CANADA

PROVINCE OF QUÉBEC
DISTRICT OF MONTRÉAL

S U P E R I O R C O U R T
(Commercial Division)

NO.: 500-11-062691-239

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING: IOU FINANCIAL INC.

IOU FINANCIAL INC., a legal person continued under the *Business Corporations Act*, CQLR c. S-31.1, having its registered office at 1 Place Ville-Marie, Suite 1670, Montréal, Québec, H3B 2B6, in the judicial district of Montréal

Applicant

-and-

9494-3677 QUÉBEC INC., a legal person formed under the *Business Corporations Act*, CQLR c. S-31.1, having its registered office at 1 Place Ville-Marie, Suite 1670, Montréal, Québec, H3B 2B6, in the judicial district of Montréal

-and-

AUTORITÉ DES MARCHÉS FINANCIERS, a legal person formed under the *Act respecting the regulation of the financial sector*, CQLR c E-6.1, having an establishment at 800 rue du Square Victoria, Suite 2200, Montréal, Québec, H3C 0B4, in the judicial district of Montréal

Impleaded Parties

APPLICATION FOR INTERIM AND FINAL ORDERS IN CONNECTION WITH A PROPOSED ARRANGEMENT (Sections 414 and ff., *Business Corporations Act,* CQLR, c. S-31.1 ("QBCA"))

TO ONE OF THE JUDGES OF THE SUPERIOR COURT OF QUÉBEC, SITTING IN THE COMMERCIAL DIVISION IN AND FOR THE DISTRICT OF MONTRÉAL, THE APPLICANT RESPECTFULLY SUBMITS AS FOLLOWS:

I. INTRODUCTION

1. On July 13, 2023, the Applicant IOU Financial Inc. ("**IOU Financial**" or the "**Company**") and the Impleaded Party 9494-3677 Québec Inc. (the "**Purchaser**")[1] entered into the Arrangement Agreement (as defined below) providing for the acquisition by the Purchaser of all of the issued and outstanding common shares of IOU Financial (the "**Shares**") from their holders (the "**Shareholders**"), other than the Rolling Shares (as defined below), for all-cash consideration (the "**Proposed Transaction**").

2. The Proposed Transaction provides for cash consideration of $0.22 per Share (other than for the Rolling Shares) (the "**Consideration**"). The Consideration represents a premium of (a) approximately 83.3% to the closing price per Share of $0.12 on the TSX Venture Exchange ("**TSX-V**") on July 13, 2023, the last trading day prior to the announcement of the Arrangement (as defined below), and (b) approximately 90.6% to the volume-weighted average price of the Shares on the TSX-V over the 30 trading days up to and including July 13, 2023, the last trading day prior to the announcement of the Arrangement.

3. If the Arrangement is completed, among other things: (a) the Purchaser will acquire all of the issued and outstanding Shares, other than the Rolling Shares, in exchange for the Consideration; (b) the Rolling Shareholders (i.e., NBSF 1, Palos IOU, and FinTech) will transfer the Rolling Shares to the Purchaser in exchange for common shares in the capital of the Purchaser pursuant to the Plan of Arrangement and the terms of the Rollover Agreements entered into by the Rolling Shareholders and the Purchaser. In addition, all Options outstanding immediately prior to the Effective Time, in each case whether vested or unvested, will be transferred to the Company in exchange for a cash payment from the Company equal to the amount by which the Consideration per Share exceeds the exercise price per Share of such Option, subject to applicable withholdings, and each will be subsequently cancelled in accordance with the Plan of Arrangement. Upon completion of the Arrangement, the Company will be a wholly owned Subsidiary of the Purchaser, which in turn will be owned by the Rolling Shareholders.

4. The Arrangement has been unanimously recommended by the Special Committee, which is comprised entirely of independent directors of IOU Financial,

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[1] The Purchaser is a corporation created by a group (collectively, the "**Purchaser Group**") composed of (i) NB Specialty Finance Fund LP ("**NBSF 1**"), a fund managed by Neuberger Berman Investment Advisors LLC (together with NBSF 1, "**Neuberger**"), (ii) funds managed by Palos Capital, including Palos IOU Inc. ("**Palos IOU**" and, collectively with Palos Capital, "**Palos**"), and (iii) Fintech Ventures Fund, LLLP ("**FinTech**")

and it has been unanimously approved by IOU Financial's Board of Directors (with the Non-Participating Directors[2] abstaining from voting), each of which has unanimously determined that the Arrangement is in the best interests of IOU Financial and fair to the Shareholders (other than the Rolling Shareholders).

5. The Proposed Transaction will be consummated by way of an orderly sequence of transactions, which can only be practically carried out through a statutory plan of arrangement pursuant to section 414 of the QBCA proposed by IOU Financial (the "**Arrangement**"). The Arrangement is the subject of the present Application.

6. Upon completion of the Arrangement, (a) all Shares will be held by the Purchaser, and (b) the Purchaser intends to cause the Company to be delisted from the TSX-V and apply to cease to be a reporting issuer in all jurisdictions in which it is a reporting issuer in Canada, namely Alberta, British Columbia, Ontario and Québec.

7. In connection with the Arrangement, IOU Financial seeks the following orders from this Court:

   (a) as a first step, an interim order pursuant to section 414 of the QBCA (the "**Interim Order**") governing various procedural matters, including the conduct of the special meeting of Shareholders on September 12, 2023 (the "**Meeting**") where the Shareholders will be asked to vote upon and approve the Arrangement Resolution for the Arrangement ("**Arrangement Resolution**");

   (b) as a second step, a final order pursuant to section 414 of the QBCA (the "**Final Order**") approving the Arrangement; and

   (c) such other orders as counsel may request and this Court deems appropriate.

8. IOU Financial files as **Exhibit P-1**, *en liasse,* the draft *Notice of Special Meeting of Shareholders of IOU Financial and Management Information Circular* and the attachments thereto (the "**Circular**"), which includes the following related documents and materials (in draft form) for the purposes of the Meeting:

   (a) the Notice of the Special Meeting of Shareholders of IOU Financial;

   (b) the Circular, including the following appendices thereto:

   Appendix A Glossary

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[2] The "**Non-Participating Directors**" are Philippe Marleau, Lucas Timberlake and Robert Gloer, who were not present during the deliberations concerning the approval of the Board Recommendation as required by, and in accordance with, the QBCA, due to their respective interests in the transaction contemplated in the Arrangement Agreement.

Appendix B	Arrangement Resolution
Appendix C	Plan of Arrangement
Appendix D	Fairness Opinion and Independent Valuation
Appendix E	Interim Order
Appendix F	Notice of Presentation of Final Order
Appendix G	Chapter XIV of the QBCA

9. The terms and conditions of the Proposed Transaction are set out in the arrangement agreement dated July 13, 2023 entered into between IOU Financial and the Purchaser, together with Schedules A to D thereto (collectively, the "**Arrangement Agreement**"), communicated as **Exhibit P-2**, *en liasse*. The terms and conditions of the Arrangement are set out in the plan of arrangement, which is Appendix C of the Circular (the "**Plan of Arrangement**").

10. For the purposes of this Application, all capitalized terms used, but not otherwise defined herein, shall have the same meaning as set out in the Glossary contained in Appendix A of the Circular (Exhibit P-1).

II. THE PARTIES

A. IOU FINANCIAL

11. IOU Financial is a wholesale lender that provides quick and easy access to growth capital to small businesses through a network of preferred brokers across the US and Canada.

12. IOU Financial was incorporated under Part IA of the *Companies Act*, CQLR c C-38 and has been continued under the QBCA.

13. IOU Financial's authorized capital consists of an unlimited number of Shares. Each Share carries one vote per Share for all matters coming before Shareholders at a meeting. As at the date hereof, there are 105,535,596 Shares outstanding.

14. IOU Financial's corporate office is located at 1 Place Ville-Marie, Suite 1670, Montréal, Québec.

15. IOU Financial's Shares are currently listed for trading on the TSX-V under the symbol "IOU" and are quoted on the US OTC (over-the-counter) markets under the symbol "IOUFF".

B. PURCHASER

16. The Purchaser, a corporation existing under the laws of Quebec, is an entity created by the Purchaser Group (defined below) on June 30, 2023, solely for the purpose of engaging in the transactions contemplated by the Arrangement Agreement and has not engaged in any business activities other than in connection

with the transactions contemplated by the Arrangement Agreement and obtaining the financing contemplated by the Arrangement Agreement.

17. The Purchaser Group consists of:

(a) **Neuberger:** Neuberger, founded in 1939, is a private, independent, employee-owned investment manager. The firm manages a range of strategies—including equity, fixed income, quantitative and multi-asset class, private equity, real estate and hedge funds—on behalf of institutions, advisors and individual investors globally. Neuberger's investment philosophy is founded on active management, engaged ownership and fundamental research, including industry-leading research into material environmental, social and governance factors. Neuberger Berman is a PRI Leader, a designation awarded to fewer than 1% of investment firms. With offices in 26 countries, the firm's diverse team has over 2,700 professionals. For nine consecutive years, Neuberger Berman has been named first or second in Pensions & Investments Best Places to Work in Money Management survey (among those with 1,000 employees or more). The firm manages $436 billion in client assets as of March 31, 2023.

(b) **Palos:** Palos Capital, based in Montréal, Québec, is a boutique financial services firm that primarily operates through two subsidiaries: Palos Wealth Management Inc. ("**PWM**") and Palos Management Inc. ("**PMI**"). PWM offers wealth management services, including discretionary portfolio management and separately managed account services to individual, corporate and institutional clients. PMI is an independent, investment fund manager and portfolio manager. Palos IOU is newly formed corporation consisting of certain (i) affiliates of Palos Capital, and (ii) directors and officers of the Company.

(c) **FinTech:** FinTech is an early-stage venture capital firm founded in 2015 and headquartered in Atlanta, GA, with offices in New York, NY. The firm focuses exclusively on investing in and partnering with entrepreneurs building promising technology-enabled companies in the banking, capital markets, and lending sectors. The Fintech Ventures team has multiple decades of collective operational and investment experience, with numerous successful exits.

III. THE CONTEMPLATED TRANSACTION

A. BACKGROUND TO THE ARRANGEMENT

18. The Arrangement Agreement is the result of extensive arm's length negotiations between representatives of the Company, on the one hand, and the Purchaser, Neuberger, Fintech and Palos, on the other hand, well as their respective advisors. The following is a summary of the main events that led to the execution of the Arrangement Agreement (including related definitive transaction agreements) and

certain meetings, negotiations, discussions and actions of the various parties that preceded the public announcement of the Arrangement Agreement.

19. On March 5, 2023, IOU Financial received a confidential non-binding proposal letter (the "**Proposal Letter**") from Neuberger, Palos and FinTech (i.e., the Purchaser Group), for the Proposed Transaction by a newly-formed purchase vehicle to act as Purchaser of all of the outstanding Shares in the capital of the Company, other than those owned by the Purchaser Group, at a price of $0.22 per Share.

20. In the Proposal Letter, the Purchaser Group advised that it beneficially owned, or exercised control or direction over, an aggregate of approximately 49.06% of the outstanding Shares (on a non-diluted basis).

21. Subsequently, IOU Financial was informed that (i) the Purchaser Group owns, or exercises control or direction over, 46.1% of the outstanding Shares (on a non-diluted basis), and that (ii) certain members of management of the Company will roll their Shares into the Purchaser. Given the rolling of the Purchaser Group's Shares into the Purchaser, the Board of Directors concluded that the Proposed Transaction would be a "business combination" within the meaning of MI 61-101

22. On March 7, 2023, in response to the Proposal Letter, the Board of Directors established a Special Committee comprised exclusively of independent directors in order to review the Proposed Transaction and consider available alternatives to the Proposed Transaction to enhance shareholder value, including the option of IOU Financial remaining an independent, stand-alone, publicly-traded corporation and continuing to pursue its strategic plan ("**Strategic Alternatives**"). The mandate of the Special Committee includes overseeing any negotiations or discussions with respect to the Proposed Transaction or Strategic Alternatives.

23. The Special Committee consists of Evan Price, who serves as Chair, Yves Roy, Neil Wolfson and Kathleen Miller. Following advice from legal counsel to the Special Committee and a review of each member of the Special Committee, the Special Committee has concluded that each of its members is independent of the Purchaser Group, of IOU Financial's management and of any other person who may have relevant involvement with the Proposed Transaction, Strategic Alternatives or IOU Financial, and is therefore qualified to serve on the Special Committee.

24. The Special Committee confirmed the availability and independence of Blake, Cassels & Graydon LLP ("**Blakes**") to provide legal advice and retained Blakes as its legal advisor in connection with the execution of its mandate, including its consideration of the Proposed Transaction and Strategic Alternatives.

25. In addition, the Special Committee retained Evans & Evans, Inc. (the "**Financial Advisor**") as financial advisor to the Special Committee in order to provide the Independent Valuation, as well as the Fairness Opinion. The Special Committee,

based on representations made to it by the Financial Advisor, concluded that the Financial Advisor is independent of the Purchaser Group and is qualified to provide the Independent Valuation and the Fairness Opinion. The Independent Valuation was requested by the Special Committee despite there being an exemption available under MI 61-101 from its production as the Special Committee was of the view that the Independent Valuation would be beneficial to the integrity of the process being carried out in response to the Proposal Letter.

26. The Special Committee met on March 7, 14, 16, 18 and 24, 2023 to, among other things, consider the Proposal Letter and Strategic Alternatives and oversee ongoing discussions between its members and the Purchaser Group.

27. On March 27, 2023, the Special Committee and the Purchaser Group settled the terms of and executed the Proposal Letter. Under the Proposal Letter, the Company agreed to provide to the Purchaser Group and their representatives reasonable due diligence access, in connection with which customary confidentiality agreements were executed. However, the Special Committee retained the right to consider and entertain Strategic Alternatives because, among other considerations, the Special Committee was of the view that it would be more prudent to first allow the Financial Advisor to advance in its preparation of the Independent Valuation and the Fairness Opinion in order to support the integrity of its evaluation of the Purchaser Group's offer price of $0.22 per Share (which represented a 57% premium to the Share price on the TSX-V on such date) prior to granting the Purchaser Group exclusive negotiation rights.

28. The Special Committee subsequently met on April 11, 2023, to review the preliminary report of the Financial Advisor on the Proposed Transaction, and on April 25, 2023, to discuss ongoing exchanges with the Purchaser Group pertaining to due diligence matters and to the offer price under the Proposed Transaction.

29. On May 5, 2023, the Company received a revision to the Proposal Letter from the Purchaser Group indicating that the offer price under the Proposed Transaction would be reduced from $0.22 to $0.20 per Share in light of market conditions.

30. The Special Committee met on May 8, May 16 and May 23, 2023 to oversee ongoing discussions between its members and the Purchaser Group regarding the revised offer price under the Proposed Transaction. Over the course of these discussions, on the basis of representations made by the Special Committee as to the value of the Company and its operations in the current market environment, on May 23, 2023, the Purchaser Group agreed to increase the offer price back to $0.22 per Share. On that basis, on May 27, 2023, the Purchaser Group delivered to the Company a first draft of an arrangement agreement (the "**Draft Arrangement Agreement**") pursuant to which the Proposed Transaction would be carried out by way of plan of arrangement.

31. Throughout such period, the Special Committee held numerous formal and informal discussions among its members, with management of IOU Financial, with

Blakes and with IOU Financial's legal counsel, Davies, Ward, Phillips & Vineberg LLP ("**Davies**").

32. Between May 27, 2023 and July 13, 2023 negotiations took place regarding the terms of the Arrangement. Davies led the negotiation of all aspects of the Arrangement, including the Draft Arrangement Agreement and all other related material documentation, and, through Blakes as intermediary, the Special Committee was involved extensively in these negotiations. In this regard, the Special Committee routinely received advice from, and provided guidance to, Blakes. Advice was also received from the Financial Advisor. The Special Committee also held numerous formal and informal discussions among its members, with management of the Company, with Davies and with representatives of the Purchaser Group. The Special Committee paid particular attention to the financing sources of the Arrangement and conducted what it believed to be the appropriate inquiries in order to satisfy itself of the availability at the relevant time of the funds necessary to satisfy the consideration payable under the Arrangement.

33. During its meeting held on July 13, 2023, the Special Committee received presentations from the Financial Advisor, Blakes and Davies, including in respect of the directors' fiduciary duties in the context of assessing the Proposed Transaction. The Financial Advisor provided, in the form of a final draft, the Independent Valuation and the Fairness Opinion to the Special Committee to the effect that, subject to the assumptions, limitations and qualifications contained therein, the Arrangement is fair from a financial point of view to the Shareholders other than the Rolling Shareholders and indicated its intention to deliver final signed versions of the Independent Valuation and the Fairness Opinion contemporaneously with the signing of the Arrangement Agreement. At this meeting, the Special Committee also reviewed the terms of the Draft Arrangement Agreement in detail and considered them to be fair and reasonable in the circumstances.

34. Following the representations by the Financial Advisor and Blakes, the Chair of the Special Committee presented the unanimous recommendation of the Special Committee to the Board of Directors.

35. After discussion, the Board of Directors unanimously determined (with the Non-Participating Directors abstaining from voting) that the Arrangement is in the best interests of the Company and fair to the Shareholders (other than the Rolling Shareholders), and approved the Arrangement.

36. The Arrangement Agreement, the Voting Support Agreements and the other definitive transaction agreements were then entered into. On July 14, 2023, the Arrangement was publicly announced before the opening of markets.

37. Following the public announcement of the Arrangement, on July 18, 2023, the Chair of the Special Committee, Evan Price, received an unsolicited

communication on behalf of North Mill Equipment Finance LLC ("**NMEF**") indicating its interest in discussing a potential alternative transaction to the Arrangement. Subsequently, on July 24, 2023, NMEF delivered a non-binding, conditional written expression of interest (the "**Expression of Interest**") to Mr. Price, wherein NMEF stated its interest in acquiring all, and only all, of the outstanding Shares, by way of a plan of arrangement, for cash consideration of $0.28 per Share, or $0.2877 per Share if the Purchaser were to waive payment of the Termination Fee upon the termination of the Arrangement Agreement (the "**Alternative Transaction**"). On July 25, 2023, NMEF issued a press release disclosing its delivery of the Expression of Interest.

38. On July 25, 2022, NMEF submitted an unsolicited, confidential non-binding proposal to the Company to purchase all of the outstanding Shares at an indicative price of between $0.35 to $0.45 per Share. The proposal was, among other things, subject to uncertain pricing assumptions and conditional, including completion of satisfactory due diligence by NMEF, the approval of NMEF's board of directors, and the grant of exclusivity in favour of NMEF. In evaluating the proposal, the Board sought advice from the Company's counsel, Davies, and discussed the proposal and the potential for the Company to pursue a strategic process with representatives of the Purchaser Group, who advised they were not interested at that time in supporting a sales process. On August 4, 2022, the Board unanimously determined, after considering a number of factors, including concerns regarding the sharing of competitively sensitive information with its competitor, NMEF, whether the trading price of the Shares accurately reflected the value of the Company, the short window for accepting the proposal, the requirement for exclusivity, the conditional and uncertain nature of the proposal, and that the transaction would be unfeasible without the support of the Company's largest shareholders, that it was not in the best interests of the Company, its shareholders or other stakeholders to enter into any further discussions with NMEF regarding its proposal. The Board advised NMEF of this determination on August 5, 2022 and NMEF made no further approaches to the Board until its Expression of Interest.

39. The Special Committee held a meeting on July 26, 2023 in order to consider the Expression of Interest. At that meeting, it was determined that, given that the Purchaser Group (i) beneficially owns or exercises control or direction over an aggregate of approximately 46.1% of the outstanding Shares (on a non-diluted basis), and (ii) has secured irrevocable voting support in respect of the Arrangement over approximately 48.6% of the outstanding Shares (on a non-diluted basis), the support of the Purchaser would be required in order for the Alternative Transaction to be able to succeed and it would therefore be important to understand the intentions of the Purchaser in this regard. The Special Committee therefore communicated with the Purchaser in order to learn of its intentions and to discuss the possibility of the Purchaser increasing the consideration per Share under the Arrangement. The Company also issued a press release on July 26, 2023 confirming receipt of the Expression of Interest and disclosing that (i) the Expression of Interest and NMEF's subsequent press release are merely an invitation for the Company to negotiate an arrangement agreement

with NMEF, (ii) the Expression of Interest is not a formal offer to Shareholders, and (iii) there is no assurance that NMEF will make a formal offer to any Shareholders. In addition, the Company confirmed that the Board of Directors has not changed its unanimous approval and recommendation that Shareholders vote in favor of the Arrangement and, until such time as the Board of Directors makes its determination regarding whether the Expression of Interest constitutes a "Superior Proposal" under the Arrangement Agreement, the Company will continue with the process set forth in the Arrangement Agreement, including holding the Meeting for the purpose of considering and voting on the Arrangement.

40. On July 27, 2023, the Board and the Special Committee received a written communication from the Purchaser, NBSF 1, FinTech, Palos and an affiliate of Palos stating that (i) the Purchaser will not vote (or permit to be voted) any Shares owned or controlled by them in favour of the Alternative Transaction (and will not otherwise support or tender (or permit to be tendered) any Shares owned or controlled by them to any alternative transaction with NMEF on substantially the same terms as the Alternative Transaction), and (ii) as such, there is no possibility that the Alternative Transaction can be consummated. The Purchaser further stated in such communication that the Expression of Interest is highly conditional, non-binding, incomplete and not bona fide and that despite the fact that any transaction between the Company and NMEF would require the Purchaser Group's support in order to be completed, NMEF had made no effort prior to delivering the Expression of Interest to engage with the Purchaser or to solicit its co-operation in connection with the Alternative Transaction. The Purchaser's communication went on that it could only be assumed therefore that NMEF submitted the Expression of Interest and issued its press release to interfere with the Arrangement and the compelling value and liquidity for Shareholders provided thereby.

41. In light of the Purchaser's communication, on August 1, 2023, the Special Committee and the Board of Directors (with the Non-Participating Directors abstaining from voting), in consultation with their legal and financial advisors, concluded that they were not yet in a position to determine whether the Alternative Transaction constitutes a "Superior Proposal" under the Arrangement Agreement, and on that day sent a written communication to NMEF advising them of the state of their deliberations and inviting them to communicate directly with the Purchaser regarding the Alternative Transaction and to provide the Board and the Special Committee with any further clarifications which could assist them in assessing the likelihood that the Alternative Transaction could be concluded.

B. THE PLAN OF ARRANGEMENT

42. The Arrangement is proposed to be carried out pursuant to section 414 of the QBCA. The following steps are required to occur in order for the Arrangement to become effective:

(a) the Arrangement Resolution, with or without variation, must be approved by the Shareholders in the manner set forth in the Interim Order. The Arrangement Resolution will be subject to approval by:

i. not less than 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders present virtually or represented by proxy at the Meeting; and

ii. a simple majority of the votes cast on the Arrangement Resolution by Shareholders present virtually or represented by proxy at the Meeting, excluding for this purpose any person required to be excluded pursuant to MI 61-101.

(b) the Court must grant the Final Order approving the Arrangement;

(c) conditions precedent to the Arrangement must be satisfied or, where permitted, waived; and

(d) the Articles of Arrangement, prepared in the form prescribed by the QBCA, must be filed with the Enterprise Registrar and a Certificate of Arrangement must be issued by the Enterprise Registrar.

43. In accordance with the terms of the Interim Order sought herein, Shareholders may exercise Dissent Rights in connection with the Arrangement and, if the Arrangement Resolution is passed and the Arrangement becomes effective, such dissenting Shareholders have the right, subject to certain conditions, to have their Shares transferred to the Purchaser against payment by the Purchaser of their fair value.

44. Pursuant to the terms of the Plan of Arrangement, commencing at the Effective Time, the following events or transactions shall occur and shall be deemed to occur in the following sequence at two-minute intervals without any further authorization, act or formality:

(a) each Rolling Share shall be transferred and assigned by the holder thereof to, and acquired by, the Purchaser, in exchange for the applicable Rollover Shares, in accordance with the terms of each applicable Rollover Agreement, and

i) in respect of each Rolling Share so transferred and assigned each Rolling Shareholder shall cease to be the holder of such Rolling Share so exchanged and to have any rights as holders of such Rolling Shares other than the right to be issued the applicable Rollover Shares in accordance with the terms of the Rollover Agreement and such holder’s name shall be removed from the Company’s register of holders of Shares at such time; and

ii) the Purchaser shall be deemed to be the transferee of such Rolling Shares free and clear of all Encumbrances, shall be entered in the Company's register of holders of Shares as the registered holder of the Rolling Shares so transferred, and shall be deemed the legal and beneficial owner thereof;

(b) each Option issued and outstanding immediately prior to the Effective Time (whether vested or unvested, notwithstanding the terms of the Stock Option Plan or any stock option agreement, shall be deemed to be unconditionally vested and exercisable, and such Option shall, without any further action on behalf of the holder of Options, be deemed to be assigned, transferred and surrendered by such holder to the Company in exchange for a cash payment equal to the product obtained by multiplying (i) the amount by which the Consideration exceeds the exercise price per Share of such Option by (ii) the number of Shares into which such Option is exercisable (the "**Option Cash-Out Consideration**"), less applicable withholdings (provided that where such amount is zero or negative, the holder of such Option shall not be entitled to receive any amount in respect of such Option, and all obligations in respect thereof shall be deemed to be fully satisfied, and provided further that where such amount is greater than zero but less than $0.01, the consideration to be received in respect of such Option shall be $0.01) and such Option shall immediately be cancelled;

(c) (i) each holder of Options shall cease to be a holder of such Options, (ii) such holder's name shall be removed from each applicable register, (iii) the Stock Option Plan and all agreements relating to such Options shall be terminated and shall be of no further force and effect, and (iv) such holder shall thereafter have only the right to receive the Option Cash-Out Consideration at the time and in the manner specified herein and contemplated hereby;

(d) each Share held by a Dissenting Shareholder in respect of which Dissent Rights have been validly exercised shall be deemed to have been transferred by the holder thereof, without any further act or formality on his, her or its part, to the Purchaser in consideration for a debt claim against the Purchaser in an amount determined in accordance with Article 3 of the Plan of Arrangement and thereupon:

i) such Dissenting Shareholder shall cease to be the holder of such Shares and to have any rights as holder of such Shares other than the right to be paid fair value by the Purchaser for such Shares as set out in section 3.1 of the Plan of Arrangement;

ii) such Dissenting Shareholder's name shall be removed as the holder of such Share from the Company's register of holders of Shares; and

iii) the Purchaser shall be deemed to be the transferee of such Shares free and clear of all Encumbrances, and shall be entered in the Company's register of holders of Shares as the holder thereof;

(e) each Share outstanding immediately prior to the Effective Time, other than those Shares held by (i) Dissenting Shareholders who have validly exercised Dissent Rights, and (ii) the Purchaser, including the Rolling Shares transferred pursuant to section 2.3(a) of the Plan of Arrangement (which Rolling Shares shall not be exchanged under the Arrangement but shall remain outstanding as Shares held by the Purchaser) shall, without any further action by or on behalf of a holder of Shares, be deemed to be transferred and assigned by the holder thereof to the Purchaser in exchange for the Consideration, and

i) in respect of each such Share transferred and assigned pursuant to section 2.3(e) of the Plan of Arrangement, the Former Shareholders (other than Dissenting Shareholders who have validly exercised Dissent Rights and the Purchaser) shall cease to be the holders of such Shares and to have any rights as holders of such Shares other than the right to be paid the Consideration by the Purchaser in accordance with the Plan of Arrangement

ii) such Former Shareholders' names shall be removed from the Company's register of holders of Shares at such time; and

iii) the Purchaser shall be deemed to be the transferee of such Shares free and clear of all Encumbrances, and shall be entered in the Company's register of holders of Shares as the registered holder of the Shares so transferred and shall be deemed the legal and beneficial owner thereof.

45. Upon issuance of the Certificate of Arrangement by the Enterprise Registrar, the transactions comprising the Arrangement shall occur and shall be deemed to have occurred in the order set out in the Plan of Arrangement without any further act or formality.

C. DISSENT RIGHTS

46. Pursuant to the Plan of Arrangement and the Interim Order, only registered Shareholders may exercise, pursuant to and in the manner set forth in Chapter XIV of the QBCA, the right to demand the purchase of their Shares by the Purchaser for fair value in connection with the Arrangement Resolution, as modified by the Interim Order and the Plan of Arrangement, and, if the Arrangement becomes effective, to have their Shares transferred to the Purchaser against payment by the Purchaser of their fair value (the "**Dissent Rights**").

47. To validly exercise their Dissent Rights, registered Shareholders must send a written notice objection to the Arrangement Resolution and exercise of Dissent Rights to IOU Financial in the manner set forth in the Plan of Arrangement, the Interim Order and Chapter XIV of the QBCA.

48. The Purchaser will acquire all of the Shares for which Dissent Rights have been validly exercised, free and clear of all Encumbrances, as provided in the Plan of Arrangement, and if such Dissenting Shareholders:

    (a) ultimately are entitled to be paid the fair value for such Shares by the Purchaser: (i) shall be deemed not to have participated in the transactions contemplated in Article 2 of the Plan of Arrangement (other than section 2.3(d) of the Plan of Arrangement); (ii) will be entitled to be paid the fair value of such Shares, which fair value, notwithstanding anything to the contrary contained in the QBCA, shall be determined as of the close of business on the day before the Arrangement Resolution was adopted; and (iii) will not be entitled to any other payment or consideration, including any payment that would be payable under the Arrangement had such holders not exercised their Dissent Rights in respect of such Shares; or

    (b) ultimately are not entitled, for any reason, to be paid the fair value for such Shares by the Purchaser, shall be deemed to have participated in the Arrangement on the same basis as any non-Dissenting Shareholder.

IV. GROUNDS FOR THE ISSUANCE OF INTERIM AND FINAL ORDERS

49. Section 414 of the QCBA provides that where in the absence of adequate legal provisions or if existing provisions are impracticable or too onerous in the circumstances, the corporation may apply to a court for an order approving an arrangement proposed by the corporation. The proposed Arrangement meets these conditions.

A. THE PLAN OF ARRANGEMENT IS AN "ARRANGEMENT"

50. The Plan of Arrangement is an arrangement under section 415 of the QBCA.

51. Paragraph 415(5) of the QBCA provides that an arrangement includes "an exchange of securities, participations or debt obligations of the corporation for money or other securities, participations or debt obligations or other property of the corporation or of another legal person."

52. The Arrangement is in respect of the exchange of (i) the Shares, other than the Rolling Shares, by the Shareholders other than the Rolling Shareholders for the Consideration (being all-cash Consideration of $0.22 per Share), and (ii) the Rolling Shares by the Rolling Shareholders for common shares of the Purchaser. It therefore falls within the ambit of section 415 of the QBCA.

B. IOU FINANCIAL IS NOT UNABLE TO PAY ITS LIABILITIES AS THEY BECOME DUE

53. IOU Financial's audited consolidated financial statements for the year ended December 31, 2022 are communicated as **Exhibit P-3**.

54. IOU Financial's interim financial statements for the three-month period ended March 31, 2023 are communicated as **Exhibit P-4**.

55. As of the date hereof, IOU Financial is not unable to pay its liabilities as they become due within the meaning of section 414 of the QBCA.

C. THE ARRANGEMENT IS THE ONLY PRACTICABLE WAY TO PROCEED WITH THE TRANSACTIONS

56. It would be impractical and far too onerous for the parties to carry out the steps required for the implementation of the Arrangement other than by way of the arrangement provisions provided for in section 415 of the QBCA because:

(a) the Proposed Transaction is dependent upon the simultaneous occurrence of (i) all of the Shares (other than the Rolling Shares) being acquired by the Purchaser from the Shareholders (other than the Rolling Shareholders), (ii) all of the outstanding Options being cancelled, and (iii) the Rolling Shareholders transferring the Rolling Shares to the Purchaser in exchange for common shares of the Purchaser. Each of the foregoing is an essential condition of the Arrangement, without which Neuberger, Palos and FinTech (through the Purchaser) would not have agreed to acquire the Shares. The only practical way to achieve this is through an arrangement under the QBCA;

(b) the Arrangement is dependent upon the completion of a number of interrelated and sequenced corporate steps, and it is essential that no element of the Arrangement occur unless there is certainty that all of the other elements of the Arrangement occur within the strict time periods provided and in the correct order. The only practical way to achieve this is through an arrangement under the QBCA; and

(c) the arrangement provisions of the QBCA offer greater certainty and flexibility than the provisions governing take-over bids under the *Securities Act* (Québec) and the QBCA, the whole while reducing delays and expenses. At the same time, the proposed Arrangement, by requiring both a vote of the Shareholders and a fairness hearing before the Court, ensures that all of the Shareholders are treated fairly by providing them a vote and right to be heard.

D. FAIRNESS AND REASONABLENESS OF THE ARRANGEMENT

57. The Arrangement is fair and reasonable, has a valid business purpose, and has been put forward in good faith by IOU Financial and the Board of Directors, based

upon the unanimous recommendation of the Special Committee, which is supported by, among other things, the Fairness Opinion and the Independent Valuation.

i. The Special Committee's unanimous recommendation

58. As noted above, on March 7, 2023, the Board of Directors established the Special Committee for the purposes of, among other things: (i) reviewing and considering the proposed form, structure, terms, conditions and timing of the Arrangement, as well as any alternative transaction proposal received by the Company; (ii) making such recommendations to the Board of Directors as it considered appropriate or desirable in relation to any such transaction (including whether or not to proceed with the Arrangement); and (iii) providing advice and guidance to the Board of Directors as to whether one or more transactions is or are in the best interests of the Company.

59. The Special Committee ultimately had responsibility to oversee, review and consider the Arrangement and make a recommendation to the Board of Directors with respect to the Arrangement. The Special Committee is comprised of Evan Price (Chair), Yves Roy, Neil Wolfson and Kathleen Miller, each an independent director of the Company, and the Special Committee met on numerous occasions both as a committee with solely its members and advisors present, and with management and the full Board of Directors present, where appropriate.

60. The Special Committee, after careful consideration, having taken into account such matters as it considered relevant and after receiving legal and financial advice, unanimously determined that the Arrangement is in the best interests of the Company and fair to the Shareholders (other than the Rolling Shareholders), and unanimously recommended that the Board of Directors approve the Arrangement and recommend that the Shareholders (other than the Rolling Shareholders) vote for the Arrangement Resolution.

61. In forming its recommendation to the Board of Directors, the Special Committee considered a number of factors, including, without limitation, those listed under the heading "*The Arrangement – Reasons for the Arrangement*" (Exhibit P-1, *en liasse*), as also set out in paragraph 64 below. The Special Committee based its recommendation upon the totality of the information presented to and considered by it in light of the members of the Special Committee's knowledge of the business, financial condition and prospects of the Company and after taking into account the advice of the Company's financial and legal advisors and the advice and input of management of the Company.

ii. The Board of Directors' unanimous approval and recommendation

62. After careful consideration and taking into account, among other things, the unanimous recommendation of the Special Committee, the Board of Directors, has unanimously (with the Non-Participating Directors abstaining from voting)

determined that the Arrangement is in the best interests of IOU Financial and fair to the Shareholders (other than the Rolling Shareholders in respect of the Rolling Shares). Accordingly, the Board of Directors unanimously (with the Non-Participating Directors abstaining from voting) has recommended that the Shareholders (other than the Rolling Shareholders) vote for the Arrangement Resolution.

63. In forming its recommendation, the Board of Directors considered a number of factors, including, without limitation, the unanimous recommendation of the Special Committee and the factors described more fully in the Circular and in particular under the heading "The Arrangement – Reasons for the Arrangement" (Exhibit P-1, *en liasse*), as set out below. The Board of Directors based its recommendation upon the totality of the information presented to and considered by it in light of the knowledge of the members of the Board of Directors of the business, financial condition and prospects of the Company and after taking into account the advice of the Company's financial and legal advisors and the advice and input of management of the Company.

64. The information and factors considered by the Special Committee and the Board of Directors include:[3]

(a) **Premium to Share Trading Price:** The Consideration payable under the Arrangement represents a premium of (i) approximately 83.3% to the closing price per Share on the TSX-V on July 13, 2023, the last trading day prior to the announcement of the Arrangement, and (ii) approximately 90.6% to the volume-weighted average price of the Shares on the TSX-V over the 30 trading days up to and including July 13, 2023, the last trading day prior to the announcement of the Arrangement.

(b) **Independent Valuation:** The Independent Valuation concludes that the Consideration is above the $0.168 to $0.185 per Share range of the fair market value of the Shares.

(c) **Fairness Opinion:** The Fairness Opinion concludes that the Arrangement is fair, from a financial point of view, to the Shareholders (other than the Rolling Shareholders).

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[3] The summary of the information and factors considered by the Special Committee and the Board of Directors is not intended to be exhaustive, but includes a summary of the material information and factors considered in approving the Arrangement. In view of the variety of factors and the amount of information considered in connection with the Arrangement, the Special Committee and the Board of Directors did not find it practicable to, and did not, quantify or otherwise attempt to assign any relative weight to each of the specific factors considered in reaching its conclusions and recommendations. Individual members of the Special Committee and the Board of Directors may have assigned different weights to different factors.

(d) **Majority of the Minority Approval Requirement:** The Arrangement must be approved by separate simple majority vote of the Shareholders other than the Purchaser Group and any director or senior officer of the Company receiving a "collateral benefit" within the meaning of MI 61-101.

(e) **Shareholder and Director & Officer Support:** The Purchaser has entered into (i) irrevocable voting support agreements with each member of the Purchaser Group and certain other Shareholders, thereby securing irrevocable support for the approval of the Arrangement by Shareholders representing approximately 48.6% of the outstanding Shares (on a non-diluted basis), and (ii) "director & officer" voting support agreements with certain directors and/or officers of the Company, thereby securing support for the approval of the Arrangement by Shareholders representing approximately an additional 0.6% of the outstanding Shares (on a non-diluted basis), subject to customary exceptions.

(f) **Dissent Rights:** The registered Shareholders have been granted Dissent Rights and, subject to certain conditions, may have their Shares transferred to the Purchaser against payment by the Purchaser of their fair value.

(g) **Court Approval:** The Arrangement must be approved by the Court, which will consider, among other things, the fairness of the Arrangement to the Shareholders.

(h) **Purchaser Group Commitment to the Proposed Transaction:** The Purchaser Group beneficially owns, or exercises control or direction over, an aggregate of approximately 46.1% of the outstanding Shares and has secured irrevocable support for the approval of the Arrangement by Shareholders representing approximately 48.6% of the outstanding Shares. On many occasions throughout the negotiation of the Arrangement, the Purchaser Group has reconfirmed their commitment to the Arrangement. As of the date of the Arrangement Agreement, to the knowledge of the Special Committee, no third party had entertained with the Company any credible Strategic Alternatives. The Company subsequently received an unsolicited, non-binding, conditional proposal from NMEF, which the Purchaser Group has confirmed it will oppose. Given that the Purchaser has secured irrevocable support for the approval of the Arrangement by Shareholders representing approximately 48.6% of the outstanding Shares (on a non-diluted basis), the Purchaser Group's rejection of NMEF's unsolicited non-binding, conditional proposal means that such proposal is unable to be consummated.

(i) **Immediate Liquidity:** The trading volume of the Shares has historically been relatively limited given the Company's market capitalization and public float, thereby making it difficult for Shareholders to realize meaningful liquidity through the public markets on which the Shares trade. The all-cash Consideration provides the Shareholders (other than the Rolling

Shareholders in respect of the Rolling Shares) with certainty of value and immediate liquidity for their Shares at a price that may not otherwise be available in the absence of the Arrangement.

(j) **Debentures:** The Arrangement is not detrimental to the interests of the holders of Debentures given the existing features of such Debentures negotiated at the time of their issuance, which provide the holders with the right to require the repurchase of their Debentures at a premium in the event of a change of control of the Company.

(k) **Options:** The Arrangement is not detrimental to the interests of the holders of Options as such holders will receive a cash payment equal to the "in-the-money" amount in respect of all vested and unvested Options.

(l) **Dependence of the Company on a Member of the Purchaser Group:** The Company depends on a member of the Purchaser Group as a principal source of capital for its ongoing business activities.

(m) **Deal Certainty:** The completion of the Arrangement is subject to a limited number of conditions, which in the view of the Special Committee, after receiving legal and financial advice, are reasonable in the circumstances, and is not subject to any financing condition. Accordingly, it offers relative deal certainty.

(n) **Strategic Alternatives relative to the Status Quo:** The Special Committee and the Board of Directors assessed the current and anticipated future opportunities and risks associated with the business, operations, assets, financial performance and condition of the Company should it continue as a public corporation. In that regard and in considering the status quo as an alternative to pursuing the Arrangement, the Special Committee and the Board of Directors assessed the continued weak performance of the Shares from a market price and liquidity perspective. After considering all available alternatives, the Special Committee and the Board of Directors determined that entering into the Arrangement was in the best interests of the Company and is fair to the Shareholders (other than the Rolling Shareholders).

(o) **Going Private:** The Company's business is very likely to be more effective as a private entity in that limited management resources will be more properly focused on its business operations rather than on public reporting and related obligations and costs.

(p) **Continuity of Operations:** The Purchaser Group has expressed its intention to maintain the operations of the Company, as well as its workforce, substantially intact following the completion of the Proposed Transaction, providing continuity for the Company's stakeholders.

(q) **Risks:** The business, operations, assets, financial condition, operating results and prospects of the Company are subject to significant uncertainty, including prevailing market conditions in technology and finance.

(r) **Customary Conditions to Closing:** The Arrangement Agreement provides for customary conditions to completing the Arrangement, which conditions, the Company believes, are not unduly onerous or outside market practice and can reasonably be expected to be satisfied.

(s) **Ability to Respond to Unsolicited Superior Proposal:** If, at any time prior to the approval of the Arrangement Resolution at the Meeting the Company receives an unsolicited bona fide written Acquisition Proposal and, among other things, the Board of Directors (with the Non-Participating Directors abstaining from voting) first determines, in good faith, upon the recommendation of the Special Committee, the Company's financial advisors and outside legal counsel, that such Acquisition Proposal constitutes, or is reasonably expected to result in, a Superior Proposal and that the failure to engage in such discussions or negotiations would be inconsistent with its fiduciary duties, the Company may enter into or participate in discussions or negotiations with such Person regarding such Acquisition Proposal. In such event, the Company is nevertheless required to hold the Meeting and cause the Arrangement to be voted on at the Meeting. The $885,000 Termination Fee payable by the Company in certain circumstances is reasonable and consistent with prevailing market terms. Further, in the view of the Special Committee and the Board of Directors, the Termination Fee would not preclude a third party from making a Superior Proposal.

E. FAIRNESS OPINION AND INDEPENDENT VALUATION

65. As noted above, the Special Committee obtained a Fairness Opinion and Independent Opinion (the "**Fairness Opinion and Independent Valuation**") delivered by Evans & Evans, Inc., (the "**Financial Advisor**").

66. The Special Committee considered three potential valuators to act as its financial advisor and, as part of its process, invited the Financial Advisor to make a proposal to the Special Committee outlining, among other things, its qualifications to prepare an independent valuation of the Shares and a fairness opinion regarding the Consideration to be received by the Shareholders (other than the Rolling Shareholders) pursuant to the Arrangement. The Special Committee made enquiries with the Financial Advisor as to its qualifications and independence and received legal advice from its independent legal counsel regarding the selection of a valuator in the manner prescribed by MI 61-101. The Independent Valuation was requested by the Special Committee despite there being an exemption available under MI 61-101 from its production as the Special Committee was of the view that the Independent Valuation would be beneficial to the integrity of the process being carried out in response to the Proposal Letter.

67. After deliberation, the Special Committee determined that the Financial Advisor is independent of all "interested parties" and is a qualified "independent valuator" (as each term is defined in MI 61-101) as required by MI 61-101 based, in part, on representations made to it by the Financial Advisor and on the factors set forth below. Accordingly, the Special Committee entered into an engagement letter with the Financial Advisor dated March 27, 2023 (the "**Evans & Evans Engagement Letter**"), which provided, among other things, that its services would be provided under the supervision and direction of the Special Committee. Pursuant to the Evans & Evans Engagement Letter, the Company agreed to pay the Financial Advisor a fixed fee for conducting the independent valuation in the manner prescribed by MI 61-101 and providing its fairness opinion and also agreed to reimburse the Financial Advisor for its reasonable and documented expenses and to indemnify it in respect of certain liabilities which may be incurred by the Financial Advisor in connection with the use of the Independent Valuation and the Fairness Opinion by the Special Committee. The fee to be paid to the Financial Advisor under the Evans & Evans Engagement Letter was negotiated and agreed to by the Financial Advisor and the Special Committee. No part of the fee payable to the Financial Advisor is contingent upon the conclusions expressed in the Independent Valuation and the Fairness Opinion or on the completion of the Arrangement.

68. The Financial Advisor is a Canadian boutique investment banking firm with offices and affiliates in Canada, the United States and Asia. It offers a range of independent and advocate services including mergers & acquisitions advice, valuation and fairness opinions, business due diligence, business planning and market research. Since 1989, the Financial Advisor has worked in a broad range of sectors locally, regionally and internationally. As Chartered Business Valuators and Accredited Senior Appraisers, the Financial Advisor is actively involved in the areas of business valuation as well as goodwill impairment testing and the allocation of goodwill and intangible assets on a firm's balance sheet.

69. In accordance with Part 6.1 (Independence and Qualifications of Valuator) of MI 61-101, the Financial Advisor has confirmed that it is independent of the "interested parties".

70. In arriving at its opinion as to the fair market value per Share as at April 30, 2023 (the "**Valuation Date**"), the Financial Advisor relied on a number of documents and information, including without limitation, interviews with management of the Company, interviews with members of the Special Committee, the audited annual financial statements of the Company for the years ended December 31, 2019 to 2021 and the Company's 2023 strategic plan, as more fully set out in the Fairness Opinion and the Independent Valuation.

71. The Financial Advisor determined that the most appropriate method in determining the range of the fair market value of the Company at the Valuation Date is a weighting of the capitalized EBITDA method under the income approach and the guideline company method under the market approach.

72. Based on the work undertaken by the Financial Advisor as outlined in the Independent Valuation, the Financial Advisor concluded, and orally delivered its opinion on July 13, 2023 and subsequently confirmed in writing, that the fair market value of the Shares, as at the Valuation Date, is in the range of $18,100,000 to $20,100,000, as midpoints of the lows and highs of the fair market value ranges under the capitalized EBITDA method and the guideline public company method, or $0.168 to $0.185 per Share.

73. In the Fairness Opinion, the Financial Advisor assessed whether the Consideration to be received by Shareholders (other than the Rolling Shareholders in respect of the Rolling Shares) in respect of Shares under the Arrangement is fair, from a financial point of view, to the Shareholders (other than the Rolling Shareholders in respect of the Rolling Shares). In doing so it considered, in addition to the matters and materials described above, the Independent Valuation.

74. On July 13, 2023, the Financial Advisor rendered to the Board of Directors its oral opinion, which was subsequently confirmed in a written opinion dated July 13, 2023, that, as of such date and based upon and subject to the various assumptions made, procedures followed, matters considered, and qualifications and limitations upon the review undertaken by the Financial Advisor in preparing its opinion, the Consideration to be paid to the Shareholders (other than Rolling Shareholders) pursuant to the Arrangement Agreement is fair, from a financial point of view, to such Shareholders.

75. The full text of the Fairness Opinion and Independent Valuation, setting out the assumptions made, matters considered, and limitations and qualifications on the review undertaken, is attached as Appendix D to the Circular (**Exhibit P-1**).

F. SHAREHOLDER SUPPORT

76. In connection with the Arrangement, the Rolling Shareholders and certain other Shareholders, who hold in aggregate 51,245,948 Shares (or approximately 48.6% of the issued and outstanding Shares (on a non-diluted basis)), have entered into irrevocable voting support agreements with the Purchaser providing for such shareholders to vote all Shares beneficially owned, controlled or directed by them in favour of the Arrangement.

77. In particular, Neuberger, Palos IOU (on behalf of itself and its affiliated entities, including Palos Merchant Fund L.P. and Palos Management Inc., FinTech, Asheef Lalani and Charles Frischer, representing approximately 48.6% of the issued and outstanding Shares (on a non-diluted basis), have entered into irrevocable voting support agreements pursuant to which they have agreed to, among other things, support the Arrangement and vote all of the Shares owned by them or over which they exercise control or direction in favour of the Arrangement Resolution.

78. In addition, Evan Price, Jeffrey Turner, Kathleen Miller and Yves Roy, each of whom is a director and/or officer of the Company, representing approximately 0.6%

of the issued and outstanding Shares (on a non-diluted basis), have entered into voting support agreements pursuant to which each has agreed to, among other things, support the Arrangement and vote in favour of the Arrangement Resolution all of the Shares owned by them or over which they exercise control or direction, subject to customary exceptions.

79. Other than with respect to the Rolling Shareholders in respect of the Rolling Shares, the Shares held by these supporting Shareholders will be treated in the same fashion under the Arrangement as Shares held by any other Shareholder.

V. THE MEETING

80. Pursuant to the terms of the proposed Interim Order, IOU Financial will hold the Meeting as a virtual-only meeting conducted by live videoconference on September 12, 2023, commencing at 11:00 am (Montréal time).

81. IOU Financial will give notice of the Meeting by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of the Interim Order (contained in Appendix E to the Circular), together with the following documents, with such non-material amendments thereto as IOU Financial or the Purchaser may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order (collectively, the "**Notice Materials**"):

(a) the Notice of Meeting substantially in the same form as contained in Exhibit P-1;

(b) the Circular substantially in the same form as contained in Exhibit P-2;

(c) to the registered Shareholders only, a Form of Proxy substantially in the same form as contained **Exhibit P-5**;

(d) to the registered Shareholders only, a Letter of Transmittal substantially in the same form as contained in the draft attached as **Exhibit P-6**; and

(e) a notice substantially in the form of the draft filed as **Exhibit P-7** providing, among other things, the date and time for the hearing of the Application for a Final Order, and that a copy of the Application can be found on the Applicant's website (https://iouFinancial.com/) (the "**Notice of Presentation of the Final Order**");

82. A copy of the Notice Materials will be provided to the Shareholders, holders of Options (provided, however, that if such a holder is also a Shareholder, the distribution of the materials in accordance with requirements for the registered Shareholders and non-registered Shareholders will comply with the notice requirement), IOU Financial's directors and auditors, the Purchaser and the Autorité des marchés financiers (the "**AMF**") in the manner and timing further detailed in the conclusions of the present Application.

83. A copy of the present Application will be posted the IOU Financial's website (https://iouFinancial.com/).

84. At the Meeting, Shareholders entitled to attend will be asked to conduct the following business:

(a) to consider, pursuant to the Interim Order, and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution, the full text of which is set forth in Appendix B to the Circular, to approve the Arrangement; and

(b) to transact such other business as may properly come before the Meeting or any adjournment or postponement thereof.

85. The registered Shareholders or their proxyholders will be entitled to attend, be heard and vote at the Meeting. Moreover, non-registered Shareholders may follow the procedures set out in the Circular to appoint themselves as proxyholders to participate, ask questions, and vote at the Meeting.

86. The Record Date for determining the Shareholders entitled to receive the Notice Materials and to vote at the Meeting is at the close of business (Montréal time) on August 8, 2023.

87. The quorum for the transaction of business at the Meeting will be met if at least two persons, each of whom is a Shareholder or a proxyholder representing a Shareholder, holding or representing by proxy together not less than 10% of the total number of outstanding Shares are present virtually or represented by proxy.

88. The Arrangement Resolution, with or without variation, must be approved by the affirmative vote of:

(a) not less than 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders present virtually or represented by proxy at the Meeting; and

(b) a simple majority of the votes cast on the Arrangement Resolution by Shareholders present virtually or represented by proxy at the Meeting, excluding for this purpose any person required to be excluded pursuant to MI 61-101.

VI. NOTICE TO THE AMF

89. In accordance with section 414 of the QBCA, the AMF has received notice of the present Application, including the exhibits and the sworn statements in support of it.

VII. THE ORDERS SOUGHT

90. In accordance with section 416 of the QBCA, a Judge of the Superior Court has jurisdiction to hear the Application for Interim Order on an *ex parte* basis and to dispense of the obligation, if any, to notify any interested persons.

91. IOU Financial therefore seeks an Interim Order in the form set out below to address the calling, holding and conduct of the Meeting.

92. IOU Financial proposes to call, hold and conduct the Meeting to consider and, if deemed advisable, to pass, with or without variation, the Arrangement Resolution.

93. IOU Financial further requests this Court to order that for the Arrangement to be effective, the Arrangement Resolution, with or without variation, must be approved by: (a) at least 66 2/3% of the votes cast at the Meeting by Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, and (b) a simple majority of the votes cast at the Meeting by Shareholders present virtually or represented by proxy and entitled to vote at the Meeting, excluding for this purpose any person required to be excluded pursuant to MI 61-101.

94. Should the Arrangement Resolution be approved by the Shareholders at the Meeting in accordance with the terms of the Interim Order, IOU Financial will apply to this Court for a Final Order approving the Arrangement.

95. IOU Financial further requests this Court to provide that, if the Arrangement becomes effective, the registered Shareholders who validly exercise their Dissent Rights in accordance with the Plan of Arrangement, the Interim Order and the QBCA will be entitled to apply to this Court to fix a fair value for the Shares in respect of such Dissent Rights.

96. In order to print and mail the Notice Materials in time to meet the deadlines provided for in the Interim Order, IOU Financial respectfully requests that the Interim Order be issued and granted on August 10, 2023, which is the day of the hearing of the Application for an Interim Order.

97. Following the Meeting, IOU Financial intends to accordingly, at the final stage, request that this Court issue a Final Order providing, among other things:

    (a) that the Arrangement be approved; and

    (b) any other Order that this Court deems appropriate in the circumstances.

98. This Application is well founded in fact and in law.

WHEREFORE MAY IT PLEASE THIS COURT TO:

FOR THESE REASONS, THE COURT:

<u>As to the Interim Order</u>

[1] **GRANT** the Interim Order sought in the Application;

[2] **DISPENSE** the Applicant of the obligation, if any, to notify any person other than the AMF with respect to the Interim Order;

[3] **ORDER** that all Shareholders as well as the holders of Options, as each is respectively defined in the Circular (Exhibit P-1), as well as 9494-3677 Québec Inc. (the "**Purchaser**"), be deemed parties, as Impleaded Parties, to the present proceedings and be bound by the terms of any Order rendered herein;

The Meeting

[4] **ORDER** that the Applicant may convene, hold and conduct a special meeting of Shareholders (the "**Meeting**") to be held as a virtual-only meeting conducted by live videoconference on September 12, 2023, commencing at 11:00 am (Montréal time), at which time the Shareholders will be asked, among other things, to consider and, if thought appropriate, to pass, with or without variation, a special resolution approving the arrangement (the "**Arrangement Resolution**") substantially in the form set forth in Appendix B of the Circular to, among other things, authorize, approve and adopt the Arrangement, and to transact such other business as may properly come before the Meeting, or any postponement or adjournment thereof, the whole in accordance with the notice of the Meeting, terms, restrictions and conditions of the articles and by-laws of the Applicant, the QBCA, the Interim Order, and the rulings and directions of the chair of the Meeting, provided that to the extent there is any inconsistency between the Interim Order and the terms, restrictions and conditions of the articles and by-laws of the Applicant or the QBCA, the Interim Order shall prevail;

[5] **ORDER** that Shareholders who participate in and/or vote at the Meeting virtually be deemed to be present at the Meeting for all purposes, including quorum;

[6] **ORDER** that in respect of the vote on the Arrangement Resolution or any matter determined by the Chair of the Meeting to be related to the Arrangement, each registered holder of Shares shall be entitled to cast one vote in respect of each such Share held;

[7] **ORDER** that, on the basis that each registered holder of Shares be entitled to cast one vote in respect of each such Share for the purpose of the vote on the Arrangement Resolution, the quorum for the Meeting is fixed at two (2) persons present virtually and who are themselves Shareholders entitled to vote at such meeting, or proxyholders for an absent shareholder entitled to vote at such meeting and representing personally or by proxy, in aggregate, ten (10%) of all of the outstanding Shares;

[8] **ORDER** that the only persons entitled to attend, be heard or vote at the Meeting (as it may be adjourned or postponed) shall be the registered Shareholders as at close of business (Montréal time) on August 8, 2023 (the "**Record Date**"), their proxyholders, and the directors and advisors of the Applicant and of the Purchaser, provided however that such other persons having the permission of the Chair of the Meeting shall also be entitled to attend and be heard at the Meeting;

[9] **ORDER** that for the purpose of the vote on the Arrangement Resolution, or any other vote taken by ballot at the Meeting, any spoiled ballots, illegible ballots and defective ballots shall be deemed not to be votes cast by Shareholders and further **ORDER** that proxies that are properly signed and dated but which do not contain voting instructions shall be voted for the Arrangement Resolution;

[10] **ORDER** that the Applicant, subject to compliance with the terms of the Arrangement Agreement, if it deems it advisable, be authorized to adjourn or postpone the Meeting on one or more occasions (whether or not a quorum is present), without the necessity of first convening the Meeting or first obtaining any vote of Shareholders respecting the adjournment or postponement; further **ORDER** that notice of any such adjournment or postponement shall be given on the Applicant's website (https://iouFinancial.com/), by press release, newspaper advertisement or by mail, as determined to be the most appropriate method of communication by the Applicant's Board of Directors (the "**Board of Directors**"); further **ORDER** that any adjournment or postponement of the Meeting will not change the Record Date for Shareholders entitled to notice of, and to vote at, the Meeting and further **ORDER** that any subsequent reconvening of the Meeting, all proxies will be voted in the same manner as the proxies would have been voted at the original convening of the Meeting, except for any proxies that have been effectively revoked or withdrawn prior to the subsequent reconvening of the Meeting;

[11] **ORDER** that the Applicant and the Purchaser may amend, modify and/or supplement the Plan of Arrangement at any time and from time to time prior to the Effective Time, provided that each such amendment, modification and/or supplement must: (i) be set out in writing; (ii) be approved by the Purchaser and the Applicant, each acting reasonably; (iii) subject to paragraphs [14] and [15] of the Interim Order, be filed with the Court and, if made following the Meeting, approved by the Court; and (iv) be communicated to the Affected Securityholders if and as required by the Court;

[12] **ORDER** that notwithstanding paragraph [11] of the Interim Order, any amendment, modification or supplement to the Plan of Arrangement may be proposed by the Applicant or the Purchaser at any time prior to the Meeting (provided that the Applicant or the Purchaser, as applicable, shall have consented thereto in writing) with or without any other prior notice or communication (except to the extent required by the Court), and if so proposed and accepted by the Shareholders voting at the Meeting (other than as may be required under the Interim Order), shall become part of the Plan of Arrangement for all purposes;

[13] **ORDER** that notwithstanding paragraph [11] of the Interim Order, any amendment, modification or supplement to the Plan of Arrangement that is approved or directed by the Court following the Meeting shall be effective only if: (i) it is consented to in writing by each of the Purchaser and the Applicant (in each case, acting reasonably); and (ii) if required by the Court, it is consented to by some or all of the Shareholders voting in the manner directed by the Court;

[14] **ORDER** that notwithstanding paragraph [11] of the Interim Order, any amendment, modification or supplement to the Plan of Arrangement may be made by the written consent of each of the Applicant and the Purchaser following the granting of the Final Order without filing such amendment, modification or supplement with the Court or seeking Court approval, provided that (i) it concerns a matter which, in the reasonable opinion of the Parties, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the interest of any Shareholders, or (ii) is an amendment contemplated in paragraph [15] of the Interim Order;

[15] **ORDER** that any amendment, modification or supplement to the Plan of Arrangement may be made following the Effective Date unilaterally by the Purchaser, without communication to former holders of Affected Securities, provided that it concerns a matter that, in the reasonable opinion of the Purchaser, is of an administrative nature required to better give effect to the implementation of the Plan of Arrangement and is not adverse to the economic interest of any former holder of Affected Securities;

[16] **ORDER** that the Applicant is authorized to use proxies at the Meeting; that the Applicant is authorized, at its expense, to solicit proxies on behalf of its management, directly or through its officers, directors and employees, and through such agents or representatives as it may retain for that purpose, and by mail or such other forms of personal or electronic communication as it may determine; and that the Applicant may waive, in its discretion, the time limits for the deposit of proxies by the Shareholders if it considers it advisable to do so;

[17] **ORDER** that, to be effective, the Arrangement Resolution, with or without variation, must be approved by the affirmative vote of: (i) not less than 66 2/3% of the votes cast on the Arrangement Resolution by the Shareholders present virtually or represented by proxy at the Meeting; and (ii) a simple majority of the votes cast on the Arrangement Resolution by Shareholders present virtually or represented by proxy at the Meeting, excluding for this purpose any person required to be excluded pursuant to MI 61-101; and further **ORDER** that such vote shall be sufficient to authorize and direct the Applicant to do all such acts and things as may be necessary or desirable to give effect to the Arrangement and the Plan of Arrangement on a basis consistent with what has been disclosed to the Shareholders in the Notice Materials (as defined below);

The Notice Materials

[18] **ORDER** that the Applicant shall give notice of the Meeting, and that service of the Application for a Final Order shall be made by mailing or delivering, in the manner hereinafter described and to the persons hereinafter specified, a copy of the Interim Order, together with the following documents, with such non-material amendments thereto as the Applicant may deem to be necessary or desirable, provided that such amendments are not inconsistent with the terms of the Interim Order (collectively, the "**Notice Materials**"):

(a) the Notice of Meeting substantially in the same form as contained in Exhibit P-1;

(b) the Circular substantially in the same form as contained in Exhibit P-1;

(c) to the registered Shareholders, a Form of Proxy substantially in the same form as contained in Exhibit P-5;

(d) to the registered Shareholders, a Letter of Transmittal substantially in the same form as contained in Exhibit P-6;

(e) a notice substantially in the form of the draft filed as Exhibit P-7 providing, among other things, the date and time for the hearing of the Application for a Final Order, and that a copy of the Application can be found on the Applicant's website (https://iouFinancial.com/) (the "**Notice of Presentation of the Final Order**");

[19] **ORDER** that the Notice Materials shall be distributed:

(a) to the registered Shareholders by mailing the same to such persons in accordance with the QBCA and the Applicant's by-laws at least twenty-one (21) days prior to the date of the Meeting;

(b) to the non-registered Shareholders, in compliance with National Instrument 54-101 – *Communication with Beneficial Owners of Securities of a Reporting Issuer* (in Québec, *Regulation 54-101 respecting Communication with Beneficial Owners of Securities of a Reporting Issuer*);

(c) to the holders of Options, by delivering same at least twenty-one (21) days prior to the date of the Meeting in person, by e-mail or by recognized courier services, provided, however, that if such a holder is also a Shareholder, the distribution of the materials in accordance with paragraphs (a) or (b), as applicable, above will comply with the notice requirement;

(d) to the Applicant's directors and auditors, by delivering same at least twenty-one (21) days prior to the date of the Meeting by e-mail or by recognized courier service; and

(e) to the AMF, by delivering same at least twenty-one (21) days prior to the date of the Meeting by e-mail to secretariat@lautorite.qc.ca;

[20] **ORDER** that a copy of the Application be posted on the Applicant's website (https://iouFinancial.com/) at the same time the Notice Materials are mailed to registered Shareholders;

[21] **ORDER** that the Record Date for the determination of the Shareholders entitled to receive the Notice Materials and to attend and be heard at the Meeting and vote on the Arrangement Resolution shall be close of business (Montréal time) on August 8, 2023;

[22] **ORDER** that the Applicant, subject to compliance with the terms of the Arrangement Agreement, may make, in accordance with the Interim Order, such additions, amendments or revision to the Notice Materials as it determines to be appropriate (the "**Additional Materials**"), which shall be distributed to the persons entitled to receive the Notice Materials pursuant to the Interim Order by the method and in the time determined by the Applicant to be most practicable in the circumstances;

[23] **DECLARE** that the mailing or delivery of the Notice Materials and any Additional Materials in accordance with the Interim Order as set out above constitutes good and sufficient notice of the Meeting upon all persons, and that no other form of service of the Notice Materials and any Additional Materials or any portion thereof, or of the Application need be made, or notice given or other material served in respect of the Meeting to any persons;

[24] **ORDER** that the Notice Materials and any Additional Materials shall be deemed, for the purposes of the present proceedings, to have been received and served upon:

(a) in the case of distribution by mail, three (3) business days after delivery thereof to the post office;

(b) in the case of delivery in person or by courier, upon receipt thereof at the intended recipient's address; and

(c) in the case of delivery by e-mail, on the day of transmission;

[25] **DECLARE** that the accidental failure or omission to give notice of the Meeting to, or the non-receipt of such notice by, one or more of the persons specified in the Interim Order shall not invalidate any resolution passed at the Meeting or the proceedings herein, and shall not constitute a breach of the Interim Order or defect in the calling of the Meeting, provided that if any such failure or omission is brought to the attention of the Applicant, it shall use reasonable efforts to rectify such failure or omission by the method and in the time it determines to be most reasonably practicable in the circumstances;

Dissent Rights

[26] **ORDER**, pursuant to subsection 416, al. 2(5) of the QBCA, that the registered Shareholders shall be entitled to exercise the right to demand the repurchase of their Shares (the "**Dissent Rights**") in accordance with the "Dissent Rights" mechanism set forth in the proposed Plan of Arrangement and that sections 377 to 388 of the QBCA (subject to the terms of the Interim Order) shall apply *mutatis mutandis* to the exercise of such Dissent Rights;

[27] **ORDER** that any registered Shareholder (whether on its own behalf or on behalf of a non-registered Shareholder) who wishes to exercise a Dissent Right:

(a) shall deliver a written notice of objection to the Arrangement Resolution (a "**Dissent Notice**") to the Applicant so that, notwithstanding section 376 of the QBCA, it is received by the Applicant's Chief Financial Officer and Corporate Secretary, Daniel O'Keefe, by e-mail at dokeefe@ioufinancial.com by no later than 5:00 p.m. (Montréal time) on September 8**,** 2023, or 5:00 p.m. (Montréal time) on the second business day prior date that any adjourned or postponed Meeting is reconvened or held, as the case may be, and must otherwise strictly comply with the dissent procedure described;

(b) shall have been a Shareholder as of the Record Date and as of the deadline for exercising Dissent Rights;

(c) must dissent with respect to all of the Shares held by such person, failing which the Shareholder's Dissent Notice shall be null and void; and

(d) must otherwise comply with the requirements of Chapter XIV of the QBCA, as modified by the Plan of Arrangement, the Interim Order and the Final Order;

[28] **DECLARE** that a Shareholder who has submitted a Dissent Notice and who fails to exercise all the voting rights carried by the Shares held by such holder against the Arrangement Resolution shall no longer be considered as having exercised his, her or its Dissent Rights, and that a vote against the Arrangement Resolution, or an abstention from voting, shall not constitute a Dissent Notice;

[29] **ORDER** that any registered Shareholder wishing to apply to a Court to fix a fair value for Shares in respect of which Dissent Rights have been duly exercised must apply to the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal;

The Final Order Hearing

[30] **ORDER** that subject to the approval by the Shareholders of the Arrangement Resolution in the manner set forth in the Interim Order, the Applicant may apply

for this Court to approve the Arrangement by way of a final judgment (the "**Application for a Final Order**");

[31] **ORDER** that the Application for a Final Order be presented on September 15, 2023 at 2:15 pm (Montréal time) before the Superior Court of Québec, sitting in the Commercial Division in and for the district of Montréal at the Montréal Courthouse located at 1 Notre-Dame Street East, City of Montréal, Province of Québec, in room 16.04 or at any other time, date and place as this Court may see fit;

[32] **ORDER** that the mailing or delivery of the Notice Materials constitutes good and sufficient service of the Application and good and sufficient notice of presentation of the Application for a Final Order to all persons, whether those persons reside within Québec or in another jurisdiction;

[33] **ORDER** that the only persons entitled to appear and be heard at the hearing of the Application for a Final Order shall be the Applicant and the Purchaser and their respective legal counsel and any person that:

(a) by service upon counsel to the Applicant c/o Davies Ward Phillips & Vineberg LLP (Attention Mtre Faiz Lalani), either by fax (514-841-6499) or e-mail (flalani@dwpv.com), with a copy to the Purchaser c/o Stikeman Elliott LLP (Mtre Stéphanie Lapierre and Mtre Nathalie Nouvet, either by fax (514-397-3222) or e-mail (slapierre@stikeman.com and nnouvet@stikeman.com) serves a notice of appearance in the form required by the Code of Civil Procedure and the rules of the Court and any additional affidavits or other materials on which a party intends to rely in connection with any submissions at such hearing, as soon as reasonably practicable, and, in any event, no later than 4:30 p.m. (Montréal time) at least five (5) business days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time); and

(b) if such appearance is with a view to contesting the Application for a Final Order, serves on counsel for the Applicant (at the above e-mail address or facsimile number), with copy to counsel for the Purchaser (at the above e-mail address or facsimile number), no later than 4:30 p.m. (Montréal time) at least five (5) business days immediately preceding the date of the Meeting (as it may be adjourned or postponed from time to time), a written contestation supported as to the facts alleged by affidavit(s), and exhibit(s), if any;

[34] **ALLOW** the Applicant to file any further evidence it deems appropriate, by way of supplementary affidavits or otherwise, in connection with the Application for a Final Order;

Miscellaneous

[35] **DECLARE** that the Applicant shall be entitled to seek leave to vary the Interim Order upon such terms and such notice as this Court deems just;

[36] **REQUEST** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada, the Federal Court and any judicial, regulatory or administrative of body of any other nation or state, to assist the Applicant and its agents in carrying out the terms of the Interim Order;

[37] **ORDER** provisional execution of the Interim Order notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[38] **DECLARE** that this Court shall remain seized of this matter to resolve any difficulty which may arise in relation to, or in connection with the implementation of the Interim Order and/or the Arrangement;

[39] **THE WHOLE** without costs.

As to the Final Order

[41] **GRANT** the Final Order sought herein;

[42] **DECLARE** that service of the Application has been made in accordance with the Interim Order, is valid and sufficient, and amounts to valid service of same;

[43] **DECLARE** that the Arrangement has been duly adopted in accordance with the Interim Order;

[44] **DECLARE** that the Arrangement conforms with the requirements of the QBCA, has a valid business purpose, resolves in a fair and balanced way the objections of those whose legal rights are being arranged, and is fair and reasonable;

[45] **DECLARE** that the terms and conditions of the Arrangement are procedurally and substantively fair and reasonable to the Shareholders, to the holders of Options and to the Applicant;

[46] **DECLARE** that the Arrangement is hereby approved and ratified and **ORDER** that the Arrangement, as it may be amended in accordance with the Interim Order, shall take effect in accordance with the terms of the Plan of Arrangement at the Effective Time, as defined therein;

[47] **ORDER** provisional execution of the Final Order sought notwithstanding any appeal therefrom and without the necessity of furnishing any security;

[48] **REQUEST** the aid and recognition of any court or any judicial, regulatory or administrative body in any province or territory of Canada, the Federal Court and any judicial, regulatory or administrative of body of any other nation or state, to assist the Applicant and its agents in carrying out the terms of the Final Order;

[49] **DECLARE** that this Court shall remain seized of this matter to resolve any difficulty which may arise in relation to, or in connection with the implementation of the Arrangement;

[50] **RENDER** any other Order that this Court deems appropriate in the circumstances;

[51] **THE WHOLE** without costs, save and except in case of contestation, in which case with costs against any contesting party.

Montréal, August 4, 2023

Davies Ward Phillips & Vineberg LLP

DAVIES WARD PHILLIPS & VINEBERG LLP
Lawyers for the Applicant, IOU Financial Inc.

No. 500-11-062691-239

S U P E R I O R C O U R T

(Commercial Division)

District of Montréal

IN THE MATTER OF A PROPOSED ARRANGEMENT CONCERNING: IOU FINANCIAL INC.

IOU FINANCIAL INC.,

Applicant

v.

9494-3677 QUÉBEC INC. et al.

Impleaded Parties

APPLICATION FOR INTERIM AND FINAL ORDERS IN CONNECTION WITH A PROPOSED ARRANGEMENT (Sections 414 and ff., *Business Corporations Act,* CQLR, c. S-31.1 ("QBCA"))

ORIGINAL

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