
Location Expenses	41,575	10,000	(31,575)	103,752	55,402	(48,350)	3
Sales and Marketing	32,148	26,666	(5,482)	97,187	132,924	35,737	
Sales Research	3,500	99,583	96,083	24,685	264,708	240,023	
Digital Control	0	2,500	2,500	0	10,000	10,000	
Executive	38,740	88,468	49,728	199,220	442,019	242,799	
Finance	32,859	30,636	(2,223)	279,230	267,849	(11,381)	
Operations Management	8,000	8,000	0	48,000	48,000	0	
Research and Development	44,177	84,958	40,781	284,786	275,244	(9,542)	
Project Management	635	10,000	9,365	9,659	32,844	23,185	
Administration	8,191	11,375	3,184	41,637	49,657	8,020	
I/T	0	3,000	3,000	0	17,000	17,000	
Total Expenses	209,825	375,186	165,361	1,088,156	1,595,647	507,491	
EBITDA	(235,872)	(381,197)	145,325	(1,169,362)	(1,602,674)	433,312	
Loss (gain) Foreign Exchange	0	0	0	48,221	0	(48,221)	
Interest Expense	29,546	29,050	(496)	205,938	189,710	(16,228)	
Depreciation and Amortization	35,451	48,920	13,469	212,216	227,705	15,489	
Net Income before taxes	(300,869)	(459,167)	158,298	(1,635,736)	(2,020,089)	384,353	
Income taxes	0	0	0	(5,901)	(1,564)	(4,337)	
Net Income after taxes	(300,869)	(459,167)	158,298	(1,641,638)	(2,021,653)	380,015	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending February 29, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Location Expenses							
Salaries	0			18,098			
Professional fees	6,143			29,321			
Consulting	3,654			22,730			
Rent	5			1,202			
Bank Charges	31,773			32,401			
Total Location expenses	41,575	10,000	(31,575)	103,752	55,402	(48,350)	3
Sales and Marketing							
Promotion	19,165	16,666	(2,499)	55,118	79,487	24,369	
Travel	12,983	10,000	(2,983)	42,069	53,437	11,368	
Total Sales and Marketing	32,148	26,666	(5,482)	97,187	132,924	35,737	4
Sales Research							
Outside Research	3,500	99,583	96,083	24,685	264,708	240,023	5
Digital Control							
Contract Work	0	2,500	2,500	0	10,000	10,000	
Executive							
Salaries and benefits	21,425	23,885	2,460	108,364	136,526	28,162	
Business development	17,315	62,500	45,185	88,096	286,470	198,374	
Board Meetings	0	0	0	0	10,000	10,000	
D&O Insurance	0	2,083	2,083	2,760	9,023	6,263	
Total Executive	38,740	88,468	49,728	199,220	442,019	242,799	
Finance							
Salaries and benefits	18,359	19,636	1,277	91,629	112,043	20,414	
Software License Fees	92	1,000	908	753	5,000	4,247	
Debt Finance Fee	0	0	0	69,000	69,000	0	
Professional fees	14,408	10,000	(4,408)	117,848	81,806	(36,042)	
Total Finance	32,859	30,636	(2,223)	279,230	267,849	(11,381)	
Operations Management							
Consulting	8,000	8,000	0	48,000	48,000	0	
Research & Development							
Contractors	23,317	12,458	(10,859)	139,475	70,244	(69,231)	
R&D costs	20,860	72,500	51,640	145,311	205,000	59,689	
Total Research & Development	44,177	84,958	40,781	284,786	275,244	(9,542)	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending February 29, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Project Management							
Travel	635	10,000	9,365	9,659	32,844	23,185	
Administration							
Insurance General Liability	1,935	2,500	565	11,602	14,429	2,827	
Bank Charges	538	1,000	462	2,420	5,442	3,022	
Office and Postage	1,242	1,000	(242)	8,742	6,443	(2,299)	
Office Phones	3	100	97	1,082	914	(168)	
Cell Phones	1,371	400	(971)	3,908	2,338	(1,570)	
Internet	19	200	181	672	1,000	328	
Bad Debt reserve	0	(75)	(75)	0	(325)	(325)	
Office Rent	3,083	6,250	3,167	13,211	19,416	6,205	
Total Administration	8,191	11,375	3,184	41,637	49,657	8,020	
I/T							
Software License Fees	0	1,000	1,000	0	5,000	5,000	
Contract Work	0	2,000	2,000	0	12,000	12,000	
Total I/T	0	3,000	3,000	0	17,000	17,000	
Interest Expense							
Interest on Loan	21,749	21,538	(211)	132,121	133,390	1,269	
Interest on license and asset purchases	4,019	4,588	569	55,135	36,600	(18,535)	
Interest on DUM Holdings Loan	2,890	2,924	34	17,201	17,582	381	
Other Interest Paid	888	0	(888)	1,481	2,138	657	
Total Interest	29,546	29,050	(496)	205,938	189,710	(16,228)	
Depreciation and Amortization							
Systems	7,383	14,109	6,726	43,767	49,383	5,616	
Non System Assets	46	9,013	8,967	279	18,178	17,899	
Tunnel Software	14,916	9,321	(5,595)	89,496	55,917	(33,579)	
Spectrum Motion Patent	10,889	10,889	0	65,333	65,334	1	
Asset Purchases	2,217	5,588	3,371	13,341	38,893	25,552	
Total Depreciation and Amortization	35,451	48,920	13,469	212,216	227,705	15,489	

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending February 29, 2016

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	39,020	81,974	(42,954)	39,020	477,341	(438,321)
Cash paid to suppliers and employees	(182,483)	(458,623)	276,140	(1,309,799)	(2,500,938)	1,191,139
Interest paid	(21,749)	(21,538)	(211)	(132,313)	(133,390)	1,077
	(165,212)	(398,187)	232,975	(1,403,091)	(2,156,987)	753,896
Financing activities						
Spectrum Motion Media loan payment	0	0	0	(273,478)	(248,466)	(25,012)
Retirement of Windsor Loan	0	0	0	(2,191,532)	0	(2,191,532)
JD Craig Loan	0	0	0	2,212,134	0	2,212,134
Proceeds from issuance of shares	0	0	0	3,000,000	3,000,000	0
	0	0	0	2,747,124	2,751,534	(4,410)
Investing activities						
Non System Assets	(3,295)	0	(3,295)	(3,295)	0	(3,295)
Money in Escrow for Korea Purchase	(503,430)	0	(503,430)	(805,530)	0	(805,530)
Deposit on Systems	(120,697)	(125,000)	4,303	(283,689)	(625,000)	341,311
System Purchases	(114,497)	0	(114,497)	(114,497)	0	(114,497)
	(741,919)	(125,000)	(616,919)	(1,207,011)	(625,000)	(582,011)
Increase (decrease) in cash resources	(907,131)	(523,187)	(383,944)	137,022	(30,453)	(1,881,728)
Cash resources, beginning of period	3,428,990	2,511,484	917,507	2,384,837	2,018,750	366,087
Cash resources, end of period	2,521,859	1,988,297	533,563	2,521,859	1,988,297	533,562

Notes on Financial Statements

- 1 Revenue from Brazil location - No revenue from Brazil for February
 - 2 Cost of Sales - includes minimum guarantee to Madrid with no revenue
 - 3 Bank guarantee for SMRT contract - guarantee fee upfront of 1.9% expensed all in Feb 2016- interest received over 5 years will equal the upfront payment
 - 4 Timing of the expenses for the sales and marketing costs - YTD budget still below expected spend
- ** Payables are higher than anticipated - payables in Brazil will be paid in March as money comes in
Canada accrual - professional fees for 2015/2014 audit, 2016 audit accrual, R&D salaries paid every three months,

Digital Underground Media Inc. Financial Reporting Package

For the Month of

March 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at March 31, 2016

	Actual	Plan	Variance
Current Assets			
Cash	2,120,863	1,670,598	450,265
Funds Held in Escrow for Korea Purchase	515,354	0	515,354
Accounts Receivable	0	81,974	(81,974)
Inventory Parts for Systems	504,085	1,058,677	(554,592)
Deposit on Installation	395,753	0	395,753
Prepaid Expenses	49,241	17,579	31,662
Total Current Assets	3,585,296	2,828,828	756,468
Capital Assets			
Systems	1,257,326	846,559	410,767
Accumulated Depreciation - Systems	(177,655)	(192,846)	15,191
Net Systems	1,079,671	653,713	425,958
Furniture and Fixtures	8,208	0	8,208
Accumulated Depreciation - Fixtures	(3,227)	0	(3,227)
Net Fixtures	4,981	19,688	(14,707)
Tunnel Software	611,942	616,856	(4,914)
Accumulated Depreciation Software	(119,711)	(119,711)	0
Net Software	492,231	497,145	(4,914)
Intangible Assets			
Spectrum Motion License	653,339	653,339	0
Accumulated Amortization SMM	(435,558)	(435,558)	0
Net SMM License	217,781	217,781	0
TVS License	16,818	16,818	0
Accumulated Amortization TVS License	(2,117)	(2,118)	1
Total TVS License	14,701	14,700	1
Asset Purchase			
Innovex	415,000	415,000	0
Dasung	100,000	100,000	0
TVS	332,342	355,693	(23,352)
Less Accumulated Amortization	(22,764)	(58,346)	35,582
Net Intangibles Acquired	824,578	812,347	12,231
Other Assets			
TVS Receivable	48,440	0	48,440
Transit Deposits	160,221	654,610	(494,389)
Total Other Assets	208,661	654,610	(445,949)
Total Assets	6,427,899	5,698,812	729,087

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at March 31, 2016

	Actual	Plan	Variance
Liabilities and Equity			
Accounts Payable and accruals	541,317	50,824	490,493 **
Wages Payable	9,072	0	9,072
VAT / GST Recoverable	(259,855)	0	(259,855)
Current Liabilities	290,534	50,824	239,710
Due to Telefonica	229,521	0	229,521
Due to JD Craig Holdings	2,281,134	2,282,038	(904)
Due to Spectrum Motion Media	390,910	373,501	17,409
Due to DUM Holdings Inc.	473,520	473,657	(137)
Due to David Chae	210,449	410,440	(199,991)
Total Liabilities	3,876,068	3,590,460	285,608
Equity			
Common B	3,503,736	3,263,616	240,120
Share Premium	42,280	0	42,280
Common A	5,000,000	5,000,000	0
Preferred Equity	3,000,000	3,000,000	0
Share Issuance Costs	(432,000)	0	(432,000)
Deficit	(8,556,239)	(9,155,264)	599,025
Minority Interest	(249)	0	(249)
Accumulated Other Comprehensive Loss	(5,697)	0	(5,697)
Total Equity	2,551,831	2,108,352	443,479
Total Liabilities and Equity	6,427,899	5,698,812	729,087

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending March 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Net Revenue							
Revenue net agency discounts	18,605			258,664			
Direct Taxes on Revenue	(2,236)			(31,088)			
Net Revenue	16,369	81,974	(65,605)	227,576	524,500	(296,924)	1
Cost of Sales							
Volume Bonus	1,674	0	1,674	23,280	0	23,280	
Transit Share Rent	28,887	50,824	(21,937)	232,486	462,787	(230,301)	
License Fee	0	0	0	0	0	0	
Sales Commissions	5,147	7,378	(2,231)	71,564	33,617	37,947	
System Operating Costs	523	2,250	(1,727)	1,314	13,601	(12,287)	
Total Cost of Sales	36,231	60,452	(24,221)	328,644	510,005	(181,361)	2
Gross Margin	(19,862)	21,522	(41,384)	(101,068)	14,495	(115,563)	
Expenses							
Location Expenses	14,932	10,000	(4,932)	118,686	65,402	(53,284)	3
Sales and Marketing	47,725	32,833	(14,892)	144,911	165,757	20,846	
Sales Research	3,500	24,917	21,417	28,185	289,625	261,440	
Digital Control	0	2,500	2,500	0	12,500	12,500	
Executive	48,180	100,968	52,788	247,399	542,987	295,588	
Finance	61,734	30,636	(31,098)	340,963	298,485	(42,478)	
Operations Management	8,000	8,000	0	56,000	56,000	0	
Research and Development	23,281	84,958	61,677	308,067	360,202	52,135	
Project Management	927	10,000	9,073	10,586	42,844	32,258	
Administration	7,531	11,925	4,394	49,168	61,582	12,414	
I/T	1,727	3,000	1,273	1,727	20,000	18,273	
Total Expenses	217,537	319,737	102,200	1,305,693	1,915,384	609,691	
EBITDA	(237,399)	(298,215)	60,816	(1,406,760)	(1,900,889)	494,129	
Loss (gain) Foreign Exchange	0	0	0	48,221	0	(48,221)	
Interest Expense	30,194	30,932	738	236,132	220,642	(15,490)	
Depreciation and Amortization	35,526	49,156	13,630	247,742	276,861	29,119	
Net Income before taxes	(303,119)	(378,303)	75,184	(1,938,855)	(2,398,392)	459,537	
Income taxes	(457)	0	(457)	(6,359)	(1,564)	(4,795)	
Net Income after taxes	(303,576)	(378,303)	74,727	(1,945,214)	(2,399,956)	454,742	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending March 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Location Expenses							
Salaries	0			18,098			
Professional fees	5,546			34,867			
Consulting	7,758			30,488			
Rent / Office	1,585			2,788			
Bank Charges	44			32,445			3
Total Location expenses	14,932	10,000	(4,932)	118,686	65,402	(53,284)	
Sales and Marketing							
Promotion	31,932	22,833	(9,099)	70,911	102,320	31,409	4
Travel	15,793	10,000	(5,793)	74,001	63,437	(10,564)	5
Total Sales and Marketing	47,725	32,833	(14,892)	144,911	165,757	20,846	
Sales Research							
Outside Research	3,500	24,917	21,417	28,185	289,625	261,440	
Digital Control							
Contract Work	0	2,500	2,500	0	12,500	12,500	
Executive							
Salaries and benefits	28,660	23,885	(4,775)	137,023	160,411	23,388	6
Business development	19,520	75,000	55,480	107,616	361,470	253,854	
Board Meetings	0	0	0	0	10,000	10,000	
D&O Insurance	0	2,083	2,083	2,760	11,106	8,346	
Total Executive	48,180	100,968	52,788	247,399	542,987	295,588	
Finance							
Salaries and benefits	16,767	19,636	2,869	108,396	131,679	23,283	
Software License Fees	0	1,000	1,000	753	6,000	5,247	
Debt Finance Fee	0	0	0	69,000	69,000	0	
Professional fees	44,967	10,000	(34,967)	162,815	91,806	(71,009)	7
Total Finance	61,734	30,636	(31,098)	340,963	298,485	(42,478)	
Operations Management							
Consulting	8,000	8,000	0	56,000	56,000	0	
Research & Development							
Contractors	23,317	12,458	(10,859)	162,792	82,702	(80,090)	
R&D costs	(36)	72,500	72,536	145,275	277,500	132,225	
Total Research & Development	23,281	84,958	61,677	308,067	360,202	52,135	

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending March 31, 2016

	Month			YTD			Notes
	Actual	Plan	Variance	Actual	Plan	Variance	
Project Management							
Travel	927	10,000	9,073	10,586	42,844	32,258	
Administration							
Insurance General Liability	1,935	2,500	565	13,537	16,929	3,392	
Bank Charges	314	1,000	686	2,734	6,442	3,708	
Office and Postage	12	1,000	988	8,754	7,443	(1,311)	
Office Phones	0	100	100	1,082	1,014	(68)	
Cell Phones	0	400	400	3,908	2,738	(1,170)	
Internet	0	200	200	672	1,200	528	
Bad Debt reserve	0	475	475	0	150	150	
Office Rent	5,270	6,250	980	18,482	25,666	7,184	
Total Administration	7,531	11,925	4,394	49,168	61,582	12,414	
I/T							
Software License Fees	0	1,000	1,000	0	6,000	6,000	
Contract Work	1,727	2,000	273	1,727	14,000	12,273	
Total I/T	1,727	3,000	1,273	1,727	20,000	18,273	
Interest Expense							
Interest on Loan	23,249	23,023	(226)	155,370	156,413	1,043	
Interest on license and asset purchases	4,019	4,967	948	59,155	41,567	(17,588)	
Interest on DUM Holdings Loan	2,890	2,942	52	20,091	20,524	433	
Other Interest Paid	36	0	(36)	1,516	2,138	622	
Total Interest	30,194	30,932	738	236,132	220,642	(15,490)	
Depreciation and Amortization							
Systems	7,458	14,109	6,651	51,225	63,492	12,267	
Non System Assets	46	8,863	8,817	326	27,041	26,715	
Tunnel Software	14,916	9,321	(5,595)	104,412	65,238	(39,174)	
Spectrum Motion Patent	10,889	10,889	0	76,222	76,223	1	
Asset Purchases	2,217	5,974	3,757	15,558	44,867	29,309	
Total Depreciation and Amortization	35,526	49,156	13,630	247,742	276,861	29,119	

Digital Underground Media Inc.
Consolidated Statement of Cash Flows
For the period ending March 31, 2016

	Month			YTD		
	Actual	Plan	Variance	Actual	Plan	Variance
Cash provided for (used for) the following activities						
Operating activities						
Cash received from customers	128,965	81,974	46,991	167,985	559,315	(391,330)
Cash paid to suppliers and employees	(306,713)	(251,650)	(55,063)	(1,616,512)	(2,752,588)	1,136,076
Interest paid	(23,249)	(23,023)	(226)	(155,562)	(156,413)	851
	(200,997)	(192,699)	(8,298)	(1,604,088)	(2,349,686)	745,598
Financing activities						
Spectrum Motion Media loan payment	0	0	0	(273,478)	(248,466)	(25,012)
Retirement of Windsor Loan	0	0	0	(2,191,532)	0	(2,191,532)
Due to Chae	(200,000)	0	(200,000)	(200,000)	0	(200,000)
JD Craig Loan	0	0	0	2,212,134	0	2,212,134
Proceeds from issuance of shares	0	0	0	3,000,000	3,000,000	0
	(200,000)	0	(200,000)	2,547,124	2,751,534	(204,410)
Investing activities						
Non System Assets	0	0	0	(3,295)	0	(3,295)
Money in Escrow for Korea Purchase	0	0	0	(805,530)	0	(805,530)
Deposit on Systems	0	(125,000)	125,000	(283,689)	(750,000)	466,311
System Purchases	0	0	0	(114,497)	0	(114,497)
	0	(125,000)	125,000	(1,207,011)	(750,000)	(457,011)
Increase (decrease) in cash resources	(400,997)	(317,699)	(83,298)	(263,975)	(348,152)	(2,282,725)
Cash resources, beginning of period	2,521,859	1,988,297	533,563	2,384,837	2,018,750	366,087
Cash resources, end of period	2,120,863	1,670,598	450,265	2,120,862	1,670,598	450,264

Notes on Financial Statements

- 1 Revenue from Brazil location - One client for two weeks on the system
- 2 Cost of Sales - includes minimum guarantee to Madrid with no revenue
- 3 Bank guarantee for SMRT contract - guarantee fee upfront of 1.9% expensed all in Feb 2016- interest received over 5 years will equal the upfront payment
- 4 Corporate video for \$23,000 in the month actual costs - budgeted in Business Development
- 5 Andrew Glancy - travel in sales and marketing as well as Ken Bicknell expenses
- 6 Andrew Glancy included in the Executive salaries
- 7 Professional fees includes \$33,500 spent in patent filings - expensed in March

**Digital Underground Media Inc.
Financial Reporting Package**

For the Month of

May 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position
As at May 31, 2016

	31-May-16	30-Apr-16	31-Mar-16	29-Feb-16	31-Jan-16	31-Dec-15	30-Nov-15	31-Oct-15	30-Sep-15
Current Assets									
Cash	928,094	1,773,550	2,120,863	2,521,859	3,428,990	3,986,744	1,115,282	1,345,823	2,188,479
Funds Held in Escrow for Korea Purchase	515,354	515,354	515,354	811,625	308,195	302,100	302,100	302,100	0
Accounts Receivable	13,760	0	0	103,605	142,626	142,626	128,949	95,686	75,326
Inventory Parts for Systems	504,085	504,085	504,085	504,085	504,085	504,085	504,085	504,085	435,585
Deposit on Systems	998,927	402,203	395,753	395,753	389,553	371,562	355,773	127,492	0
Prepaid Expenses	48,690	49,790	49,241	49,241	29,940	28,623	29,313	17,579	21,387
Total Current Assets	3,008,912	3,244,983	3,585,296	4,386,168	4,803,388	5,335,741	2,435,502	2,392,765	2,720,778
Capital Assets									
Systems	1,257,326	1,257,326	1,257,326	961,055	846,559	846,559	846,559	846,559	846,559
Accumulated Depreciation - Systems	(192,669)	(185,153)	(177,655)	(170,197)	(162,814)	(158,069)	(150,766)	(143,463)	(136,160)
Net Systems	1,064,657	1,072,173	1,079,671	790,858	683,745	688,490	695,793	703,096	710,399
Furniture and Fixtures	8,208	8,208	8,208	8,208	4,914	4,914	4,914	4,914	4,914
Accumulated Depreciation - Fixtures	(3,319)	(3,273)	(3,227)	(3,181)	(3,135)	(3,089)	(3,043)	(2,997)	(2,950)
Net Fixtures	4,889	4,935	4,981	5,027	1,778	1,824	1,870	1,916	1,964
Tunnel Software	611,942	611,942	611,942	611,942	611,942	611,942	611,942	611,942	611,942
Accumulated Depreciation Software	(149,543)	(134,627)	(119,711)	(104,795)	(89,879)	(74,963)	(60,047)	(45,131)	(30,215)
Net Software	462,399	477,315	492,231	507,147	522,063	536,979	551,895	566,811	581,727
Intangible Assets									
Spectrum Motion License	653,339	653,339	653,339	653,339	653,339	653,339	653,339	653,339	653,339
Accumulated Amortization SMM	(457,336)	(446,447)	(435,558)	(424,669)	(413,780)	(402,891)	(392,002)	(381,114)	(370,225)
Net SMM License	196,003	206,892	217,781	228,670	239,559	250,448	261,337	272,225	283,114
TVS License	16,818	16,818	16,818	16,818	16,818	16,818	16,818	16,818	16,818
Accumulated Amortization TVS License	(2,117)	(2,117)	(2,117)	(2,117)	(2,117)	(2,117)	(2,117)	(2,117)	(2,117)
Total TVS License	14,701	14,701	14,701	14,701	14,701	14,701	14,701	14,701	14,701
Asset Purchase									
Innovex	415,000	415,000	415,000	415,000	415,000	415,000	415,000	415,000	415,000
Dasung	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
TVS	332,342	332,342	332,342	332,342	332,342	332,342	332,342	332,342	332,342
Less Accumulated Amortization	(27,198)	(24,981)	(22,764)	(20,547)	(18,330)	(16,113)	(13,896)	(11,679)	(9,462)
Net Intangibles Acquired	820,144	822,361	824,578	826,795	829,012	831,229	833,446	835,663	837,880
Other Assets									
TVS Receivable	43,885	47,478	48,440	48,440	48,440	48,440	46,667	45,790	46,879
Transit Deposits	159,055	160,221	160,221	160,221	160,221	159,773	156,508	188,110	191,443
Total Other Assets	202,940	207,699	208,661	208,661	208,661	208,213	203,175	233,900	238,322
Total Assets	5,774,644	6,051,059	6,427,899	6,968,026	7,302,907	7,867,624	4,997,718	5,021,076	5,388,883

Digital Underground Media Inc.
Consolidated Statement of Financial Position
As at May 31, 2016

	31-May-16	30-Apr-16	31-Mar-16	29-Feb-16	31-Jan-16	31-Dec-15	30-Nov-15	31-Oct-15	30-Sep-15
Liabilities and Equity									
Accounts Payable and accruals	623,775	647,916	541,317	565,290	557,251	610,925	401,635	441,705	424,049
Wages Payable	5,216	6,960	9,072	5,078	5,078	2,923	2,923	2,711	2,711
VAT / GST Recoverable	(275,353)	(268,211)	(259,855)	(251,416)	(198,786)	(184,579)	(178,860)	(173,221)	(109,685)
Current Liabilities	353,638	386,665	290,534	318,952	363,543	429,269	225,698	271,195	317,075
Due to Telefonica	214,612	222,090	229,521	244,564	244,564	241,004	225,802	0	0
Due to JD Craig Holdings	2,212,134	2,212,134	2,281,134	2,281,134	2,281,134	2,281,134	2,281,134	2,281,134	2,191,931
Due to Spectrum Motion Media	266,988	263,688	390,910	390,910	390,910	517,183	491,568	476,080	614,741
Due to DUM Holdings Inc.	479,897	476,620	473,520	470,630	467,740	464,850	461,960	459,129	456,223
Due to David Chae	218,487	214,468	210,449	406,429	402,410	398,391	394,371	390,520	386,580
Total Liabilities	3,745,756	3,775,664	3,876,068	4,112,619	4,150,300	4,331,830	4,080,533	3,878,057	3,966,550
Equity									
Common B	3,503,736	3,503,736	3,503,736	3,503,736	3,503,736	3,503,736	3,503,736	3,503,736	3,503,736
Share Premium	42,280	42,280	42,280	42,280	42,280	42,280	42,280	42,280	42,280
Common A	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Preferred Equity	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	3,000,000	0	0	0
Share Issuance Costs	(582,400)	(582,400)	(432,000)	(432,000)	(432,400)	(432,400)	(282,400)	(282,400)	(282,400)
Deficit	(8,928,782)	(8,682,275)	(8,556,239)	(8,252,663)	(7,951,793)	(7,581,033)	(7,351,378)	(7,110,698)	(6,820,939)
Minority Interest	(249)	(249)	(249)	(249)	(249)	(249)	(249)	(249)	(249)
Accumulated Other Comprehensive Loss	(5,697)	(5,697)	(5,697)	(5,697)	(8,968)	3,459	5,195	(9,650)	(20,096)
Total Equity	2,028,888	2,275,395	2,551,831	2,855,407	3,152,606	3,535,794	917,185	1,143,019	1,422,333
Total Liabilities and Equity	5,774,644	6,051,059	6,427,899	6,968,026	7,302,907	7,867,624	4,997,718	5,021,076	5,388,883
	0	0	(0)	(0)	0	1	(1)	(1)	(0)

Digital Underground Media Inc.
Consolidated Statement of Loss

For the period ending May 31, 2016

	YTD	31-May-16	30-Apr-16	31-Mar-16	29-Feb-16	31-Jan-16	31-Dec-15	30-Nov-15	31-Oct-15	30-Sep-15
Net Revenue										
Revenue net agency discounts	368,433	44,500	65,269	18,605	0	0	34,241	100,703	63,610	41,506
Direct Taxes on Revenue	(44,281)	(5,348)	(7,844)	(2,236)	0	0	(4,115)	(12,103)	(7,645)	(4,988)
Net Revenue	324,152	39,151	57,424	16,369	0	0	30,126	88,600	55,965	36,517
Cost of Sales										
Volume Bonus	33,158	4,005	5,874	1,674	0	0	3,082	9,063	5,725	3,736
Transit Share Rent	319,324	41,155	45,684	28,887	25,762	25,993	32,667	46,193	38,746	34,237
License Fee	0	0	0	0	0	0	0	0	0	0
Sales Commissions	97,949	10,696	15,689	5,147	0	0	9,473	27,861	17,599	11,483
System Operating Costs	4,044	1,311	1,419	523	285	105	106	103	101	91
Total Cost of Sales	454,475	57,166	68,666	36,231	26,047	26,098	45,328	83,221	62,171	49,547
Gross Margin	(130,324)	(18,015)	(11,241)	(19,862)	(26,047)	(26,098)	(15,203)	5,379	(6,207)	(13,030)
Expenses										
Location Expenses	139,859	10,479	10,694	14,932	41,575	10,225	7,660	8,608	15,402	20,285
Sales and Marketing	182,844	18,418	19,515	47,725	32,148	16,750	13,137	18,126	12,926	4,100
Sales Research	47,631	7,916	11,530	3,500	3,500	3,500	0	0	10,125	7,560
Digital Control	0	0	0	0	0	0	0	0	0	0
Executive	350,625	43,560	59,665	48,180	38,740	33,106	37,167	39,281	34,259	16,667
Finance	409,427	30,594	43,720	61,734	32,859	38,149	30,924	38,789	99,682	32,975
Operations Management	72,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Research and Development	354,701	23,317	23,317	23,281	44,177	147,768	23,317	23,317	22,954	23,253
Project Management	18,850	5,058	3,207	927	635	1,756	1,366	3,057	2,844	0
Administration	64,762	7,983	7,609	7,531	8,191	6,743	6,410	11,663	6,083	2,549
I/T	2,227	500	0	1,727	0	0	0	0	0	0
Total Expenses	1,642,926	155,825	187,257	217,537	209,825	265,997	127,982	150,842	212,274	115,388
EBITDA	(1,773,250)	(173,840)	(198,498)	(237,399)	(235,872)	(292,095)	(143,184)	(145,462)	(218,481)	(128,418)
Loss (gain) Foreign Exchange	52,543	2,811	1,504	0	0	12,416	13,097	15,937	779	5,999
Interest Expense	302,365	33,179	33,062	30,194	29,546	33,435	37,162	35,584	33,565	36,639
Depreciation and Amortization	318,894	35,584	35,566	35,526	35,451	32,813	35,371	35,371	35,373	37,839
Net Income before taxes	(2,447,052)	(245,414)	(268,630)	(303,119)	(300,869)	(370,759)	(228,814)	(232,354)	(288,197)	(208,896)
Income taxes	(9,057)	(1,094)	(1,604)	(457)	0	0	(842)	(2,476)	(1,564)	(1,020)
Net Income after taxes	(2,456,109)	(246,508)	(270,235)	(303,576)	(300,869)	(370,759)	(229,656)	(234,830)	(289,761)	(209,916)

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending May 31, 2016

	YTD	31-May-16	30-Apr-16	31-Mar-16	29-Feb-16	31-Jan-16	31-Dec-15	30-Nov-15	31-Oct-15	30-Sep-15
Location Expenses										
Salaries	18,098	0	0	0	0	0	0	0	0	18,098
Professional fees	46,160	5,665	5,628	5,546	6,143	6,217	3,707	4,778	6,606	1,871
Consulting	39,380	4,796	3,813	7,758	3,654	3,683	3,707	3,590	8,097	283
Rent	2,610	0	105	1,585	5	175	177	171	392	0
Bank Charges	33,611	18	1,148	44	31,773	150	71	68	307	33
Total Location expenses	139,859	10,479	10,694	14,932	41,575	10,225	7,660	8,608	15,402	20,285
Sales and Marketing										
Promotion	107,530	3,490	16,905	31,932	19,165	11,250	5,137	7,661	9,489	2,500
Travel	77,815	14,928	2,609	15,793	12,983	5,500	8,000	10,464	3,437	4,100
Total Sales and Marketing	185,344	18,418	19,515	47,725	32,148	16,750	13,137	18,126	12,926	6,600
Sales Research										
Outside Research	47,631	7,916	11,530	3,500	3,500	3,500	0	0	10,125	7,560
Digital Control										
Contract Work	0	0	0	0	0	0	0	0	0	0
Executive										
Salaries and benefits	191,978	27,410	27,544	28,660	21,425	17,916	16,667	18,591	17,099	16,667
Business development	153,687	15,050	31,021	19,520	17,315	14,500	19,810	20,000	16,470	0
Board Meetings	0	0	0	0	0	0	0	0	0	0
D&O Insurance	4,960	1,100	1,100	0	0	690	690	690	690	0
Total Executive	350,625	43,560	59,665	48,180	38,740	33,106	37,167	39,281	34,259	16,667
Finance										
Salaries and benefits	140,401	14,573	17,433	16,767	18,359	14,767	15,629	15,574	13,865	13,433
Software License Fees	753	0	0	0	92	200	295	155	11	0
Debt Finance Fee	69,000	0	0	0	0	0	0	0	69,000	0
Professional fees	199,273	16,021	26,287	44,967	14,408	23,183	15,000	23,060	16,806	19,542
Total Finance	409,427	30,594	43,720	61,734	32,859	38,149	30,924	38,789	99,682	32,975
Operations Management										
Consulting	72,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000	8,000
Research & Development										
Contractors	209,426	23,317	23,317	23,317	23,317	23,317	23,317	23,317	22,954	23,253
R&D costs	145,275	0	0	(36)	20,860	124,451	0	0	0	0
Total Research & Development	354,701	23,317	23,317	23,281	44,177	147,768	23,317	23,317	22,954	23,253

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending May 31, 2016

	YTD	31-May-16	30-Apr-16	31-Mar-16	29-Feb-16	31-Jan-16	31-Dec-15	30-Nov-15	31-Oct-15	30-Sep-15
Project Management										
Travel	18,850	5,058	3,207	927	635	1,756	1,366	3,057	2,844	0
Administration										
Insurance General Liability	19,215	2,839	2,839	1,935	1,935	1,935	1,935	2,000	1,929	1,867
Bank Charges	3,436	324	377	314	538	193	326	420	442	501
Office and Postage	9,222	243	225	12	1,242	32	66	4,929	2,293	180
Office Phones	1,402	160	160	0	3	300	165	200	414	0
Cell Phones	5,317	908	500	0	1,371	1,000	600	600	338	0
Internet	872	100	100	0	19	200	234	218	0	0
Bad Debt reserve	0	0	0	0	0	0	0	0	0	0
Office Rent	25,297	3,408	3,408	5,270	3,083	3,083	3,083	3,296	666	0
Total Administration	64,762	7,983	7,609	7,531	8,191	6,743	6,410	11,663	6,083	2,549
I/T										
Software License Fees	0	0	0	0	0	0	0	0	0	0
Contract Work	2,227	500	0	1,727	0	0	0	0	0	0
Total I/T	2,227	500	0	1,727	0	0	0	0	0	0
Interest Expense										
Interest on Loan	200,415	22,546	22,499	23,249	21,749	22,546	23,249	22,546	20,203	21,830
Interest on license and asset purchases	73,901	7,319	7,428	4,019	4,019	7,967	10,886	10,207	10,378	11,679
Interest on DUM Holdings Loan	26,469	3,278	3,100	2,890	2,890	2,890	2,890	2,830	2,906	2,795
Other Interest Paid	1,580	36	36	36	888	32	137	2	79	335
Total Interest	302,365	33,179	33,062	30,194	29,546	33,435	37,162	35,584	33,565	36,639
Depreciation and Amortization										
Systems	66,239	7,516	7,498	7,458	7,383	4,745	7,303	7,303	7,303	9,730
Non System Assets	418	46	46	46	46	46	46	46	48	48
Tunnel Software	134,244	14,916	14,916	14,916	14,916	14,916	14,916	14,916	14,916	14,916
Spectrum Motion Patent	98,001	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889	10,889
Asset Purchases	19,992	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,217	2,256
Total Depreciation and Amortization	318,894	35,584	35,566	35,526	35,451	32,813	35,371	35,371	35,373	37,839

Digital Underground Media Inc. Financial Reporting Package

For the Month of

September 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at September 2016

	Sep-16	Aug-16
Current Assets		
Cash	1,059,986	265,440
Cash Reserve	50,000	50,000
Funds Held in Escrow for Korea Purchase	530,221	521,442
Accounts Receivable	84,986	118,639
Inventory Parts for Systems	1,255,770	1,255,770
Deposits	37,105	66,654
Prepaid Expenses	30,794	28,193
Total Current Assets	3,048,862	2,306,138
Capital Assets	1,590,658	1,574,483
Intangible Assets	1,450,215	1,467,198
Other Assets		
TVS Receivable	45,910	42,604
Transit Deposits	167,596	137,801
Total Other Assets	213,506	180,405
Total Assets	6,303,241	5,528,224
Liabilities and Equity		
Accounts Payable and accruals	680,389	469,137
Wages Payable	15,393	17,836
VAT / GST Recoverable	(283,426)	(268,703)
Current Liabilities	412,356	218,270
Provisions for System Removal	51,783	51,770
Due to Telefonica	200,247	202,828
Due to JD Craig Holdings	2,281,134	2,281,134
Due to Spectrum Motion Media	123,086	121,440
Due to DUM Holdings Inc.	492,143	489,128
Due to David Chae	225,485	223,282
Total Liabilities	3,786,234	3,587,852
Equity		
Common B	3,503,736	3,503,736
Share Premium	42,280	42,280
Common A	5,000,000	5,000,000
Contributed Surplus	5,000,000	4,000,000
Share Issuance Costs	(532,400)	(482,400)
Deficit	(10,400,035)	(10,039,760)
Minority Interest	0	0
Accumulated Other Comprehensive Loss	(96,574)	(83,484)
Total Equity	2,517,007	1,940,372
Total Liabilities and Equity	6,303,241	5,528,224

Digital Underground Media Inc.
Consolidated Statement of Cash Flow
For the period ending September 30, 2016

Sep-16

Operating Activities	
Net income for the period	(383,623)
Add: Depreciation/Amortization	34,591
(Increase) Decrease in Accounts Receivable	33,653
(Increase) Decrease in Inventory Parts for Systems	0
(Increase) Decrease in Other Assets	(6,153)
Increase (decrease) in Current Liabilities	194,086
Non cash interest	1,464
Non cash foreign exchange	13,090
Total Operating Cash	(112,892)
Investing Activities	
Systems deployed in Markets	0
Other Capital Expenditures	(33,783)
Total Investing Activities	(33,783)
Financing Activities	
Forward Dimension Financing	1,000,000
Share Issue Costs	(50,000)
Loans	0
Total Financing Activities	950,000
Net increase (decrease) in Cash	803,325
Cash Opening Balance	836,882
Cash Closing Balance	1,640,207
Cash Balances Broken Down as:	
Cash in Bank	1,059,986
Funds held in reserve - Credit Card Security	50,000
Funds held in Escrow - Seoul Removal of Systems	530,221
Total Cash Closing Balance	1,640,207
Cash in Bank Broken Down as:	
Canada	869,980
Spain	3,216
Korea	90,885
Brazil	95,905
Total	1,059,986

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending September 30, 2016

	1 Month Ended September 30, 2016		
	Actual	Plan	Variance
Net Revenue			
Revenue net agency discounts	104,987		
Direct Taxes on Revenue	(9,627)		
Net Revenue	95,360	0	95,360
Cost of Sales			
Volume Bonus	7,025	0	7,025
Transit Share Rent	60,788	43,524	17,264
License Fee	0	0	0
Sales Commissions	18,763	0	18,763
System Operating Costs	1,433	4,945	(3,512)
Total Cost of Sales	88,009	48,469	39,540
Gross Margin	7,351	(48,469)	55,820
Expenses			
Location Expenses	41,537	9,759	(31,778)
Sales and Marketing	55,022	65,600	10,578
Sales Research	3,500	10,000	6,500
Business Development	0	60,000	60,000
Digital Control	1,404	2,500	1,096
Executive	32,434	35,500	3,066
Finance	40,353	91,600	51,247
Operations Management	8,000	8,000	0
Research and Development	116,864	113,119	(3,745)
Project Management	9,141	19,208	10,067
Administration	15,465	16,350	885
I/T	4,699	5,000	301
Total Expenses	328,419	436,636	108,217
EBITDA	(321,068)	(485,105)	164,037
Loss (gain) Foreign Exchange	2,811	0	(2,811)
Interest Expense	23,016	21,759	(1,257)
Depreciation and Amortization	34,591	0	(34,591)
Net Income before taxes	(381,486)	(506,864)	125,378
Income taxes	(2,137)	0	(2,137)
Net Income after taxes	(383,623)	(506,864)	123,241

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending September 30, 2016

	1 Month Ended September 30, 2016		
	Actual	Plan	Variance
Location Expenses			
Salaries	3,622		
Professional fees	27,813		
Consulting	8,692		
Rent	0		
Bank Charges	1,410		
Total Location expenses	41,537	9,759	(31,778)
Sales and Marketing			
Salaries	13,750	19,600	5,850
Promotion	20,545	25,000	4,455
Travel	20,727	20,000	(727)
Cellphone	0	1,000	1,000
Total Sales and Marketing	55,022	65,600	10,578
Sales Research			
Outside Research	3,500	10,000	6,500
Digital Control			
Contract Work	1,404	2,500	1,096
Executive			
Salaries and benefits	21,859	24,500	2,641
Consulting	10,000	10,000	0
Board Meetings	0	0	0
D&O Insurance	575	1,000	425
Total Executive	32,434	35,500	3,066
Finance			
Salaries and benefits	21,485	23,100	1,615
Software License Fees	262	1,000	738
Travel	0	5,000	5,000
Professional fees	18,606	62,500	43,894
Total Finance	40,353	91,600	51,247
Operations Management			
Consulting	8,000	8,000	0
Research & Development			
Contractors	22,979	23,833	854
R&D costs	93,885	89,286	(4,599)
Total Research & Development	116,864	113,119	(3,745)

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending September 30, 2016

	1 Month Ended September 30, 2016		
	Actual	Plan	Variance
Project Management			
Travel	9,141	19,208	10,067
Business Development			
Consultants	0	30,000	30,000
Travel	0	20,000	20,000
Promotional Material	0	5,000	5,000
Contingency	0	5,000	5,000
Total Business Development	0	60,000	60,000
Administration			
Salaries	0	3,500	3,500
Insurance General Liability	3,739	2,500	(1,239)
Bank Charges	417	1,000	583
Office and Postage	4,017	2,000	(2,017)
Cell Phones	558	0	(558)
Internet and Office Phones	244	600	356
Bad Debt reserve	0	0	0
Office Rent	6,490	6,750	260
Total Administration	15,465	16,350	885
I/T			
Software License Fees	0	0	0
Contract Work	4,699	5,000	301
Total I/T	4,699	5,000	301
Interest Expense			
Interest on Loan	23,499	21,759	(1,740)
Interest on license and asset purchases	1,646	0	(1,646)
Interest on DUM Holdings Loan	3,015	0	(3,015)
Other Interest Paid	(5,144)	0	5,144
Total Interest	23,016	21,759	(1,257)
Depreciation and Amortization			
Systems	17,561	0	(17,561)
Non System Assets	46	0	(46)
Tunnel Software	1,700	0	(1,700)
Spectrum Motion Patent	13,067	0	(13,067)
Asset Purchases	2,217	0	(2,217)
Total Depreciation and Amortization	34,591	0	(34,591)

Digital Underground Media Inc. Financial Reporting Package

For the Month of October 2016

Digital Underground Media Inc.
Consolidated Statement of Financial Position

As at October 2016

	Oct-16	Sep-16
Current Assets		
Cash	748,401	1,059,986
Cash Reserve	50,000	50,000
Funds Held in Escrow for Korea Purchase	515,415	530,221
Accounts Receivable	167,812	84,986
Inventory Parts for Systems	1,255,770	1,255,770
Deposits	37,105	37,105
Prepaid Expenses	26,105	30,794
Total Current Assets	2,800,608	3,048,862
Capital Assets	1,563,106	1,590,658
Intangible Assets	1,433,231	1,450,215
Other Assets		
TVS Receivable	45,910	45,910
Transit Deposits	169,347	167,596
Total Other Assets	215,257	213,506
Total Assets	6,012,202	6,303,241
Liabilities and Equity		
Accounts Payable and accruals	685,831	680,389
Wages Payable	15,393	15,393
VAT / GST Recoverable	(296,855)	(283,426)
Current Liabilities	404,369	412,356
Provisions for System Removal	53,230	51,783
Due to Telefonica	194,130	200,247
Due to JD Craig Holdings	2,281,134	2,281,134
Due to Spectrum Motion Media	123,367	123,086
Due to DUM Holdings Inc.	495,278	492,143
Due to David Chae	227,783	225,485
Total Liabilities	3,779,291	3,786,234
Equity		
Common B	3,503,736	3,503,736
Share Premium	42,280	42,280
Common A	5,000,000	5,000,000
Contributed Surplus	5,000,000	5,000,000
Share Issuance Costs	(532,400)	(532,400)
Deficit	(10,695,913)	(10,400,035)
Minority Interest	0	0
Accumulated Other Comprehensive Loss	(84,792)	(96,574)
Total Equity	2,232,911	2,517,007
Total Liabilities and Equity	6,012,202	6,303,241

Digital Underground Media Inc.
Consolidated Statement of Cash Flow
For the period ending October 31, 2016

	Oct-16	Sep-16
Operating Activities		
Net income for the period	(294,631)	(383,623)
Add: Depreciation/Amortization	48,566	34,591
(Increase) Decrease in Accounts Receivable	(82,826)	33,653
(Increase) Decrease in Inventory Parts for Systems	0	0
(Increase) Decrease in Other Assets	2,938	(6,153)
Increase (decrease) in Current Liabilities	(7,987)	194,086
Non cash interest	17,373	1,464
Non cash foreign exchange	(9,824)	13,090
Total Operating Cash	(326,391)	(112,892)
Investing Activities		
Systems deployed in Markets	0	0
Other Capital Expenditures	0	(33,783)
Total Investing Activities	0	(33,783)
Financing Activities		
Forward Dimension Financing	0	1,000,000
Share Issue Costs	0	(50,000)
Loans	0	0
Total Financing Activities	0	950,000
Net increase (decrease) in Cash	(326,391)	803,325
Cash Opening Balance	1,640,207	836,882
Cash Closing Balance	1,313,816	1,640,207
Cash Balances Broken Down as:		
Cash in Bank	748,401	1,059,986
Funds held in reserve - Credit Card Security	50,000	50,000
Funds held in Escrow - Seoul Removal of Systems	515,415	530,221
Total Cash Closing Balance	1,313,816	1,640,207
Cash in Bank Broken Down as:		
Canada	575,780	869,980
Spain	3,216	3,216
Korea	75,540	90,885
Brazil	93,865	95,905
Total	748,401	1,059,986

Digital Underground Media Inc.
Consolidated Statement of Loss
For the period ending October 31, 2016

	1 Month Ended October 31, 2016			Year to Date		
	Actual	Plan	Variance	Actual	Plan	Variance
Net Revenue						
Revenue net agency discounts	144,831	183,282		249,818	183,282	
Direct Taxes on Revenue	(3,074)	0		(12,701)	0	
Net Revenue	141,757	183,282	(41,525)	237,117	183,282	53,835
Cost of Sales						
Volume Bonus	2,243	0	2,243	9,268	0	9,268
Transit Share Rent	48,605	43,345	5,260	109,393	86,869	22,524
License Fee	0	0	0	0	0	0
Sales Commissions	5,992	10,633	(4,641)	24,755	10,633	14,122
System Operating Costs	1,417	4,944	(3,527)	2,850	9,889	(7,039)
Total Cost of Sales	58,257	58,922	(665)	146,266	107,391	38,875
Gross Margin	83,500	124,360	(40,860)	90,851	75,891	14,960
Expenses						
Location Expenses	17,664	33,663	15,999	59,201	43,422	(15,779)
Sales and Marketing	50,381	65,600	15,219	105,403	131,200	25,797
Sales Research	6,868	10,000	3,132	10,368	20,000	9,632
Business Development	0	60,000	60,000	0	120,000	120,000
Digital Control	1,404	2,500	1,096	2,808	5,000	2,192
Executive	31,928	35,500	3,572	64,362	71,000	6,638
Finance	42,411	39,960	(2,451)	82,764	131,560	48,796
Operations Management	8,000	8,000	0	16,000	16,000	0
Research and Development	113,110	113,119	9	229,974	226,238	(3,736)
Project Management	0	19,208	19,208	9,141	38,416	29,275
Administration	15,515	16,350	835	30,980	32,700	1,720
I/T	660	5,000	4,340	5,359	10,000	4,641
Total Expenses	287,941	408,900	120,959	616,360	845,536	229,176
EBITDA	(204,441)	(284,540)	80,099	(525,509)	(769,645)	244,136
Loss (gain) Foreign Exchange	1,330	0	(1,330)	4,141	0	(4,141)
Interest Expense	39,612	22,484	(17,128)	62,628	44,243	(18,385)
Depreciation and Amortization	48,566	0	(48,566)	83,157	0	(83,157)
Net Income before taxes	(293,949)	(307,024)	13,075	(675,435)	(813,888)	138,453
Income taxes	(682)	0	(682)	(2,819)	0	(2,819)
Net Income after taxes	(294,631)	(307,024)	12,393	(678,254)	(813,888)	135,634

Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending October 31, 2016

	1 Month Ended October 31, 2016			Year to Date		
	Actual	Plan	Variance	Actual	Plan	Variance
Location Expenses						
Salaries	3,543			7,165		
Professional fees	3,499			31,312		
Consulting	9,683			18,375		
Rent	0			0		
Bank Charges	939			2,349		
Total Location expenses	17,664	33,663	15,999	59,201	43,422	(15,779)
Sales and Marketing						
Salaries	13,750	19,600	5,850	27,500	39,200	11,700
Promotion	7,319	25,000	17,681	27,864	50,000	22,136
Travel	29,312	20,000	(9,312)	50,039	40,000	(10,039)
Cellphone	0	1,000	1,000	0	2,000	2,000
Total Sales and Marketing	50,381	65,600	15,219	105,403	131,200	25,797
Sales Research						
Outside Research	6,868	10,000	3,132	10,368	20,000	9,632
Digital Control						
Contract Work	1,404	2,500	1,096	2,808	5,000	2,192
Executive						
Salaries and benefits	21,353	24,500	3,147	43,212	49,000	5,788
Consulting	10,000	10,000	0	20,000	20,000	0
Board Meetings	0	0	0	0	0	0
D&O Insurance	575	1,000	425	1,150	2,000	850
Total Executive	31,928	35,500	3,572	64,362	71,000	6,638
Finance						
Salaries and benefits	27,063	26,460	(603)	48,548	49,560	1,012
Software License Fees	8,188	1,000	(7,188)	8,450	2,000	(6,450)
Travel	0	0	0	0	5,000	5,000
Professional fees	7,160	12,500	5,340	25,766	75,000	49,234
Total Finance	42,411	39,960	(2,451)	82,764	131,560	48,796
Operations Management						
Consulting	8,000	8,000	0	16,000	16,000	0
Research & Development						
Contractors	23,110	23,833	723	46,089	47,666	1,577
R&D costs	90,000	89,286	(714)	183,885	178,572	(5,313)
Total Research & Development	113,110	113,119	9	229,974	226,238	(3,736)

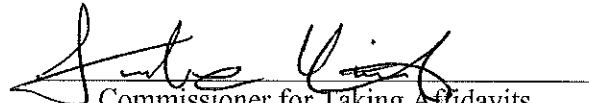
Digital Underground Media Inc.
Consolidated Statement of Expenses

For the period ending October 31, 2016

	1 Month Ended October 31, 2016			Year to Date		
	Actual	Plan	Variance	Actual	Plan	Variance
Project Management						
Travel	0	19,208	19,208	9,141	38,416	29,275
Business Development						
Consultants	0	30,000	30,000	0	60,000	60,000
Travel	0	20,000	20,000	0	40,000	40,000
Promotional Material	0	5,000	5,000	0	10,000	10,000
Contingency	0	5,000	5,000	0	10,000	10,000
Total Business Development	0	60,000	60,000	0	120,000	120,000
Administration						
Salaries	0	3,500	3,500	0	7,000	7,000
Insurance General Liability	3,864	2,500	(1,364)	7,603	5,000	(2,603)
Bank Charges	332	1,000	668	749	2,000	1,251
Office and Postage	3,367	2,000	(1,367)	7,384	4,000	(3,384)
Cell Phones	0	0	0	558	0	(558)
Internet and Office Phones	1,138	600	(538)	1,382	1,200	(182)
Bad Debt reserve	0	0	0	0	0	0
Office Rent	6,814	6,750	(64)	13,304	13,500	196
Total Administration	15,515	16,350	835	30,980	32,700	1,720
I/T						
Software License Fees	0	0	0	0	0	0
Contract Work	660	5,000	4,340	5,359	10,000	4,641
Total I/T	660	5,000	4,340	5,359	10,000	4,641
Interest Expense						
Interest on Loan	22,239	22,484	245	45,738	44,243	(1,495)
Interest on license and asset purchases	281	0	(281)	1,927	0	(1,927)
Interest on DUM Holdings Loan	3,135	0	(3,135)	6,150	0	(6,150)
Other Interest Paid	13,957	0	(13,957)	8,813	0	(8,813)
Total Interest	39,612	22,484	(17,128)	62,628	44,243	(18,385)
Depreciation and Amortization						
Systems	31,536	0	(31,536)	49,097	0	(49,097)
Non System Assets	46	0	(46)	92	0	(92)
Tunnel Software	1,700	0	(1,700)	3,400	0	(3,400)
Spectrum Motion Patent	13,067	0	(13,067)	26,134	0	(26,134)
Asset Purchases	2,217	0	(2,217)	4,434	0	(4,434)
Total Depreciation and Amortization	48,566	0	(48,566)	83,157	0	(83,157)

D

THIS IS EXHIBIT "D"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 1TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

For the attention of the Directors
Digital Underground Media Inc.
320-321 Water Street
Vancouver
BC V6B 1B8
Canada

10th July 2017

Dear Drew,

We are writing to you, as Executive Chairman, to notify the Company of our formal resignation from the Board of Directors of Digital Underground Media Inc ("the Company"), and any other related entities, with immediate effect.

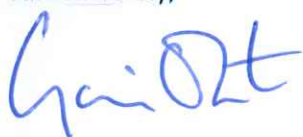
We have not taken these decisions lightly, but feel that, having received formal notification from you this morning (in your capacity as the senior secured creditor) that the Company is in default of your loan terms, this leaves us no option but to resign. Your rejection of the FDC/Neon financial proposal of 19th June, and your subsequent notification of default on your loan, which, based on our previous conversations with you, we had understood was not a course of action you wanted to go down, effectively puts you in exclusive control of the Company and we cannot therefore continue to be effective non-executive Directors.

Further, we do not believe that, as Directors, we have genuinely been able to influence the business for a number of months now to take the steps we believe to have been necessary around the reduction of costs, focus of sales efforts, improvements in timely and accurate management information, and appropriate governance in general. We have had Board discussions around all of these issues many times over the past nine months and, over that period, it has become increasingly apparent that progress has continued to be very slow. Given this, we had previously discussed the need for the business to take whatever steps were necessary to extend the time available for it to secure the business that may support future investment. These included short term financing options, more focused sales efforts, and a reduction in costs in a number of areas. These actions are only now being taken despite the need having been apparent for some time.

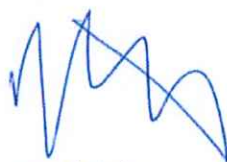
Whilst we still believe the business to be an exciting one with significant potential, it is unfortunately not now in a position whereby we can participate or influence.

Please can you ensure relevant filings are made with the appropriate corporate registries in Canada and forward to each of us confirmations as soon as possible.

Yours sincerely,



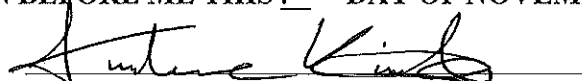
Gavin Owston



David Rigby

E

THIS IS EXHIBIT "E"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 1TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

DIGITAL UNDERGROUND MEDIA INC.

DIRECTOR'S RESOLUTION

WHEREAS, on September 21, 2017, Digital Underground Media Inc. (the "**Corporation**") filed a Notice of Intention to Make a Proposal ("**NOI**") under section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and MNP LTD. was named as the proposal trustee under the NOI (in such capacity, the "**Trustee**");

AND WHEREAS the Corporation desires to make a proposal to its creditors generally pursuant to the BIA;

NOW THEREFORE BE IT RESOLVED THAT:

1. the Corporation be and is hereby authorized to make a proposal to its creditors substantially in the form presented to the directors of the Corporation (the "**Proposal**") pursuant section 50(1) of the BIA.
2. The Corporation is hereby authorized to lodge a copy of the Proposal in writing with the Trustee, to do all such acts and things as the Trustee may deem appropriate and as required by the BIA in connection with the Proposal; and
3. Drew Craig, the Secretary of the Corporation, is hereby authorized and directed to do, sign, execute and deliver, whether under the corporate seal of the Corporation or otherwise, the Proposal and all deeds, agreements, documents and things necessary or desirable in his sole discretion to give effect to the foregoing and to the Proposal.

The undersigned, being all of the directors of the Corporation, hereby make the foregoing resolutions pursuant to the provisions of the *Business Corporations Act* (Ontario).

DATED the 22nd day of September, 2017.

Name: Drew Craig



Name: Oswald Kenneth Bicknell

DIGITAL UNDERGROUND MEDIA INC.**DIRECTOR'S RESOLUTION**

WHEREAS, on September 21, 2017, Digital Underground Media Inc. (the "**Corporation**") filed a Notice of Intention to Make a Proposal ("**NOI**") under section 50.4 of the *Bankruptcy and Insolvency Act*, R.S.C. 1985, c. B-3, as amended (the "**BIA**"), and MNP LTD. was named as the proposal trustee under the NOI (in such capacity, the "**Trustee**");

AND WHEREAS the Corporation desires to make a proposal to its creditors generally pursuant to the BIA;

NOW THEREFORE BE IT RESOLVED THAT:

1. the Corporation be and is hereby authorized to make a proposal to its creditors substantially in the form presented to the directors of the Corporation (the "**Proposal**") pursuant section 50(1) of the BIA.
2. The Corporation is hereby authorized to lodge a copy of the Proposal in writing with the Trustee, to do all such acts and things as the Trustee may deem appropriate and as required by the BIA in connection with the Proposal; and
3. Drew Craig, the Secretary of the Corporation, is hereby authorized and directed to do, sign, execute and deliver, whether under the corporate seal of the Corporation or otherwise, the Proposal and all deeds, agreements, documents and things necessary or desirable in his sole discretion to give effect to the foregoing and to the Proposal.

The undersigned, being all of the directors of the Corporation, hereby make the foregoing resolutions pursuant to the provisions of the *Business Corporations Act* (Ontario).

DATED the 22nd day of September, 2017.



Name: Drew Craig

Name: Oswald Kenneth Bicknell

F

THIS IS EXHIBIT "F"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 1TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE



Government
of Canada

Gouvernement
du Canada

Federal Corporation Information - 767718-9

i Note

This information is available to the public in accordance with legislation (see [Public disclosure of corporate information](#)).

Corporation Number

767718-9

Business Number (BN)

842343204RC0001

Corporate Name

7677189 Canada Ltd.

Status

Active

Governing Legislation

Canada Business Corporations Act - 2010-10-18

Registered Office Address

30th Floor, 360 Main Street
Winnipeg MB R3C 4G1
Canada

i Note

Active CBCA corporations are required to [update this information](#) within 15 days of any change. A [corporation key](#) is required. If you are not authorized to update this information, you can either contact the corporation or contact [Corporations Canada](#). We will inform the corporation of its [reporting obligations](#).

Directors

Minimum 1

Maximum 10

J. Drew Craig
4280 Rockridge Road
West Vancouver BC V7W
1A6
Canada

Note

Active CBCA corporations are required to update director information (names, addresses, etc.) within 15 days of any change. A corporation key is required. If you are not authorized to update this information, you can either contact the corporation or contact Corporations Canada. We will inform the corporation of its reporting obligations.

Annual Filings

Anniversary Date (MM-DD)

10-18

Date of Last Annual Meeting

2016-10-18

Annual Filing Period (MM-DD)

10-18 to 12-17

Type of Corporation

Non-distributing corporation with 50 or fewer shareholders

Status of Annual Filings

2017 - Due to be filed

2016 - Filed

2015 - Filed

Corporate History

Corporate Name History

2010-10-18 to Present

7677189 Canada Ltd.

Certificates and Filings

Certificate of Incorporation

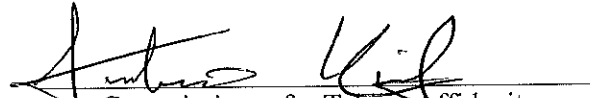
2010-10-18

Date Modified:

2017-10-13

G

**THIS IS EXHIBIT "G"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 7TH DAY OF NOVEMBER, 2017**


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE



Laura Gilhespy <laura@forwarddimension.com>

Digital Underground Media Inc. - Notice of Proposal to Creditors

Laura Gilhespy <laura@forwarddimension.com>
To: Sheldon Title <Sheldon.Title@mp.ca>
Cc: Graham Coxell <graham@forwarddimension.com>
Bcc: Simon Davies <simon@forwarddimension.com>

Tue, Oct 17, 2017 at 11:32 AM

Dear Sheldon,

**Re: Digital Underground Media Inc.
Court No: 31-2295766**

Please find attached correspondence in relation to this matter.

We look to hearing from you as a matter of urgency.

Kind regards,

Laura

Laura Gilhespy
Legal Counsel

****Please note new registered office address below***

Forward Dimension Capital 1 LLP
Portfolio Companies: Forward3d - Rare TV - MedicAnimal - AdTrack Media
Forward Affiliates: Forward Partners - Neon Adventures - Neon Foundation

Registered Office - 1st Floor, Gensurco House, 46a Rosebery Avenue, London EC1R 4RP
Registered in England and Wales OC399433

[Quoted text hidden]



In the Matter of the Proposal of Digital Underground Media - Forward Dimension.pdf

827K

Mr S. Title
MNP Ltd
111 Richmond Street West, Suite 300
Toronto ON
M5H 2G4

17 October 2017

Dear Mr Title,

Re: In the Matter of the Proposal of Digital Underground Media Inc. (“DUM” or the “Company”)

I refer to your letter dated 29 September 2017, and the Notice of Proposal to Creditors subsequently circulated on 6 October 2017.

As you know, I am writing on behalf of Forward Dimension Capital 1 LLP (“Forward”), holders of 50% of the Company’s share capital.

Having had some time to review the proposal and your correspondence in more detail, we are surprised and extremely disappointed by the content to say the least.

First, the backdrop on which the proposal is made is factually incorrect. Paragraph 2.0 of the trustee’s report dated 22 September 2017 states that the causes of the Company’s financial difficulties are primarily due to Forward providing notice to the Company *“that it would not fulfil its funding obligations under the Agreements”*.

All funding obligations under the Agreements (as defined in the report) were met. The Agreements (in particular the Subscription and Investment Agreement dated 27 July 2015) provided for further financing to be advanced subject to clear milestones being reached. These milestones were never reached. Notwithstanding the Company’s failure to meet its targets, Forward advanced additional funds in an effort to support the business. If anything Forward has exceeded its funding obligations.

The wording in the trustee’s report is a misrepresentation of the facts, and we believe could mislead creditors. We would like this to be corrected to ensure the creditors are fully apprised of the reality of the situation.

As you may know, we put forward a funding proposal to the Company three months ago which would have allowed full repayment to the unsecured creditors and continued working capital to the end of the year at least, with a view that if certain objectives were met, a continuation of funding into 2018.

The fact that the creditors are now being offered only a small fraction of their debts seems at odds with Drew’s rejection of our offer. It’s difficult to see how this proposal can be in the creditors’ best interest, aside from Drew who is clearly conflicted given his Chairmanship of the company.

To be frank, we see Drew’s actions to be a blatant attempt to mislead a number of the key stakeholders and indeed innocent creditors with a view to furthering his own interest in the company.

As proposal trustee, and in view of your duties to the court, I would be grateful if you could explain how you can recommend this proposal to the creditors and the court. In the interests of transparency, and to ensure the Company’s and our own position has not been misrepresented, are the creditors aware of the funding offer that we tabled and was rejected solely by Drew? Has Drew explained why, as a Director he chose to reject our funding proposal knowing his alternative offer would massively disadvantage all stakeholders aside from himself as the principle secured creditor?

In our view, the directors' actions in putting this proposal forward are clearly oppressive or unfairly prejudicial to, or unfairly disregard, our interests as 50% shareholder for the purposes of Section 248 of the Ontario Business Corporations Act 1990. We have a reasonable expectation to be consulted in any proposal.

Indeed, the manifest intention of Section 3.8 of the Unanimous Shareholders Agreement of Digital Underground Media Inc. dated July 27, 2015 is that approval should be given on behalf of the Class A Common Shareholders (i.e. Forward) for this type of arrangement (see subsections (k), (r) and (t) of Section 3.8).

We would further point out that we have serious doubts as to whether the directors, in putting this proposal forward, are acting in accordance with their overriding duty to act in the best interests of the corporation. As mentioned above, there are clear conflicts of interest here by which Drew Craig's interests in further funding this business are at odds with the best interests of the Company. In our view, Drew has been acting entirely in his own interests as secured creditor rather than those of the Company in putting forward this proposal.

In order for us to evaluate this further, please can you provide us with copies of the relevant Company board minutes (1) discussing and rejecting Forward's funding proposal mentioned above with reasons why; and (2) considering, reviewing and recommending the commercial proposal put forward on 6 October 2017.

Whilst in view of the directors' conduct, we are not prepared to reiterate the original terms of our funding offer, we have a legitimate expectation at the least (and potentially a contractual obligation under the terms of the Unanimous Shareholders Agreement) to be consulted in this process and not excluded from participation in the Company without any further dialogue.

We reserve all rights and remedies with respect to the matters set out in this letter, but would like some assurances in the meantime that the Company's funding position has not been misrepresented to the creditors or the court.

In light of the above, we also request that you delay the creditors' meeting by at least 14 days to allow us time to consider our position and take any action deemed appropriate.

Yours sincerely,



Laura Gilhespy (Legal Counsel)
For and on behalf of
Forward Dimension Capital 1 LLP

Н

THIS IS EXHIBIT "H"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 7TH DAY OF NOVEMBER, 2017


Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE



Laura Gilhespy <laura@forwarddimension.com>

Urgent - commercial proposal counter-offer

Laura Gilhespy <laura@forwarddimension.com>

Thu, Oct 19, 2017 at 12:43 PM

To: drew@adtrackmedia.com, ken@adtrackmedia.com

Cc: Simon Davies <simon@forwarddimension.com>, Graham Coxell <graham@forwarddimension.com>, Sheldon Title <sheldon.title@mnp.ca>

Dear Drew, Ken,

Urgent - commercial proposal counter-offer

Further to the proposal commercial put forward on 6 October 2017, we have considered our position and attach a counter-proposal for consideration by the creditors.

In view of the time constraints, we have purposefully kept our proposal short and relatively straight forward.

We strongly believe our proposal puts forward a better outcome for the company and the creditors. Accordingly, we trust you will give this due consideration and look forward to hearing from you.

We have copied in proposal trustee Sheldon Title, as clearly this impacts the creditor position in advance of today's meeting scheduled for 10am.

Kind regards,

Laura

Laura Gilhespy
Legal Counsel

Forward Dimension Capital 1 LLP

Portfolio Companies: Forward3d - Rare TV - MedicAnimal - AdTrack Media

Forward Affiliates: Forward Partners - Neon Adventures - Neon Foundation

Registered Office - 1st Floor, Gensurco House, 46a Rosebery Avenue, London EC1R 4RP

Registered in England and Wales OC399433



Digital Underground Media Inc. FDC Counter-proposal.pdf

81K

In the Matter of the Proposal of Digital Underground Media Inc. Forward Dimension Capital 1 LLP Counter-Proposal for Funding

To: The Directors, Digital Underground Media Inc.

Forward Dimension Capital 1 LLP (“**FDC**”) is the shareholder of 50% of the share capital in Digital Underground Media Inc. (the “**Company**”).

Further to the Company’s commercial proposal dated 30 September 2017 and circulated to creditors on 6 October 2017, FDC has considered its position and would now like to put forward a counter-proposal on the terms set out herein. We have kept this document intentionally brief in consideration of the time constraints.

This counter-proposal is being circulated to the directors of the Company and its Proposal Trustee, Sheldon Title of MNP Ltd, in advance of the creditors meeting scheduled for 10am on 19 October 2017.

The key terms of the proposal are as follows:

- FDC shall invest an additional \$197,660.20 which shall form the proposal fund to be distributed to the unsecured creditors on a pro rata basis depending on the amount of each debt.
- The secured creditors’ debt shall be repaid at a rate of 50% of the existing liability, and will be converted to non-voting zero-dividend preference shares. These shares will pay out at a rate of 20% of the Company’s profits in any accounting year, but shall not pay out until and unless the Company becomes profitable. The existing secured loans shall be cancelled.
- The entire share capital of the Company shall be deleted and cancelled, and all rights, privileges, restrictions and conditions attaching thereto will be deleted and cancelled.
- New common shares shall be created and allocated to FDC, with non-voting preference shares created and allocated to the existing secured creditors (as set out above). These preference shares will not any further carry rights to participation.
- All existing and outstanding warrants, together with contracts pursuant to which warrants may be issued in the future, shall be cancelled.

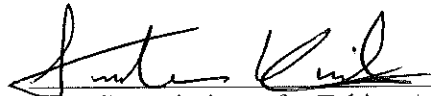
FDC believes this is a generous proposal, which would provide a better outcome for creditors and give the Company a shot at long-term success.

We trust you will give our proposal due consideration in view of your duties to the Company as directors, and in view of the current objective to maximise the position for creditors.

Forward Dimension Capital 1 LLP



THIS IS EXHIBIT "I"
TO THE AFFIDAVIT OF LAURA GILHESPY
SWORN BEFORE ME THIS 7TH DAY OF NOVEMBER, 2017



Commissioner for Taking Affidavits

Lawrence Stephens Solicitors
50 Farringdon Road
London, EC1M 3HE

From: [Steve Graff](#)
To: [Armstrong, Christopher](#)
Cc: [Miranda Spence](#); [Harmes, Andrew](#); [Wadden, Jason](#); [sheldon.tittle@mnp.ca](#); [gphoenix@loonix.com](#)
Subject: Re: Digital Underground - docs for Chris Armstrong
Date: Saturday, November 04, 2017 10:48:15 AM

As I said, I am not litigation by email any longer. Thx. Treat it as you wish.

Steve Graff
Cell 416 894-5090
Office 416 865-7726
Email sgraff@airdberlis.com<<mailto:sgraff@airdberlis.com>>

Sent from my iPhone

On Nov 4, 2017, at 10:40 AM, Armstrong, Christopher <carmstrong@goodmans.ca<<mailto:carmstrong@goodmans.ca>>> wrote:

Steve - thank you for your acknowledgement that we are entitled to the minutes. Please confirm you will provide those as soon as possible. We are in fact entitled to access all books and records of DUMI, which would include the management accounts and any other financial information. Please confirm you will provide the management accounts also.

If we don't receive a response we will assume DUMI is refusing to provide the documents.

Regards.

On Nov 4, 2017, at 11:31 AM, Steve Graff <sgraff@airdberlis.com<<mailto:sgraff@airdberlis.com>>> wrote:

Chris; Make your pitch through properly produced evidence I. The context of some proceeding. I am not litigating with you through email correspondence. I have had enough of this Chris. I acknowledge that you client is entitled to the minutes in its capacity as shareholder (if it doesn't have them already in that your client has two board representatives). However, I can't conceive of what they have to do with the approval motion. In addition, there are several causes of the company's insolvency.

This is the last of the emails. Enough is enough.

Steve Graff
Cell 416 894-5090
Office 416 865-7726
Email sgraff@airdberlis.com<<mailto:sgraff@airdberlis.com>><<mailto:sgraff@airdberlis.com>>

Sent from my iPhone

On Nov 4, 2017, at 10:26 AM, Armstrong, Christopher <carmstrong@goodmans.ca<<mailto:carmstrong@goodmans.ca>><<mailto:carmstrong@goodmans.ca>>> wrote:

Steve

We are entitled to access these documents as a matter of right under the USA and the question of whether you have them is irrelevant. Please request them from your client. If they don't exist, it will be easy to deal with the request which in any event is not onerous.

From a litigation perspective they are relevant to the matters that are in dispute based on your client's contention that FDC breached its funding obligations under the subscription agreement as the cause of its insolvency. I suspect they will also be relevant to other matters that will be at issue in connection with approval of the proposal including its reasonableness and whether it has been brought in good faith.

Regards

On Nov 4, 2017, at 10:55 AM, Steve Graff <sgraff@airdberlis.com<<mailto:sgraff@airdberlis.com>><<mailto:sgraff@airdberlis.com>>> wrote:

Chris;

I don't have any of these. I did not act for the company before the proposal process. I don't know if the company even maintained written minutes during that period, but I don't see how they are of any relevance to the issue that are presently the subject of the existing proposal proceeding, so that request is rejected. With respect, in the circumstances that exist right now and the nature of the proceeding, this sounds like a fishing expedition.

Steve Graff
Cell 416 894-5090
Office 416 865-7726
Email sgraff@airdberlis.com<<mailto:sgraff@airdberlis.com>><<mailto:sgraff@airdberlis.com>><<mailto:sgraff@airdberlis.com>>

Sent from my iPhone

On Nov 4, 2017, at 8:59 AM, Armstrong, Christopher <carmstrong@goodmans.ca<<mailto:carmstrong@goodmans.ca>><<mailto:carmstrong@goodmans.ca>><<mailto:carmstrong@goodmans.ca>>> wrote:

Steve/Miranda,

Thank you for sending these documents through. Please also provide the documents listed below as soon as possible. We may have additional document requests as our review continues.

Regards.

Board Minutes from the following months:

- April 2016
- June 2016
- July 2016
- Aug 2016
- Nov 2016
- Dec 2016
- Jan 2017
- Feb 2017
- April 2017 (and any later board minutes in 2017)

Management Accounts from the following months:

- April 2016
- June 2016
- July 2016
- August 2016
- November 2016
- December 2016
- January 2017
- February 2017
- April 2017 (and any later dates)

***** Attention *****

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From: Miranda Spence
 <mspence@airdberlis.com> <<mailto:mspence@airdberlis.com>> <<mailto:mspence@airdberlis.com>> >
 Sent: October 30, 2017 3:47 PM
 To: Armstrong, Christopher
 Cc: Harmes, Andrew; Wadden, Jason;
 sheldon.title@mnt.ca <<mailto:sheldon.title@mnt.ca>> <<mailto:sheldon.title@mnt.ca>> <<mailto:sheldon.title@mnt.ca>>;
 gphoenix@loonix.com <<mailto:gphoenix@loonix.com>> <<mailto:gphoenix@loonix.com>> <<mailto:gphoenix@loonix.com>>; Steve Graff
 Subject: Digital Underground - docs for Chris Armstrong

Chris,

Attached are the documents requested in your letter dated October 26, 2017.

Please note that the Directors' Resolution with regard to the Proposal authorizes Drew Craig to sign documents relating to the Proposal, as

Ken Bicknell was out of the country on the date that the Proposal was finalized and signed. Ken Bicknell was the representative of the Company who attended at the Meeting of Creditors, and accordingly he signed the Amended Proposal that was tabled at that meeting, after consulting by telephone with the only other director of the Company (Drew Craig).

Regards,

Miranda Spence

T 416.865.3414

F 416.863.1515

E m-spence@airdberlis.com<<mailto:m-spence@airdberlis.com>><<mailto:m-spence@airdberlis.com>><<mailto:m-spence@airdberlis.com>>

Aird & Berlis LLP | Lawyers

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**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C., 1985, c. B-3, AS AMENDED**

**AND IN THE MATTER OF THE PROPOSAL OF DIGITAL UNDERGROUND
MEDIA INC a company incorporated pursuant to the laws of the Province of Ontario, with a
head office in the City of Vancouver, in the Province of British Columbia**

Court File No.: 31-2295766

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**
Proceeding commenced at Toronto

AFFIDAVIT OF LAURA GILHESPY
(sworn November 1st, 2017)

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

Jason Wadden LSUC#: 46757M
jwadden@goodmans.ca

Christopher Armstrong LSUC#: 55148B
carmstrong@goodmans.ca

Tel: (416) 979-2211
Fax: (416) 979-1234

Lawyers for Forward Dimension Capital 1 LLP

**IN THE MATTER OF THE *BANKRUPTCY AND INSOLVENCY ACT*,
R.S.C., 1985, c. B-3, AS AMENDED**

Court File No.: 31-2295766

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head office in the City of Vancouver, in the Province of British Columbia**

**ONTARIO
SUPERIOR COURT OF JUSTICE
(IN BANKRUPTCY AND INSOLVENCY)**
Proceeding commenced at Toronto

**MOTION RECORD
(Motion to Examine Debtor)
(returnable on date to be fixed)**

GOODMANS LLP
Barristers & Solicitors
333 Bay Street, Suite 3400
Toronto, Canada M5H 2S7

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jwadden@goodmans.ca

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carmstrong@goodmans.ca

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Lawyers for Forward Dimension Capital 1 LLP